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## Correlation of Logistics and Marketing Functions in Modern Russia

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**Abstract:**

*The aim of the article is to consider the correlation of logistics and marketing functions, which consists in the rather simple phrase: Marketing creates support and increases the demand and Logistics provides it by creating of various systems and schemes of goods traffic (rival and non-rival form) and controlling their passage.*

*The relevance is that for successful modern business management there is a need to establish an effective system of interaction between marketing and logistics, which requires paying attention to the problems arising in the framework of this cooperation, as well as on the possibility of leveling.*

**Key Words:** Logistics, Marketing, Merchandising, Planning, Design, Supply, Control, Management

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## **Introduction**

Despite the fact that the general principles of business process management in the international arena as a whole do not differ from the principles of business process management on a national scale, of course, both of them have their own features, mainly related to marketing and logistics tasks.

Development of marketing and logistics as a separate sphere and functions of production and treatment defines now, on the one hand, the need of a clear distinction, including the range of functional tasks, and on the other hand – the need for effective integration of these two areas. This task is complicated in the case of international business process management in the context of globalization as well as in case of different kinds of sanctions restrictions between countries. Solutions in logistics sphere do not focus on taking into account cultural, traditional and other features of a particular product market, which characterizes the national or local society, serious international marketing is necessary for this.

In recent years, the interest of Russian companies in foreign markets has increased considerably, wherein to single out any particular area of interest is very difficult: software development companies and furniture manufacturers, suppliers of building materials and many others are aimed for going beyond the borders of Russia. As for their territorial preferences, they are also different: in addition to Europe, companies are interested in Asian and American countries (Guzelbaeva, 2011).

Access to foreign markets for Russian businessmen is characterized by the need to develop new principles of business process management, to use new knowledge, to assess cultural and international values of different countries, to decide fundamentally new challenges of marketing and logistics.

## **Rationale**

Correlation of logistics and marketing functions which consists in the rather simple phrase: Marketing creates support and increases the demand and Logistics provides it by creating of various systems and schemes of goods traffic (rival and non-rival form) and controlling their passage. At the same time, in terms of pricing, marketing and logistics need to move in the same direction: to establish the competitive price. Marketing strives to achieve this condition by examining the market (consumer preferences, the level of competitor's prices, price elasticity of demand, etc.), taking into account national peculiarities of the market, through the use of certain marketing tools (discounts, different «price programs» etc.). The Logistics is aimed to achieve this condition due to the standardization of production, elimination of redundant, duplicated operations, identifying and removing the various types of losses on the basis of new transportation technologies, storage, packaging, labeling and other processes of product distribution and optimization of resources movement of all kinds, i.e. by achieving saving effect.

A number of foreign and Russian scientists have recently considered the questions of interconnection between business processes, marketing and logistics in terms of international business. From a practical point of view, Russian companies have long been in need of such solutions. For the last 2-3 years the number of companies which strive to carry out the study of foreign markets in order to reach them has increased, herewith the research increasingly involves the study of marketing and logistics experience of Russian companies-competitors that have already carried out deliveries abroad, as well as the analysis of companies' activity of the country the market of which should be explored. Unfortunately, the individual studies of this kind or made-to-order studies are very expensive, therefore small and medium sized business companies generally prefer to act intuitively, and more large companies study the secondary information and statistical analysis of foreign trade operations.

Single out the following tasks performed by Marketing Service in a manufacturing enterprise:

- Environmental analysis and market research.
- Analysis of the consumer.
- Product planning, assortment specialization of production.
- Planning of services, optimization of market behavior of the most advantageous marketing services.

If the first two problems can be solved by the Marketing Service without participation of the Logistics Service, the third and the fourth problems must be solved jointly.

For example, the Marketing Service substantiated the need to release a new kind of product, and then the task of the Logistics Service is to provide the production with raw materials, inventory management, transportation, and all in the context of a new product. Solving the fourth problem marketing defines the strict confines of the logistics service requirements for the physical distribution. These requirements performed by the logistics system.

In general, the activities of Logistics and Marketing services are closely intertwined in the company. We show their correlation by an example of the production of beverage bottled in Tetra Pak. Package decor – is the Marketing function. Strength of packaging is the Logistics function. The volume of the package is both marketing and logistics function. The geometrical parameters of the package are mostly logistics function. Application of the bar code, allowing keeping track of each product unit – is largely a logistics task. However, considering that the presence of a bar code on the packaging is one of the factors that motivate to buy; its application can be recommended by the marketing service as well.

A national model of the Russian economy should organically include the program of its construction, which will simultaneously allow determining the conditions of the appropriateness of marketing and logistics (carrying out marketing policy, creation

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of marketing departments, Logistization of commercial and state structures, creation of logistical systems, etc.) on the different stages of reform.

We are talking as about creation of the necessary conditions at the logistization structures and marketing applications, and also about the modification of traditional forms and methods of modern logistics and marketing for its productive use in the Russian reality in the process of forming of a national model.

## **Discussion**

Most frequently marketing means the complex system of organizing the production and sales of products. This system focuses on satisfaction of specific customers' needs and profit-making based on market research and forecasting, on the study of internal and external environment of the company, on developing a strategy and tactics of behavior in the market by means of marketing programs. It should be emphasized that the marketing – it is also a philosophy of doing business, the concept of activity in the market, the process of creation and reproduction of end consumers' demand for certain goods for profit, the algorithm of actions in response to customer requests by the product itself, and a number of factors related to the creation, delivery and consumption of this product (Akopova and Przhedetskaya, 2016). The competition encourages firms to seek new opportunities to improve the competitiveness, covering those areas that have not previously been considered a source of gain firm position in the market. Competition occurs constantly and becomes more dynamic.

However, marketing product orientation should be supplemented by object orientation to specific consumer (this most clearly manifested on the wholesale market by means of production) this became the subject of a relatively new business area now called logistics (Akopova *et al.*, 2017; Stroeva *et al.*, 2015; Tyaglov *et al.*, 2017; Kolchanova and Kolchanova, 2016; Liapis *et al.*, 2013; Medvedeva *et al.*, 2016; Theriou, 2015; Dasanayaka and Sardana, 2015).

The existing one put forward the resource factor as the main condition for the firm's existence and development, the introduction of a qualitatively new system of resource-saving technologies as in the sphere of production and also of an exchange. At this stage, the consumer expects to maintain the current level of consumption and quality of life without increasing overhead. Manufacturers are oriented to a specific consumer, seeking to satisfy his needs at the lowest total cost in the areas of production and circulation. The logistics concept is increasingly used; it is considered by decision-makers as an effective reasoned approach to the management in order to reduce both the overall costs, and the costs of production (Guzelbaeva, 2015).

Logistics offers a new logic of cumulative (material, financial, etc.) resources management and allows providing close coordination of proper logistics

organization and production strategy. The results of the implementation of this strategy are: the necessary range of shares in the right place at the right time; coordination of external and internal transport, guaranteeing on-time delivery in accordance with production requirements; synchronicity of storage facilities and transport and compliance of package with transportation requirements that allows to minimize a resource consumption, to reduce distributed shares, and finished goods inventory; synchronization of customer orders and transportation services. Logistics – is the theory and practical activity of organizing and managing the motion processes of a single set of material, financial, labor, information and legal flow in the system of the market economy. Logistics now appears as a modern competitive strategy of business entities, the purposive factor of which is the resource-saving algorithm of entrepreneurship; as a systematic approach, representing the movement and development of material, information, financial and human resources in terms of flows and shares; as the algorithm of organization of rational movement of material flows and associated information and finance flows at all stages of the reproductive process; as a kind of business activity that specializes in the purchase, storage and delivery of raw materials supplies and products to the consumer.

On the issue of the marketing and logistics relationship, there are three positions. The first position is that the logistics arises and has the right to exist only as a part of the marketing concept. It is considered that in the 1960s from the marketing concept stood out the range of problems related, firstly, to providing the production process with resources (material, energy, labor), and secondly – the rationalization of the sales process in conditions of increasing competition. The basis of this process was an objective reason – a significant increase of the total cost for the formation and maintenance of a stock, as well as for the organization of the forwarding activity. At the same time, a progressive specialization of enterprises forced to deal seriously with the problems of optimization of economic relations. The subject of special attention became the issues related to promotion of material resources in distribution channels. This was the reason and the main influencing factor for the logistics concept formation.

Proponents of this position believe that if the marketing – it is the whole process of the advertisement, creating demand in the market, sales management and promotion of goods to the consumer, the physical action of products preparation, processing, distribution and displacement are the part of this process.

Proponents of the second position believe that perhaps it was earlier – in the gestation period and the formation of the concept of logistics. Currently, however, the logistics has long gone beyond the scope originally allocated to it. Moreover, it is now marketing should be considered a part of the theory and practice of logistics, which is engaged in the study and management of material and information flows in internal and external environment of the enterprise that is, at the micro and macro levels. In addition, the logistics carefully deal with the problems of feedback control of both physical and informational, and organizational aspects.

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Proponents of the third position (centrists) consider that marketing and logistics are separate areas of production and economic activity closely related to each other. In essence, business entities may use marketing and logistics independently of each other. At the same time it should be stressed that the highest synergistic effect can be obtained only by skillful use of both concepts simultaneously.

One of the most important functions of logistics is the efficient organization of logistical support of customers.

In the context of «buyer's market» consumers place high demands of this process, which are not only in an effort to meet the production needs of the material and technical resources, but also in obtaining convenient logistic service at a minimal cost level. To comply with these requirements fully and to satisfy the consumers an active marketing work is essential.

At the same time, producer, using marketing concept, is not able to promote effectively its products on the market, if questions about logistics service are not solved in one way or another (Albekov *et al.*, 2017). This problem is even more acute in circumstances when at market saturation the quality and price of a commodity as motivational criteria of consumers sidelined. At the initial stage of forming the logistics system, logistics goals are often in conflict with marketing objectives. For example, the reduction of finished product shares is not always acceptable for marketing services, as this can cause the loss of sales in the case of growth of demand and the commodity reserves absence. Reducing stockpiles of material and technical resources at the stage of provision of enterprise scares not only the marketing specialist but also producers. The first one fears the lack of the necessary reserves for the organization of new or modified production output. The second one, while minimizing inventories, is afraid of possible production downtime at disrupting the supply (Guzelbaeva and Pachkova, 2015).

In this regard, it must be emphasized that the negative moments in logistics function's performance are often caused by marketing failures and temporary additional costs of eliminating the impact of supply disruption may not always be an excuse to poorly substantiate increase of the constant total cost of logistics.

In a comparative analysis the values may be incommensurable. As a rule, in the future for improving logistics and marketing systems in the enterprise the number of inconsistencies are not only reduced, but the preventive maintenance of specific situations and forecast expectations is carried out regularly. This affects the mutual interference of marketing and logistics (Ryzhkova and Prosvirkin, 2015).

Logistics pays much attention to the development of marketing tactics. For example, the company, even if it wants to, cannot choose the tactic of individualized offers, when the implementing system based on spontaneous one-time sales, if the logistics system is not prepared for this.

In another case, if the delivery system to a certain group of consumers worked out and has the potential to improve, this factor may be a premise for enhancing the impact of marketing on the market due to the sector.

Leading companies take into account the logistical problems not only in the operational planning, but also in market forecasting, as the search for the right solutions is the basis for the development of the producer logistics system, distribution network development and the formation of logistics channels, as well as financial and investment planning of this area (Epifavova *et al.*, 2016; Frank *et al.*, 2016). The level of the logistics system development and its state has a decisive impact on the choice of distribution channel in marketing activities. In practice, often to search the potential opportunities to cost reduction, not only in the sphere of circulation, but also in the production, Activity Based Costing is used.

Thus, the desire to reduce marketing costs for the organization of goods movement by reducing the number of warehouses and inventory levels, or change the type of transportation can significantly affect the quality of logistics services. In this regard, to preserve the market position the company may require more funds than the savings to strengthen marketing activities in other areas.

Implementation of the fourth marketing function is also characterized by the integration of the logistics. Advertising of goods using vehicles considered being very effective and the strongest arm for sales promotion has always been and remains the manipulation of supply conditions and tariffs for transportation. Expansion of logistics services more increases the catalytic role of logistics in marketing (Bondarenko *et al.*, 2017).

Thus, we can conclude that the logistics and marketing are two equivalent concepts of a single field of functional applications, unified, ultimate goals, but different instruments and the subject of interest. Household structures using in its activity marketing concept, sooner or later have to create the appropriate logistics system, and further improve it, increasing the quality of the logistics processes and the level of integration with other management functions. In respect of marketing, logistics allows more successfully coordinate different factors in a wide range of production and industry with any amplitude of territorial coverage in a dynamic socioeconomic sphere (Sharashkina, 2016).

In the process of market relations, development products individualization trend and the complication of its implementation are becoming increasingly evident. The systems of processing, delivery and the whole logistics services in different market segments may differ significantly from both requirements, and by defining parameters. Application of the logistics concept allows standardizing in a certain way and to meet the dynamic needs of individual segments and the market in general.

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In the context of «buyer's market» new product development cycle becomes longer. At the same time, there is a tendency to reduce the product life cycle. To reduce the risks of complications of the sale of goods, producers aim to create a flexible and fully consistent power distribution and this is – a sphere of logistics. Therefore, its condition and level of development are having an increasing impact on the adaptability of enterprise in the turbulent environment of market processes.

Activities in the field of logistics have the ultimate goal that can be achieved by following six conditions, making up together the basic concept of logistics:

1. The right product
2. Of the required quality
3. In the required quantity
4. Delivered in time
5. To the right place
6. With the minimum cost.

Logistics can also be used for internal trade flows for their optimization, while the flow of information and mediating material flows are optimizing too. Methods of information logistics have their own specifics, however, serve the same six commandments which are «running the show» in the logistics in general.

Consider one of the options for interaction of logistics service with other services in some hypothetical enterprise. Relationship of logistics and marketing is the most significant. The main problems to be solved in a manufacturing enterprise by the Marketing service can be schematically described as:

- Environmental analysis and market research;
- Consumer analysis;
- Product planning, definition of assortment specialization of production;
- Planning services, optimization of market behavior in their most advantageous sales.

To address the third and especially the fourth task the combined efforts of marketing and logistics services are simply required. Let's clarify the last assertion. For example, the marketing service substantiated the need to release new product. Then, the task of logistics service will ensure the production of raw materials, inventory management, and transportation in the context of a new product. In solving the fourth problem the marketing service determines the strict confines of the requirements of logistic service for the material distribution. Naturally, these requirements are fulfilled by logistics service. Thus, in this particular type of activity logistics can be regarded as a tool in the implementation of marketing strategies.

Logistics service in the company works closely with the production planning. This is due to the fact that, firstly, the production should regularly issue finished goods and, therefore, give the amount of work for the supply of logistics. Secondly, production



depends on the timely delivery of raw materials and components in a certain amount and of a certain quality. And that is the harvesting logistics.

Well-established logistics service of the enterprise cannot only minimize transportation costs, but also greatly save on storage space, which ultimately has a positive effect on production costs. Conversely, a weak correlation of production with the logistics leads to increased inventory of different sites, creating an additional burden on production. The functional correlation of logistics service on enterprise with marketing services, finance and planning is illustrated in Table 1.

### **Concluding Remarks**

Modern economic relations stimulate the search for reserves, the determination of the most advantageous strategy. The techniques and methods developed in the framework of logistics serve this purpose. All these advantages of the logistical approach are particularly pleasant and tangible at their original planning in the course of drawing up a strategic marketing plan for the company's development. Of course, all the above applies equally to business firm's activities, which do not want to lose extra money due to the lack of logistics service development (Guzelbaeva, 2016).

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