PHYSICAL DISTRIBUTION, LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Muhcina Silvia

„OVIDIUS’ University of Constanta,
Constanta, 900532, Unirii 22 C, PA3, Ap. 1,
Tel: 0241-613198,
- e-mail: muhcina.mihai@rds.link.ro

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As a marketing mix element (near product development and management, pricing and promotion policies), distribution policy means a strategic decisions assembly concerning channels management, physical distribution, relationships between business partners: manufacturers, wholesalers, retailers, sales representatives and the like.

All these decisions affects not only the marketing costs but the whole organization efficiency and influence the consumers needs satisfaction level.

Because of global changes in business environment, now becoming a strategic imperative for economic organizations to address the management of the distribution function in general and in particular to devise a channel strategy which gains them access, coverage, representation in the market place.

Initially, „physical distribution” terms was used to described the physical movement of products from theirs’ origine point to the ultimate consumer.

The American Distinguished Professor Philip Kotler considered that physical distribution concept involves materials and products planning, implementation and physical control, from theirs’ origine point to the consuming points, as to satisfying consumers needs and getting profit for the organization [1].

These means that physical distribution is a whole process that concerne also materials and finished product, a physical (spacial) movement of goods from the manufacturers to intermediaries and finnally to the ultimate consumer.

Distribution accomplishes this by providing time and place utility, in other words, availability and its goals are like any other marketing goals: consumers satisfaction and profit for the firms.

After 80’, the marketers begin to use the logistics concept, an important way to get the competitive advantage.

In 1991, The Council of Logistics Management from the USA recognised the importance of logistics, concerning not only finished product planning, implementing and controlling process, but materials, unfinished products and conexes informations also, from the origin to the consume point, as to adapting and satisfying the clients needs.

So, the „Physical Distribution” concept was replaced by „Logistics” concept.

In to a report of a study on logistics of product distribution, the conclusion of The Council of Logistics Management was that „.... logistics ...can be a critical factor in ensuring the ucces of new products or other strategic initiatives”[2].

Logistics involves a managerial perspective on the whole decisionally process.

On some opinions, within the field of distribution, two distinct branches are recognized, but neither receives constant management attention. The development and management of the channels of distribution –the chain of intermediaries linking the producer with the ultimate consumer- is considered quite distinct from the logistics of moving the actual material in question: distribution channels involve relationships between business partners: manufacturers, wholesalers, retailers, sales representatives and the like and physical distribution involves the actual movement of products and thus focuses on how they are transported, stocked and warehoused [3].

We can see two different points of view.

From the customer’s point of view, this distinction is meaningless. Either the product can be purchased conveniently and delivered quickly and reliably or it cannot.

But from the company’s point of view, the activities associated with each branch of distribution are so different that they almost always receive separated treatment.

According the same opinion, logistics is run more or less out of the loading docks and thus has just about the lowest status of any activity. Distribution channels are usually run out of the sales department, wich traditionally ranks only slightly better than logistics in the corporate hierarchy.
In marketing literature is talking about the logistician mission as ..., bringing goods and services, on required conditions, in the right time and on the right place and assuring the biggest contribution to the firm’s benefits [4].

Unlike the marketing channel (which facilitate transactions by a good coordination between product, price and promotion activities) the logistic channel assure the spacial and temporal products and services availability.

The logistic channel become a major services assurance system for the consumers or a events adding value chaine [5].

The new way of organizing the company in which many of the activities that add value, even in the core manufacturing area are now spread among suppliers, partners and subsidiaries all around the world, can assuring competitive success.

Going from these perspective, on the manufacturing economic organization’s level, the marketing-management specialists considere that logistics system includes the next majores components [6]:

- **Physical distribution**, which means the whole operations and activities assembly that assure products availability for the firm’s clients, providing quantity, time and place utilities, concording to the bottom marketing channels’ expectations where the organization is involved.
- **Manufacturing’s sustaine activities**, which means assuring the manufacturing process with raw materials, components and the like, concording with manufacturing programme (the manufacturing organization’s internal tides).
- **Purchasing**, which means all the materials, components, products etc. buying activities assembly (buying, acquisition, procurement); these element concerne the relationship between the firm and its suppliers.

Going from these logistic structure, the marketing-management specialist include a new concept: the purchasing/supply chain management, concerning a better correlation between all participants.

Management began to see the manufacturing process as including the production and delivery of components by suppliers and to manage the process all the way through, rather than just on the assembly line.

With this new perspective, the costly stockpiling of components at the factory was replaced with just-in-time delivery of just the right components, all of them meeting performance standards.

Suppliers became part of the manufacturing process and the information flow made it possible to integrate their activities with the company’s seemlessly.

From the suppliers’ perspective, the producer is approached like customer’s relationships; these producer, on his turn, develop relationships with its customers, its about a purchasing/supplying chain which can be good manage only by better using the information flow between customer and manufacturer and through all the partners involved in distribution.

The high quality of the purchasing/supply chain management involves an integrated vision on the internal logistics system’s activities and, in the same time on the interface activities between suppliers and customers, as to assure a competitive value chain.

The purchasing/supply chain management concept includes planning and management of all suppliers selection, purchasing, conversion activities and logistics management activities.

Also it’s included the channel parteners relationships: suppliers, intermediaries, services suppliers and clients.

Basically, the supply chaine management integrate the internal companie purchasing/supply management with the purchasing/supply management between companies [7].

There are some interesting aspects concerning the supply chain management:

- a managerial approach of all logistics management relationships and activities;
- the purchasing/supply management includes all logistics management activities;
- the importance of all channel parteners relationships;
- the integration between demand and supply, the coordination between internal integration (on companie’s level) and external integration (between companies, as chain elements).

In the Council of Logistics Management vision, supply chain management is like an integrated function, being responsable with all logistics management and product operation activities, including and correlating the major,s affair internal and external processes. Also, it’s interacting with other organization’s functions like marketing, sales, new product development, financial or information technology.

The two big subsystems (purchasing and supply) must be in a such a way coordination as to assure a good coordination between all value chain included activities.

At the managerial level, implementation of marketing strategies requires establishment and maintenance of strong and close relationship –externally with customers and suppliers and internally with all functions in the organization, in order to add the value appropriate to the needs of the company and its customers- bearing in mind that the point of ultimate consumption may be at several stages remove from the company’s direct transactions.
Michael Porter offers a value provision model illustrating the upstream and downstream processes activities, divided in the following way: primary activities and support activities [8].

Primary activities including:
- inbound logistics (material-handling procedures, packaging; storage; transportation a.s.o.);
- operations (input transformations to a final product);
- outbound logistics (finished products’ distribution);
- marketing and sales (advertising, sales management, prices, channel management;
- customers relationships management a.s.o.);
- service installing, repairing, training a.s.o.).

Support activities including:
- firm infrastructure (general management, planning, account and finance a.s.o.);
- human resource management (selection, evaluation, motivation a.s.o.);
- technology development (know-how, procedures, technological inputs a.s.o.);
- procurement (raw materials, components, other materials a.s.o.).

Based on Fletcher’s model, which is conceptually similar to Porter’s [9], Michael Baker considered that the value cycle means [10]: find and create value activities (by market, marketing research & product development; purchasing & production processes; logistics & distribution; marketing & sales) and also exchange value delivered through marketing mix.

The new orientation underline the necessity of a good management of the relationships in the spirit of common acceptance and understanding of the overall objectives.

References: