

THE MANAGEMENT OF LOGISTIC MIX – KEY OF COMMERCIAL ACTIVITIES

**HRENIUC Nicolai Laurențiu¹, BUDACIA Lucian Constantin Gabriel²,
BUDACIA Elisabeta Andreea²**

Bucharest Academy of Economic Studies¹, Romanian – American University²
e-mail: lucian.budacia@yahoo.com, andreeabudacia@yahoo.com

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Abstract: The specialists consider logistics as a complex process of operational activities to ensure achievement of customer satisfaction. The managers of different companies comprised in various distribution channels are interested in shaping such logistic strategies and a certain structure of the logistics' mix. The mix of logistic activities is handled according to a systemic design, being subordinated to the marketing mix, serving as its support - means, methods, techniques and technologies - in all four of its components (product, price, placement, promotion).

1. INTRODUCTION

Most of the literature on the distribution of goods consider logistics as a new name given to physical distribution as it relates to physical movement of products through the distribution network itinerary. According to the latest work in the field, specialists consider logistics as a complex process of operational activities to ensure achievement of customer satisfaction. Wherever the place of analysis within the distribution of goods, upstream of the production process - the supply with raw materials, machinery, etc. - or downstream - the sale of products - it will face the customers' needs, requirements and satisfactions or dissatisfactions - producers in the first case, final consumers in the second. Thus, managers of different companies comprised in various distribution channels are interested in shaping such logistic strategies and a certain structure of the logistics' mix.

The mix of logistic activities is handled according to a systemic design, being subordinated to the marketing mix, serving as its support - means, methods, techniques and technologies - in all four of its components (product, price, placement, promotion).

The key elements of action - important for the logistic mix's composition and foundation and its integration into the structure of the marketing mix, include:

- Different dynamics, from one period to another, both in what concerns the design and in terms of means, methods and action tools;
- Transition, within a short period of time, from concerns regarding mere coordination of separated logistic activities to the need to draw up and use logistic strategies, including their newest versions, such as competitive logistic tools;
- The need to use logistic expertise to gain and maintain competitive superiority;
- Emergence of new requirements for improving the goods and services delivered to clients given the use of a cost-efficient logistic system;
- The tendency to form strategic alliances with suppliers of logistic services, allowing them to become the main suppliers of major players.

Obviously, we cannot overlook various factors influencing both the content and importance of logistic activities when we speak about the logistic mix. Examining such phenomenon, experts bring into discussion influential factors such as: company's core activity, involvement in logistic activities, type and range of merchandise, targeted market sector and *online* or *offline* environment.

- ✓ Regarding the core activity, the focus is on making the difference between the structure of such mix, namely mix for production companies different from the one of distribution companies;
- ✓ Related to the involvement of marketing companies in logistic activities, it should be underlined that, given its nature, it is a very complex factor selecting companies involved in a distribution cycle. Thus, the companies from such cycle are grouped as follows:
 - companies which fulfill a wide range of transaction, logistic and agency functions – such as wholesaler with complete functions;
 - companies acting as agents in the transactions between suppliers and prospective customers and which identify partners and business opportunities, without attending the physical flow of products and without possessing merchandise inventories – such as brokers;
 - companies which focus on their core activities, having the necessary experience and resources and which prefer employing specialized companies – such as transportation, handling and traffic companies – the case of certain production companies.
- ✓ Each product, by its nature – raw material or end product, simple or sophisticated, food or non-food, etc. – requires a certain structure of the logistic activities – packaging, handling, assortment, storage, transportation, conditioning, information, etc – and, thus, companies have to adjust their logistic system to the requirements of each type of product.
- ✓ Also, the factor representing the market sector acts in the same direction and the experts outline that a high degree of territorial coverage improves especially the significance of logistic planning intended to ensure the proximities for the clients within that market area, increasing the resources needed by the logistic infrastructure – warehouses, transportation means, etc. and enhancing the concerns of cost efficiency and, very important, shaping the possibilities to connect to rapid and interactive information systems.
- ✓ The *online* or *offline* environment is one of the phenomena which have reformed distribution systems. We have to keep in mind that over the *Internet*, many classical logistic operations have lost their utility related to certain products or services. At present, customers do not have to go to a store to buy most and various products – regardless of the class of products sold at present. Also, selling companies will cease carrying out *offline* operations, such as products' handling, packaging or storage.

2. THE STRUCTURE OF THE LOGISTIC ACTIVITIES' MIX

The effective composition of the company's logistic mix – in close accordance with the marketing mix – which, as in the case of marketing, represents the mix of its resources – human, material and financial – within programs which concern achieving market objectives – involves a series of specific elements, properly shaped and which underline more clearly the need for the new concept.

● **In the field of product policy**, which is a common component in the two concepts - marketing and logistics - in the logistic mix, conceptualization must be based on the idea that, through specifics and problematic, the supply of goods and commercial services shape, by their mixture, a well-defined product policy in the distribution field, both by the conditions in which the intermediary operates, and by what must be available to consumers. Thus, such an understanding will take into account, first, that an intermediary firm, part of a distribution system must be connected to several producers, making the

offer differ substantially from the range of assortment delivered by each producer, and, secondly, that the distributing company - wholesaler or retailer - deals with very different customers from one market to another market area, which causes the supply to be more or less detailed, more or less profound, depending on area and customers. The two aspects lead to the need to draw up an assortment policy for each individual case, one that should comply with the population's needs and with the company's profit related objectives. Also, in the same field of product related logistic policy, suppliers should define the course of their action in terms of commercial services. A specific element adds to the aforementioned, namely the experts' opinion, according to which, the product policy must include the showroom, defined by its area, available departments, emplacement of such departments, assortments, presentation and general environment.

The achievement of an assortment policy specific for each market area, the definition and integration of commercial services and efficacy of product policy – related to the customer satisfaction and company profit - reflect in a logistic mix, by comprising both basic and supporting activities.

- In what concerns the **maintenance of customers' assistance standards**, the logistic mix should include activities such as: research of customers' needs and requirements, related to the level of logistic services; determination of level of customers' logistic assistance and differentiation of assistance level depending on the market sectors' requirements; assessment of customers' opinions regarding the available assistance level, depending on the evolution of the customers' requirements.

- ✓ **Regarding the purchase**, it should be stated that this group of logistic activities has become particularly important, especially in the last two decades due to increasing customer demands for value creation in the logistics process and due to promoting the integrative perspective of the supply-delivery chain. In such a sense, the logistic mix should comprise: activities regarding the assessment of supply needs, choice of supply sources, promoting the way of achieving the supply, regular review of suppliers' performance, estimation of order's economic quantity.

The **management of inventories** consists of a series of significant issues given that activities comprised in such group impact not only product policies, but also price policies and, in particular, distribution policies. In terms of product policy, the logistic mix should comprise activities relating to: policy on stocks of raw materials, resources, finished goods and goods for final consumption; the establishment's mix of products in storage - share various items of goods kept in stock, depending on the contribution of various articles on sales and company profits, determining safety stock and replenishment levels, implementing the strategy "just-in-time".

- ✓ **Operations related to logistic information flows** - as support activities designed to contribute to the achievement of the logistic mission, which must be included in that mix as activities concerning: collection and computerization of data processing, data analysis, drafting reports on various aspects of policy product, establishing procedures for data storage; control of information flows.

- ✓ As regards **packaging**, the logistic mix should include, only partially, a series of operations, such as those relating to the individual packaging of consumer goods, which have an important role in shaping the range of goods for the general public, other operations being necessary to draw distribution policies and, partially, promotion policies;

- Regarding the setting, within the logistic mix, of the **price policy**, it must proceed from the fact that, in general, intermediate companies calculate their own selling prices, given an additional margin to the cost of return. Therefore, it requires great attention in solving the problems of price policy, whereas it should be considered that, of all marketing variables that can be used by dealers to attract buyers, the price appears to be the most

effective. It should also be noted that the pricing of distribution companies is the most complex structure, its heterogeneity consisting of the wide range of prices that can act in the market, such as price strategies based on demand, price strategy arising from their correlation with the commercial life cycle of the product, competition-oriented strategy, etc.

- Therefore, because of specificity of issues addressed by distribution companies and the conceptualization of the distribution marketing policies, the logistic mix should consider the following phenomena: the objectives of businesses - sales, profits, return on investment, etc.; chosen strategy - creating a market, consumer loyalty, overcoming competition, etc., regulations, in force for their market areas.

- Since an important component of the products' selling price is the company's costs and an important part of them is held by logistic costs - costs of transport and handling, costs of inventory and costs of the logistic system (the personnel and computer system) – the logistic mix should include a number of elements to optimize the cost - sale price ratio and the customer satisfaction and selling price relationship. Among these, we may mention: reorientation of transport costs to the customer, promotion of system of uniform delivery prices, restructuring guidelines regarding logistic supply based on levels depending on the wishes of various categories of customers, discounts (inclusive discounts, etc.).

• We should keep in mind that the modern economy - by its demands - creates new requirements on **space that is interposed between producers and consumers**, transforming the said space into a field of action of numerous intermediaries, which, under various names, permanently ensure the transfer of goods, information and property titles. Basically, there are: commercial intermediaries – wholesalers and retailers - buy on their own goods they resell; agencies - agents, brokers, representatives, commercial attaches - assess customers and conclude contracts in the producers' names, without undertaking them personally; logistic support - transportation companies, warehouse companies, banks – facilitate distribution operations without being part in negotiations. All such issues are also reflected in the logistic mix that covers this important aspect of marketing, including in its structure both primary logistic activities and support activities.

The most important logistic activities comprised by the logistic mix of distribution are: transportation, assortments, inventory management and order taking.

➤ Considering the field's logistic mix system, transportation appears as a range of logistic activities covering time and space utilities – as significant aspects of the logistic mission. Such range of activities to be included in the logistic mix includes:

- Selection of transportation means – land, railway, air, through pipes, mixed, etc.
- Assessment and selection of suppliers of transportation services that the company may address;
- Improvement and enhancement of profitable transportation relations, concluded with certain kinds of carriers;
- Selection of transport routes;
- Carriers' schedule;
- Selection of performance of combined transportation;

➤ An important class of activities to be included in the logistic mix consists of taking orders. It includes:

- Selection of procedures as regards orders' collection – communication methods, time restrictions and requirements on order size;
- Selection of methods of communicating the information regarding orders, within the company;
- Selection of priority order in taking orders.
- Selection of order settlement – from inventory or from existing production.

The support activities to be included in such logistic mix comprise storage, product handling, packaging and, partially, operations concerning flows of logistic information.

⇒ Storage is highly important, but not mandatory for the products' circuit. As logistic element, it concerns the following:

- number of necessary storage premises;
- location of warehouses;
- number of necessary warehouses;
- warehouses' layout;
- merchandise emplacement in warehouses;

⇒ An important range of support activities comprised by the logistic mix of distribution refers to products' handling. The following is considered in this respect:

- handling equipment;
- use of cargo – consolidation of packaging of small size in a big size cargo – with the help of pallets and containers;
- transportation of materials in the warehouse;

⇒ Packaging is another activity to be included in the respective logistic mix, as it concerns only the products' protection and allows the safe fulfillment of the commodity's circuit to customers. We include here certain operations such as:

- design of packaging complying with the handling requirements;
- design of packaging ensuring the products' integrity during transportation and preservation;
- packaging which protects commodities against loss and damage;

Also, the packaging activities do not address the actual packaging, which is integrant part and makes object of the product policy.

⇒ Also, it is very important the fact that, as to whether the information flows within the logistic mix, appears as a profile element of all composing policies - product, price, distribution and promotion - but that each of these include specific items to facilitate the proper conduct of all activities – primary or supportive.

● It is considered that the selection of the **promotion policy** within distribution marketing, addresses two approaches: one concerning the communication strategy and the other which considers merchandising activities.

- The first one has two goals: the first goal aims at ensuring the sale outlets, within a larger range; the second is comprised by a narrower horizon and concerns immediate priorities, stressing an immediate and substantial increase of customer flow. To achieve the first goal advertisement elements, public relation, enhancement of stores' image and of products' delivery to customers are used. The fulfillment of the second goal implies the use of rapid systems of promotion, advertisement on sale outlets – persuasive actions of sellers and various promotional animations, such as demonstrations and presentations, specialized showrooms, fashion presentations, etc.

- Regarding the second approach, we have to highlight that merchandising activities are characteristic to the distribution field and they are the part of the distribution marketing which comprises the techniques of products' presentation in outlets and which uses the most appealing aspects, such as conditioning and presentation, segmenting, presentation wrapping, display of products in a location designed for certain types of sales, etc.

Taking into account the aforementioned on distribution and promotion policy within marketing, the logistic mix has to ensure, through its specific means and methods, correlation of operations taking place in the two areas of activity, different at first sight - physical flows of products, cognitive, affective and behavioral objectives of customers and to stimulate demand, creation and development of the company image and products. Thus, the logistic mix should include activities, means, methods, techniques and

technologies relating to: the launch of new products, providing opportunities for discounts, inventory optimization, and on such other issues imposed by the concrete conditions in which the company operates.

✓ Regarding the launch of new products according to the promotional objectives of each company, the logistic mix should include a series of activities designed to ensure the time and place facilities demanded by the client in order to support the product and to trigger good recognition and outstanding image for the company among prospective clients. Such activities, methods and means should be able to ensure physical delivery of products to clients and, as necessary, fast supply, at the proper moment, with raw materials, materials, various components and other products necessary to draw up an offer when the launch is based on delivery straight from the existing production and not from inventories especially designed in this respect.

✓ A significant class of activities to be included in the logistic mix, in order to support promotional activities, refers to those implying quantity discounts to increase the volume of sold merchandise. Provided that such methods are generally used during maturity and decline stages of the products' lifespan, it is of great importance to use methods capable of properly identifying logistic malfunctions likely to arise from the "threshold" quantity, of ensuring proper planning of performance and delivery of products depending on the product's evolution during its lifespan and, very important, proper processing of the respective process by using information technology, implementing a series of modern patterns such as cyber-marketing and bench-marketing – as paradigms of marketing-logistic interface.

✓ In special cases, especially under unforeseeable circumstances, the logistic mix should comprise means and, particularly, a series of methods regarding the decrease of inventories existing in the distribution network of certain marketing channels. These are slow rotation products, whose structure, location and terms of promotion campaigns can be determined by logistics experts based on available means and information technologies. Such campaigns, including their logistic supports, are submitted to marketing experts and company's managers. They imply inventory relocation, products' layout, quantitative discounts, price cutoffs – limited to certain periods – and other such methods to be promoted according to the involved market areas.

3. CONCLUSIONS

Considering such a wide variety of issues, marketing should shape specific systems of relations that give content to distribution channels, to continue to prospect and establish effective systems for handling of goods, transportation, storage, presentation and sale thereof, and logistic support of such processes – all of them resulting into the logistics' content. Also, specialized dictionaries define distribution policy as a specialized policy of commercial companies related to the location of logistic operations, choosing intermediaries' channels, locating of outlets, setting assortment techniques, prices and promotional activities specific to distribution companies.

The logistic mix should be managed and treated in a systemic concept, subordinating it to the marketing mix, to which it must serve as support, with all its means, methods, techniques and technologies in all its four components - product, price, distribution and communication. Business practices – in the beginning - and marketing practices – subsequently - have highlighted that the economic and business environment in each market area have left their mark on the evolution of the role and importance of logistic activity, showing, over time, special characteristics from one period to another.

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