THE ELABORATION OF LOGISTIC AND DISTRIBUTION STRATEGIES

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Abstract: *Any logistic strategy and any configuration of a logistic system are based on two essential components of the general strategy of the enterprise: the supplier and the distribution. Even if they are derived and interrelated with many of the functional or procedural strategies, from these two strategies, from the policies and tactics of these activities, formulated and adopted in order to reach long-term objectives of a companies, we can draw the formulation of any type of strategy in logistics and, implicitly a configuration of the logistic system. Moreover, by conceiving and formulating them within the logistic strategy we can facilitate general objectives to be reached and implicitly, fundamental objectives to be reached: maximizing profit by reducing costs and maximizing sales. With this integration we can eliminate contradictions that appear in classic logistic systems between marketing and logistics, between production and logistics, etc.*

Key words: *strategic variants, strategic coordinates, physical distribution, physical distribution management - PDM*

1. Introduction

In modern logistics, distribution represents only one of the logistics components. A strategy is not only related to physical distribution but also to other elements of the marketing strategy of the financial, production and informational strategy derived from the general strategy of development of a company.

This is the main reason why we will present the main strategic variants for supply and distribution, variants that will provide the main strategic coordinates of logistics, coordinates that are the basis for projects, elaboration, exploitation, monitoring, control and review of the logistic system, as basic activities of logistics and distribution management at an enterprise level. Distribution represents a logistics component that all activities, means and operations that allow products/ services to be provided for consumers or users. In the specialty literature these operations are grouped[1]. Distribution is thus categorized into physical distribution and commercial distribution. These components are united under the name *Physical Distribution Management – PD.*

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1 FOLTEAN; F., LĂDAR, L. Coord. – Marketing, Ed. BRUMAR, Timişoara, 2001, p. 165

The main areas of reference for strategic decisions concerning *PDM* are:

- *Choosing, projecting and implementing distribution channels;*
- *The level of services provided for the user / consumer;*
- *Management of stocks.*

These referential areas of distribution management, as a component of logistics in its modern variant, are interrelated, having as a center the selection of distribution channels.

The coordinates of distribution strategies are as follows[2]:

- *The number of existing levels in the distribution channel*
- *The type of intermediaries in distribution*
- *Intensity of distribution*
- *Control of distribution*
- *Relationship between distribution channels*

These coordinates determine the distribution strategy and, implicitly, establish benchmarks as far as the logistics strategy and the logistic system configuration are concerned. Taking these elements into consideration, we will present the strategic variants that form the basis for elaborating the distribution strategy, from the point of view of typology, main characteristics[3], *advantages and disadvantages* (table nr. 1.1.):

2 WILD, R. – „ Essentials of Production and Operations Management", 4-th edition, Cassel, London, 1995, p. 310

3 FOLTEAN; F., LĂDAR, L. Coord. – Marketing, Ed. BRUMAR, Timişoara, 2001, p. 166-180

Strategic distribution variants

Table no. 1.1

Criterion	Distribution variants	Characteristics: Advantages	Characteristics: Disadvantages
A. Number of distribution levels	❑ *Direct channel distribution (ultra-short)*	❑ Quantitative and qualitative knowledge of the market; ❑ Eliminating intermediaries and commissions; ❑ Flexibility in case of social or economic changes.	❑ Financial and human resources ❑ Reduced possibilities to distribute merchandise ❑ Difficulty of realizing intensive distribution if consumers are geographically remote.
	❑ *Short channel distribution with one intermediary*	❑ Eliminating commercial margin cashed by the wholesaler; ❑ Facilitating control on the channel ❑ Establishing contact with the market and consumers	❑ Limiting the margin of producer autonomy; ❑ Losing contact with final consumers
	❑ *long channel distribution with two or more levels of intermediaries*	❑ reducing transport expenses for in bulk-purchasing ❑ stocking goods by wholesalers with positive effects on producers' cash flow ❑ wholesalers offer commercial services to producers; ❑ regular production due to purchases even off-season	❑ contractual power of wholesalers limits the autonomy margin of producers; ❑ high expenses to promote sales to wholesalers; ❑ losing direct contact with retailers and final consumers.
B. Type of intermediaries	❑ *agent and broker distribution*	❑ they don't get the right for property on goods ❑ their main function is to facilitate buying and selling, and they get a commission ❑ agents are different form classic wholesalers because they are specialized on a range of products or types of clients ❑ brokers establish contact between buyers and sellers and offer assistance in negotiations. ❑ They don't assume risks; ❑ Agents represent buyers or sellers and there are more types (producers, wholesalers, commissioners)	
	❑ *wholesale distribution*	❑ there are independent firms that take the right on property over the goods they buy from producers and resell to retailers. ❑ They can be put into 3 categories: ❑ Not specialized wholesalers ❑ Range wholesalers; ❑ Specialized wholesalers ❑ Industrial distributors (cash and carry wholesalers, track jobbers)	
	❑ *retail distribution*	❑ classic store ❑ self-serving ❑ door-to-door sale ❑ mail sale ❑ teleshopping	

C. Intensity of distribution	❑ *exclusive distribution*	❑ supposes giving exclusive rights for sale in a certain territory, using one intermediate retailer ❑ creates and develops distributor royalty for products with fluctuant demand ❑ stimulates the distributor to make financial efforts in order to finance a part of stocks and assume the risks of such a commitment; ❑ allows a high degree of control on the channel; ❑ the possibility to elaborate on exact forecast on demand and market trends; ❑ a high degree of control on the channel that allows maintenance an image of the products.	❑ It does not allow the exploitation of the whole market potential and having large sales; ❑ The producer is dependent on a sole distributor. ❑ High commercial margins, high profit margins and low volume of sales do not lead to optima performances when the demand is dependent on price.
	❑ *Selective distribution*	❑ An intermediate alternative between intensive distribution and exclusive distribution, intermediaries being selected ❑ A reduction of distribution costs and a better cooperation with intermediaries ❑ A cooperation to share publicity and promotion costs, accepting to stock hard to sell products	❑ Intermediaries are not given exclusivity for sales in the area and are not imposed a noncompetitive clause ❑ The producer accepts deliberately a lower coverage of the market
	❑ *intensive distribution*	❑ the product is sold to final consumers in all possible stores ❑ a better capitalization of the market potential; ❑ it leads to an increase in brand awareness. ❑ It is practiced for products that are frequently bought and have a lower value and do not need complex purchasing decisions.	❑ Losing control over the distribution channel; ❑ Unfavorable consequences on the long term of the product image; ❑ Prices and commercial margins are low and don't need a high turnover to obtain satisfactory profit.

D. Distribution Control	❑ *traditional distribution*	❑ It is characterized by the absence of formal relations between members and a decentralization of the decisional process as there is no coordination between the members of the channel there are conflicts that can interrupt its functioning.
	❑ *Administe red channel distribution*	❑ It is characterized by the fact that one or more members of the channel have the capacity to influence the others' decisions; ❑ Influencing decisions can be realized by stimulation or obligation. ❑ The capacity of some firms to control the distribution channel depends on the market position, consumer behavior and various restrictions imposed by legislation
	❑ *contractua l distribution*	❑ It is used to avoid conflict situations ❑ The company has the initiative to coordinate on a contract basis accepted by the others participants; ❑ These channels have different forms: volunteer chains, groups of retailers, franchise
	❑ *Integrated channel distribution*	❑ The functions of the wholesale and retail are covered by the same company that has storage space and stores; ❑ It is justified by economic arguments (reducing distribution costs) and strategic arguments (ensuring total control over the whole distribution).
E. Relationship between distribution channels	❑ *complemen tary channel distribution*	❑ starts from the idea that the producer cannot cover the entire market by one channel of distribution; ❑ the channels distribute either different products or the same products which are addressed to different targets; ❑ the distribution of a product to some market segments which cannot be provided otherwise; ❑ increasing the penetration degree of the market, its geographical extension; ❑ avoiding traditional saturated and selling the products through a different channel
	❑ *Competitor channel distribution*	❑ Implies the existence of a competition relationship between used channels; ❑ Stimulation of intermediaries; ❑ Producers can sell products both through own stores and through intermediate stores; ❑ Both through mail and with sales agents.

Final conclusions

In conclusion we can state that any logistics strategy and structure of any logistics system have two basic components of the general strategy of an enterprise: providing and distributing. Thus, providing implies selecting a contract which is more efficient during distribution, either by direct or, sole or multiple, on contract or on demand.

At the same time, the distribution strategy must take into consideration the number of existing levels in the distribution channel, the type of intermediaries, the intensity of distribution, distribution control, and relationship between distribution channels.

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