

Z.B. Akhmetova<sup>1</sup> , Isaias Scalabrin Bianchi<sup>2\*</sup> , A.D. Assanova<sup>1</sup> 

<sup>1</sup>Al-Farabi Kazakh National University, Higher School  
of Economics and Business, Kazakhstan, Almaty

<sup>2</sup>Federal University of Santa Catarina, Brazil, Florianópolis

\*e-mail: isaias.bainchi@ufsc.br

## The logistics sector in Kazakhstan: a swot analysis

Logistics plays a significant role in the change and enhancement of economic measures as well as to the growth of business around the world. The framework is important for incorporation of Kazakhstan's economy into the global transport economy. The favorable geographical location of Kazakhstan between Europe and Asia defines its major transit transport capacity and provides an excellent opportunity to serve as a transcontinental Eurasian bridge, providing Asian countries with a single land transport link to Europe and Russia. Kazakhstan needs to make every effort to develop an effective and technologically upgraded transport system to promote the accelerated delivery to the foreign market of domestic exports of goods. The globalization of international economic correlative enforce new stipulation on the effectiveness of transport and logistics substructure and determines the need to improve transport technologies and provide appropriate logistics services. This article aimed at testing the logistics sector in the Republic of Kazakhstan. With the purpose of accomplish this goal, this study carried out a qualitative analysis based on the lens from theory with reports, articles and information about the logistics sector. Research findings were derived from swot analysis that shows the main problems and perspectives of the logistics sector. The article ends with suggestions and recommendations to the logistic sector.

**Key words:** logistics, transport, literature review, economy, Swot analysis.

З.Б. Ахметова<sup>1</sup>, И. Бианчи<sup>2\*</sup>, А.Д. Асанова<sup>1</sup>

<sup>1</sup>Әл-Фараби атындағы Қазақ ұлттық университеті

Экономика және Бизнес Жоғары мектебі, Қазақстан, Алматы қ.

<sup>2</sup>Санта-Катарина Федералды университеті, Бразилия, Флорианополис қ.

\*e-mail: isaias.bainchi@ufsc.br

### Қазақстандағы логистика секторы: свот талдау

Логистика – экономикалық көрсеткіштерді өзгертуде және жақсартуда, сондай-ақ бүкіл әлем бойынша бизнесті дамытуда маңызды рөл атқаратын құралдардың бірі. Қазақстан экономикасының әлемдік экономикаға интеграциялануында көлік шаруашылығы маңызды рөл атқаратын жүйесі. Қазақстанның Еуропа мен Азия арасындағы тиімді географиялық жағдайы оның транзиттік тасымалдар саласындағы елеулі көліктік әлеуетін алдын ала айқындайды және Азия елдеріне Еуропа мен Ресеймен бірыңғай жерүсті көлік қатынасын қамтамасыз ететін Еуразиялық трансконтиненталдық көпір ретінде әрекет етуге тамаша мүмкіндік береді. Қазақстан отандық тауарларды жедел жеткізуге ықпал ететін тиімді және технологиялық жағынан жаңартылған көлік жүйесін құру үшін барлық күш-жігерін жұмсау қажет. Халықаралық экономикалық қатынастардың жаһандануы көлік-логистикалық инфрақұрылымның тиімділігіне жаңа талаптар қояды және көлік технологияларын жетілдіру мен тиісті логистикалық қызметтерді көрсету қажеттілігін анықтайды. Бұл мақала Қазақстан Республикасындағы логистика саласын талдауға бағытталған. Осы мақсатқа жету үшін бұл зерттеу теория мен логистикалық қызмет саласы туралы есептерге, мақалаларға және ақпаратқа негізделген сапалы талдау жүргізді. Зерттеудің нәтижелері логистикалық сектордың күшті, әлсіз жақтарын, мүмкіндіктері мен қауіптерін анықтайтын свот-талдау болып табылады. Мақала логистика саласы бойынша ұсыныстармен аяқталады.

**Түйін сөздер:** логистика, көлік, әдеби шолу, экономика, свот талдау.

З.Б. Ахметова<sup>1</sup>, И. Бианчи<sup>2\*</sup>, А.Д. Асанова<sup>1</sup>

<sup>1</sup>Қазақхский национальный университет имени аль-Фараби,  
Высшая школа Экономики и Бизнеса, Казахстан, г. Алматы

<sup>2</sup>Федеральный университет Санта-Катарины, Бразилия, г. Флорианополис

\*e-mail: isaias.bainchi@ufsc.br

### Логистический сектор Казахстана: swot-анализ

Логистика – один из инструментов, который играет важную роль в изменении и улучшении экономических показателей, а также в развитии бизнеса во всем мире. В интеграции экономики Казахстана в мировое хозяйство важную роль играет транспортная система. Выгодное географическое положение Казахстана между Европой

и Азией предопределяет ее значительный транспортный потенциал в области транзитных перевозок и дает прекрасную возможность выступить в качестве Евразийского трансконтинентального моста, обеспечивающего азиатским странам единое наземное транспортное сообщение с Европой и Россией. Казахстану необходимо создать эффективную и технологически обновленную транспортную систему, способствующую своевременной поставке отечественной продукции на зарубежные рынки. Глобализация международных экономических отношений предъявляет новые требования к эффективности транспортно-логистической инфраструктуры и определяет необходимость совершенствования транспортных технологий и предоставления соответствующих логистических услуг. Данная статья направлена на анализ логистического сектора в Республике Казахстан. Для достижения этой цели в данном исследовании был проведен качественный анализ, основанный на теории и на отчетах, статьях и информации о сфере логистических услуг. Результаты этого исследования представляют собой swot-анализ, выявивший проблемные вопросы и перспективные направления для сектора логистики. Статья заканчивается предложениями и рекомендациями для логистической отрасли.

**Ключевые слова:** логистика, транспорт, обзор литературы, экономика, Swot-анализ.

## Introduction

Logistics plays a significant role in the change and enhancement of economic measures as well as to the growth of business around the world. The sector of logistics provides vital macro donations to national economy by creating employment, national income and foreign investment influx (Sezer & Abasiz, 2017; van Heeswijk, Mes, Schutten, & Zijm, 2020).

In the new period of the technological cycle and changes in global trends, modern society is facing fundamental changes in all areas of activity. The transport and logistics sector, thanks to its unique capabilities, has significantly increased the capabilities of its market, found new development prospects and explanation to many problems (Tijan, Aksentijević, Ivanić, & Jardas, 2019; van Heeswijk et al., 2020; Vivaldini, Pires, & Souza, 2012).

The world countries would like to integrate more actively for establishing a strong cooperation that helps to develop an effective transporting system. Such economic cooperation among countries fuel their bilateral interest (Orji, Kusi-Sarpong, Huang, & Vazquez-Brust, 2020; Sharapiyeva, Duissekul, Gulmira, & Zhanna, 2019).

Integrated transport and logistics infrastructure with the most unified elements. Such transit and logistics infrastructure must event the requirements of immense far and near and an acceptable level of organization and maintenance of supply channels.

The aim of this study is to analyze and discuss based on literature review the prospects and problems of transport and logistics services market development.

## Methods and Material

The literature review is essential for all types of academic work (Webster & Watson, 2002). Moreover, it is with the literature review process

that the knowledge base of theories and concepts about research in any area is developed. This article is a literature review about transport and logistics facilities in the Republic of Kazakhstan. In order to conduct this research, scientific works, scientific bibliographies of a theoretical and empirical nature were studied.

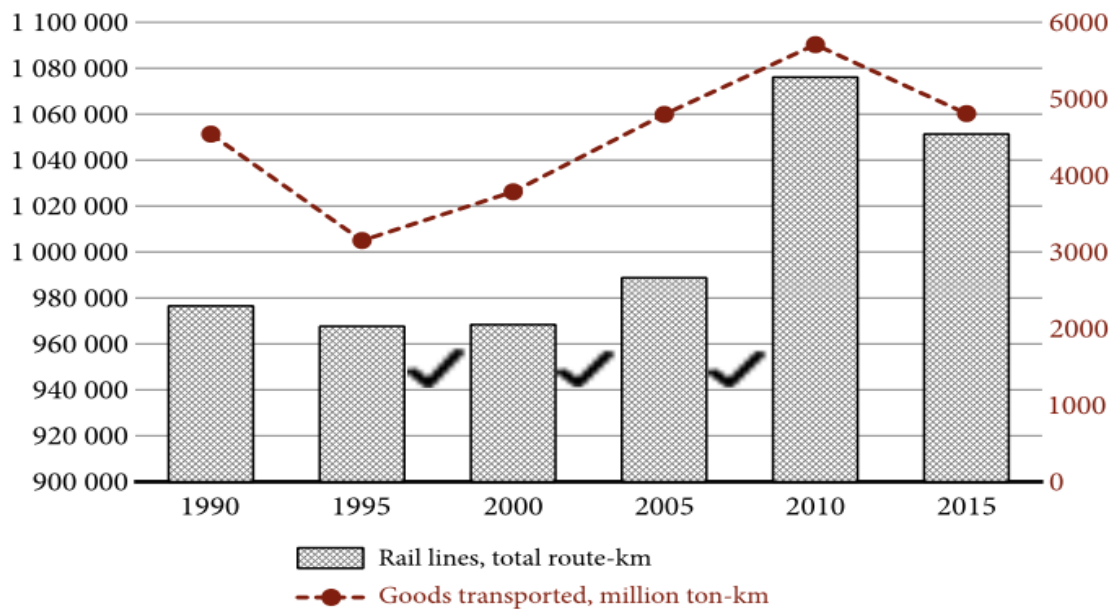
## Literature Review

The transport and logistics service development is connected with logistics development, defined by phases and ways in which logistics approaches are applied. The evolution of logistics systems includes the following stages of development (Ballou, 2006):

- fragmentation (1920-1950);
- formation (1960-ies);
- development (1970s);
- integration (1980-1990).

The logistics development is interpreted from the point of view of consumption outsourcing, taking into account the dynamics of the development of operators of logistics services (Park, 2013). Figure 1 shows the dynamics of increasing railway lines all over the world.

The industry has a variety of business models to choose from, but they are likely to overlap, and individual types are likely to operate on more than one model. In this note, we will look at logistics service providers (LSP), carriers, and courier / superexpress / parcel (CEP) companies. Yes postal operators are seen as majestic players in the context of logistics and CEP. Not so much the business models, but also the efficiency and difference are fundamentally different. Unlike other industries, the benefits in logistics are relatively small. Nevertheless, the EBIT margin is naturally swinging from -1% to 8%. While as whom carriers get close with a small profit, from time to time even if penniless, CEP's big brews become the most profitable group, reaching double-digit profits from time to time.



**Figure 1** – Changes in the overall length of railway lines and the worldwide amount of goods carried by rail between 2014 and 2019

The B2B and B2C parts are connected by customers in the logistics sector. Most of the corporate Bazaar can be combined with the B2B section, while the share of LSP and operators requires the largest portion of the industry’s

earnings. CEP transmits a smaller but rapidly progressing segment; and approximately thirty percent of CEP earnings can be directly attributed to the B2C section (Mišćević, Tijan, Žgaljić, & Jardas, 2018).

**Table 1** – Segmentation of customers and business models of the industry

Segment			Client
B2B	LSP	Freight forwarders, third-party logistics service providers	Freight forwarders, third-party logistics service providers
	carrier	Manufacturers, wholesalers and retailers	Manufacturers, wholesalers and retailers
	CEP	Cargo transportation, rail transportation, sea transportation and air transportation companies	Cargo transportation, rail transportation, sea transportation and air transportation companies
B2C	CEP	Logistics service provider	Logistics service provider

Constantly and indirectly, the role of items used in logistics infrastructure and during transporting affect creation of a universal transport and logistics services basket. The direct impact is reflected in the formation of new business efficiency segments in the field of motor transport and logistics, while the indirect impact is reflected in stimulating the growth of different configurations of entrepreneurship in different world forces (Yuen & Thai, 2017).

The requirements for the growth of entrepreneurship are focused on the continuity of

the spectrum of services and the implementation of the organization’s existing logistics methods. This evidence allows the multilateral evaluation of transport and logistics agreements for entrepreneurship growth to be carried out and can be used to perform research on the relationship. The review of the information given on the conditions of doing business in various countries provides the starting point for the decision to find out that they are paired with signs of the state of the infrastructure. The decision should emphasize that the state of the transport and logistics system

and the transport and logistics services sector is primarily a glorious moment and a guiding force in the major powers of the world for the growth of entrepreneurship. Despite the noble dynamics, in order to satisfy the universal demand for the transportation of goods, the current rate of growth of transport and logistics infrastructure is small. In the long run, the market for integrated logistics solutions is likely to grow, driven by brazhek's desire to outsource non-core functions to third parties (Erfurth & Bendul, 2017; López Navarro, 2013).

In 2010, the average length of railway lines and the amount of freight carried by this form of transport started to decrease. These patterns can be explained by a decline in traffic volumes in European countries and the United States, as well as by a rise in demand (Douet & Cappuccilli, 2011).

### Logistics in Kazakhstan

The logistics market in Kazakhstan is highly competitive. The market has both major global players (DHL) and major local players with rich experience and reputation (Kazpost, Alem Tat, etc.). There are different kind of companies from Kazakhstan, some of them focus on low prices, and others companies that focus on a wide range of additional services and short delivery times. Thus, almost all the traditional niches of this market are filled. Companies are working to optimize their service portfolio, develop new areas, and reduce costs. Those, actively trying to beat the competition (Porter, 2005). Figure 2 presents a chart with the volume of postal and courier services in the last fourteen years.

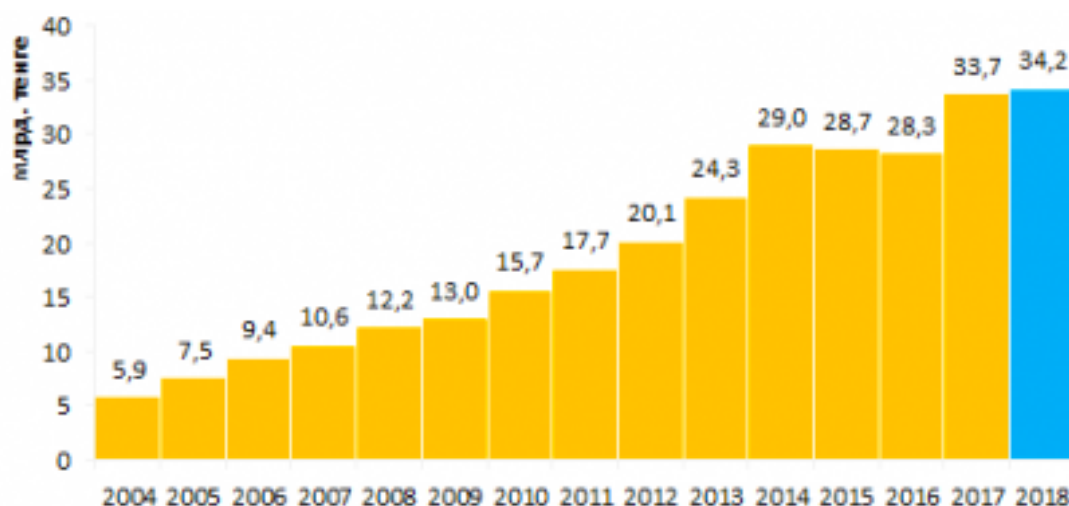


Figure 2 – Postal and postal service volumes in the Republic of Kazakhstan.

Logistics plays a majestic role in the country's growth within a large ideal economy. The creation of logistics is expected by almost many states to be one of the key points of stimulating the growth of the state economy. In turn, logistics can be an almost infinitely profitable sector. The excellent push of road logistics is estimated at 2.7 trillion us dollars, or about 7% of the world's GDP. The portion of road transport logistics in the educated countries accounts for 13-14% of GDP. As such, this lever appears to be a majestic source of state revenue.

Taking into account the share of GDP, Kazakhstan's leadership has repeatedly stressed that the production of road logistics is one of the most significant problems At the 25th World Foreign

Investors' Full Conference, held under the auspices of the President, it was noted that Kazakhstan is preparing to become the largest temporary and logistics center in the area of Churkestan, emerging as a bridge between Europe and Asia.

For the years 2015-2019, the National Infrastructure Development Program Code 'Nurly Zhol' indicates that the construction of the Single National Economic Bazaar must, in fact, be introduced by areas of the State in order to build a more efficient infrastructure based on the Hub Concept to ensure Kazakhstan's long-term economic growth. The development of transport and logistics infrastructure by 'spoke' concept is one of the primary problems of the software code.

The Kazakhstan 2050 strategy focuses on the fact that the production of industrial road transport and logistics goods outside Kazakhstan's borders is one of the major monolithic developments in transport and logistics services. It is important to organize corporate enterprises in the region and in all parts of the world and to organize road transport and

logistics centers in the primary temporary centers of the world.

## Results

In order to present a reflection of logistics sector in Kazakhstan, Table 2 presents a SWOT analysis.

**Table 2** – SWOT analysis of the logistics sector in Kazakhstan

Strength	Weakness
<p>Strength/Strengths</p> <ol style="list-style-type: none"> <li>1. The location of the government of the power and the commercial to improve road logistics</li> <li>2. a Solemn question on Kazakhstan's raw materials and products for outdoor and indoor bazaars asks for optimization of road transport costs.</li> <li>3. The recipe for external values of the EAIS customs clearance of goods will cause an increase in cargo flows and the development of road transport and warehouse logistics</li> <li>4. the passion of the countries of China, Kyrgyzstan, Tajikistan and Uzbekistan in developing land corridors through Kazakhstan to assist the needs of developing logistics.</li> <li>5. The supply of products for the intermodal transport asked the use of logistics</li> <li>6. The existence of independent economic zones, which should improve the logistics</li> <li>7. It is necessary to establish progressive transportation and logistics centers</li> </ol>	<ol style="list-style-type: none"> <li>1. Low level of logistics services</li> <li>2. The shortage of end grids is deprived of work after the borders of Kazakhstan, which increases the costs for logistics of cargo finishing.</li> <li>3. The disorder of logistics management</li> <li>4. missing road transport warning between areas in the West-East direction, which increases the cost of logistics.</li> <li>5. Low level of logistics usage for export, imported from other countries and temporary operations.</li> <li>6. The lack of providers and third-party logistics providers in a large country, only distant, as in the regions</li> <li>7. Low level of commercial interest in the development of public-private partnership in logistics</li> </ol>
Opportunity	Threat
<ol style="list-style-type: none"> <li>1. establishment of a National program code For developing logistics services in Kazakhstan.</li> <li>2. The bonds establish a three-tier transportation and logistics centers</li> <li>3. Increase the practice of creating transport and logistics centers beyond the borders of the country to reduce logistics costs (Seo, Dinwoodie, &amp; Roe, 2015)</li> <li>4. Actions in the area to attract export flows from Japan and the Republic of the Country of morning freshness through the terminal in Lianyungang</li> <li>5. Foreign logistics operators' chain.</li> <li>6/ Efforts are being made to develop transit air transport and establish a transit hub in Astana and Almaty.</li> <li>7. introduce a special course «logistics» in universities.</li> </ol>	<ol style="list-style-type: none"> <li>1. An oversight of economic resources in order to create a vast network of transport and logistics centers and terminals, as in the country of Kazakhstan, similarly abroad.</li> <li>2. short-term internal reserves for extracting loans in the field of logistics</li> <li>3. Noble profitable bids for external economic resources</li> <li>4. lack of interest of its own commercial in public-private partnerships in the field of logistics (Santén, 2017)</li> <li>5. The probability of transporting goods between China and the EU inspection in Kazakhstan.</li> <li>6. The location of the Russian Federation to improve personal logistics for the export-import of products with the use of domestic logistics operators logistics operators</li> </ol>

Based on the SWOT analysis, based on strengths and weaknesses, threats and opportunities, as can be seen in Table 2, it can be understood that the development of a highly efficient transport and logistics system in Kazakhstan is dictated by the development of China's Western and Central Provinces, which have good rail transport opportunities through Kazakhstan.

As follows from the European experience, it is appropriate to organize a line of international logistics centers (dry ports) in Kazakhstan, and

motor transport and logistics centers in places where temporary cargo flows occur and intersect. These hubs must be connected to Astana and transport and logistics centers by road, rail, and flight routes. In addition to radial routes, road transport and logistics centers must be connected by paths of regional and state significance.

Such dry ports are built in the west in the ports of Kuryk and Aktau and in the middle in Astana, focusing on the experiment of creating a dry port in the Khorgos FEZ – Oriental Gates. Such a system

will make it easier for internal logistics to develop and will increase exports. Ame! Ant. As a source in the Western, and similarly in the Eastern directions, import and transit stock. The internal transport and logistics network should be improved in addition to creating large international logistics centers. In the large towns transport and logistics centers should be built.

In the future, the capabilities of TLC will be merged in the field of «spokes» technology with the Central hub in Astana. The establishment and restoration of the 'Nurly Zhol' software code, which is costly between the main and regional TLCs, is scheduled for the purpose of unification until 2020. Regional TLCs will create a logistics infrastructure in which, distributed among smaller logistics centers created for storage, finishing and consolidation of products, one or another product will have every opportunity to exist.

Based on previous analysis about logistics in *Kazakhstan*, we would recommend suggestions for the improvement and development of the transport and logistics market.

- By establishing a well-functioning organization and controlling customs and technical procedures, find a way to coordinate the easy movement of products;
- Rationalize the samples available and the tariff policy
- Attracting and creating favorable conditions for major investors;
- Promotion of the legal structure for the transport of goods to the international transport of containers;
- Choose a balanced option for placing transport and logistics ensembles, taking into account the possibilities of developing the area and international transport corridors;
- Organize an enabling environment for the effective integration of the organization's transport

and logistics services to international markets for road transport services.

## Conclusion

This article aimed at analyzing the logistics sector in Kazakhstan. This study carried out a qualitative analysis based on the lens from theory with reports, articles and information about the logistics sector.

Based on our research, the internet not only brings a different image to all elements of the marketing suite, but also offers a new approach to potential customers in a very interesting, creative and cost-effective way.

Following facts can be identified:

- provide and create state support for the creation of an optimal and improved logistics system infrastructure;
- develop and improve logistics infrastructure in the country's regions;
- ensure efficient and optimal functioning of customs logistics;
- to reduce logistics costs in the supply chain;
- open courses in logistics at universities for the General mass of people;
- provide state funding to incorporate the transport and logistics infrastructure of Kazakhstan in the Euro-Asian transport and logistics system;
- to extend and develop the practice of the establishment of transport and logistics centers in the countries of origin of the main cargo flows;
- provide conditions to boost the competitiveness of the transportation and logistics system of the country;
- describe the company responsible for the production of logistics;
- We are persuaded, summing up the findings of the report, that the services market, as well as all types of activities at present, needs to use the latest formats of global trends.

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