

LOGISTICS AND ENTERPRISE'S YIELD

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Key words: logistics, clients services, competitive advantage, enterprise's yield

Abstract: This paper presents the connection between logistics and the enterprise's yield. Logistics is a set of activities developed before and during production process, including the physical distribution's activities of the finished products towards the consumers. The marketing's target is to serve the clients as well as or even better the competition does and, at the same time, get profit. The effective demand required by marketing is realized throughout logistics. The logistics system's activities are costs generators and they are retrieved in the total cost of the finished product. Detecting the connections between the way of accomplishing a creative activity of value and the cost or the performance of another activity, logistics gives an influence to the enterprise's yield. The work sheet analyses the factors by which logistics is acting on the enterprise's yield: the logistics' activities costs, the serving clients' level, the logistics' activities correlation inside and outside the enterprise.

The activity of any enterprise is strongly influenced by the environment where it acts (the market, the materials and service providers and costumers). The enterprise's reactions towards these changes are limited, particularly targeting the internal environment. For being able to face the quick changes, the enterprises know that they should adopt new attitudes in their working activities. Logistics is the area which can respond to the challenges that the external environment is generating.

Logistics system's components

In nowadays' competitive market, whereas the marketing strategy insists on costumers meeting demands and profit obtained by the producer, the logistics' importance knows new dimensions. Logistics became a source of competitive advantage, a way of yield's augmentation and of the enterprise's market quotation. Many unites started to recognize the advantage that can be offered by a well organized logistics' system and therefore they built logistics special departments, separated by the ones of marketing and production.

At the level of an enterprise, the logistics' system includes the following components:

Purchasing. The purchasing activities (acquisition, raise, assurance) of the raw materials, the necessary components for achieving the enterprise's targets are logistics operations. This component of logistics is referring to the connections between enterprises and providers, representing the levels situated upstream of this.

Activities for the production maintenance. These activities include the material flows from the inside of the enterprise. The logistics' contribution in the production area consists in providing the materials, the necessary parts for the production development, according to the pre-established production schedule (receipt, storage, stockpiling, materials manipulation and the planning of the materials' internal transports).

Physical distribution. The connection between the producer and costumers is realized throughout the physical distribution which can insure the availability of the required products, representing certain activities of demand processing, stockpiling, storage and transportation.

For designing some logistics' components, in specialized literature are used the concepts of „materials management” for „production maintenance activities” and „physical distribution management” for physical distribution. Other persons sustaining the concepts of „materials management” and „physical distribution management” are including these elements in the sphere of influence of „logistics management”.

Logistics system supposes the connection between the seller and purchaser, regarding the acquisition and stockpiling of materials, the creation and physical distribution of products so that the enterprise could please the costumers meeting demands. The logistics system offers an overall picture to the interflow of goods and services, from the provider to the final consumer and also a general view to the payments and information circulation on the opposite way. Between the sellers and buyers exist strong relations which allow the advantages' identification from the strategically vision of the system's functionality. The managerial attention must concentrate not only on its own organization but also on the interactions which give functionality to the logistics system.

The logistics efficiency supposes the correlation between the three components with the activities developed upstream and downstream. Each enterprise has its own methods to increase the efficiency of its logistics operations. Michael Porter used an instrument named „the chain of value” for classifying the purchasers, the providers and also to organize the enterprise on different activities, but interdependent activities which are produce value. The concept of the value's chain can be used to identify the sources of the competitive advantage and the modality throughout they are reporting to the value perceived by the purchaser. The value's chain is not only a concept, but also a practical instrument used to establish the modality in which the competitive advantage must be sustained in the conditions of increased competition on market.

In Michael Porter's vision, the value's chain includes two categories of activities – elementary and supporting ones. In the elementary category are included:

- **The internal logistics**, referring to reception, stockpiling and distribution of the production's entrances;
- **The operations or the production process** transforms the entrances into the finished product;
- **The external logistics** suppose stockpiling, storage and transportation of the finished product towards the consumer;
- **The marketing and the sales** suppose advertising activities, promotion, fixing the prices, choosing the distribution chains;
- **The service** consists in maintenance activities of the functional product (installation, repairs, providing the spare parts).

The value's chain theory helps us to determine the logistics part inside the profitable enterprises; this means that the theory includes two of the five elementary activities which give value to the product or services – the internal logistics and external logistics.

According to Porter's classification, the supporting activities are the following:

- **The purchasing**, the acquisition of the material resources necessary for the elementary activities' development;

- **The technological development** with the research-projection activity of a product or a process;
- **The human resources management** with the activities of selection, recruitment, training, employers' motivation;
- **The enterprise's infrastructure** which includes the planning system, financing, the quality control.

Logistics has a special importance for the enterprise's costs, as well as, for identifying the relationships between the accomplishing modality of value creative activity and, the cost and performance of another activity. The connections within the value's chain are reflecting the activities synchronization in order to obtain the competitive advantage. For example, delivering in time supposes a coordination of some activities classified in operations, external logistics, services and sales-marketing. The marketing department imposes frequent, constructive and functional changes of the products realized in agreement with the customers' demands meanwhile the production avoids the modifications, accepting the stability. The production and marketing impose the existence of some stocks of material resources and finished products, but the financial services sustain the opposite.

Due to the fact that some logistics activities can be realized in many variants with different performances and costs, the activities' evaluation and the connections between them is essential for the comprehension of the logistics' influence over the enterprise's yield.

Logistics influence over the enterprise's yield

The running of any logistics system supposes the assurance of a certain level for serving the customers. The logistics targets are relied to the ones from marketing regarding the customer's satisfaction and also the enterprise's yield. Accomplishing these marketing targets demands the existence of a logistics system that will offer time, position and possession utilities required by the customers.

The area's specialists considered the logistics a source of necessary costs for customers 'demands satisfaction. The efficiency's increase of logistics activities demands the minimization of involved resources' costs. A logistics system which runs with minimal costs can not provide the servitude level required by the customers and, in this way, it can have direct negative effects on the enterprise's place on the market and also over the clients' relationships. A logistics system's efficiency also needs the activities' efficiency. Meanwhile the efficiency means an activity development in a proper way, the effectiveness is equivalent with the accomplishing of the proper activity. The enterprise's competitive advantage on the market is conditioned to follow the both concepts. If the activity efficiency does not represent a new element for the enterprises, the situation is different regarding the effectiveness, because the logistics contribution is not appreciated to its true value.

The logistics influences the enterprise's yield using the following factors: the logistics activities' costs, the servitude level of the customers, the logistics activities correlation inside and outside the enterprise.

Logistics activities cost. The cost is the key indicator used to measure the logistics system's efficiency. Apparently the most frequent decisions in reducing the logistics costs are those of the minimization of expenses that occupy the highest place, such as: transports, stockpiling, and storage. But not always this economic judgment takes us to obtain the highest effects. The logistics with low costs also suppose compromises (higher costs for transport but smaller costs, storage and stockpiling). If there is just one

responsible person for all these logistics activities, an adequate decision can be easily taken. Because of the costs that every component activity involves, there is a detailed analysis for reducing all these and increasing the enterprise's yield, because their reduction supposes the increasing of the others. For example reducing the transport costs by increasing the number of stockpiling places, will determinate the increase of the storage, launching and realization costs.

To decrease the logistics costs, a sever analysis of the effects which are generated by the relationships between the following elements must be taken into consideration:

- stocks and transport – stocks reducing leads to the number and frequency increasing of movements from providers or customers, meaning a growth of the transportation costs;

- storage and transport – storage reducing costs by giving up to some storage places, determining a high number of movements, in the conditions of the same activity volume and transportation costs ;

- marketing and transport – using the transportation means to their full capacity means delivering higher quantities of products to reduce the transportation costs, but it might have negative effects in fulfilling the customers demands on time.

- stocks and marketing - the raise of the satisfaction degree of the customer's demands, a priority target of marketing strategy involves a higher cost for stockpiling. A customer's fulfilling demand on time supposes the existence of a certain products' quantity.

- Stocks and production - finished products stocks are influenced by the customer's demands and the enterprise's production activity. The customer's demands reduce the level of the finished products stocks and the production process increases their level. For the logistics system this situation can determine an increase of storage costs, if the products have a slow sale or the market demands were not tested before. Regarding the material resources, the decreasing of storage costs might generate discontinuities of the production process when irregularities in the yield's process from the provider are reported.

Customers serving level. A customer serving is a major component of the logistics politics because of the impact had on the economical results of the enterprises and its competitive advantage.

The marketing target is to serve customers as well as the competition does or even better and also to obtain profit. To accomplish this target's needs is made with the logistics' help that has as elementary target the effective demand required by marketing. The enterprises are designed from interior to exterior and develop supplying, production and sales activities which are not always responding to the customers' requirements. Because the enterprises are not created by the customers, but for customers, this is an opportunity for the services' improving offered to customers. For enterprises, this supposes a permanent adjustment to the market's changes and a logistics strategy well organized which can face and take over the customers' demands. The managers' ability in logistics to change and rule the change might have as an effect, the improvement of the customers' demands, the sales and yield increasing.

The customers' serving level gives an influence over the sales, costs and the enterprise's profit. The connection between the logistics and the customers' serving level determines the enterprise to choose from one of these two fundamental strategic options:

- the leader position in the prices area, which supposes that the enterprise is the producer with the lowest cost from the area where it develops the activity;
- the eloquent differentiation which consists in visible differences over the competitors who present interests for the customers (the product's superiority, delivering in the shortest time, quality services, etc.)

The logistics encourages costs advantage owning and contributes to the services' differentiation. The correlation between logistics activities and diminishing of costs allows the establishment of competitive prices. Obtaining a competitive advantage can be realized even throughout providing quality services.

In case when the strategic option is becoming the competitor with the lowest cost, then major risks appear. The difficulty in combining the strategic option (competitor with the lower cost) with the operational one (the customer's serving level) is higher because the serving level offered to the customers must be close to the one of competitors, even when it is chosen the strategy with the lowest cost.

Approaching the customers and providing some quality services, based on the individual needs of the customers might contribute to the earning and maintenance of the competitive advantage of the enterprise. Decreasing the costs, finding the factor / service which keeps the customer fidelity, realizing a new product are modalities of differentiation of the enterprise's for its competitors.

The enterprises can realize good products with efforts supported by promotion and low prices. If they do not succeed in accomplishing the customers' demands on time and completely, the results will not be at the level of expectations and a decrease of sales and market quotation might be reported. The competitors could imitate a prices politics, but they can not also imitate services politics. The prices' problems are always important but they can not be rewarded by increasing the customers' serving level. The highest price does not mean the best service offered to the customers. The cost is in direct relation with the offered services, demand and offer are reflected in the total logistics costs.

The improving of the customers' serving level regarding the increase of sales must be based on an analysis of the serving level's impact over the cost and enterprise's profit. The sales' volume increasing is not equal with the augmentation of the profit. The assurance of a highest serving level is possible only when there are substantial increasing stocks. The approaching to the maxim serving level imposes higher stocks and determinate a precipitous increase of logistics costs.

The establishing of an adequate serving level supposes the quantification of supplementary income obtained from the offer of quality services to the client and determination of the report cost / profit for different serving levels.

Correlation of the logistics activities inside and outside the enterprise. Logistics is the process through which a producer enterprise interacts with other external enterprises, providers, costumers, specialized firms in transport or stockpiling activities and, because of that, it must not be realized on fragments. When the relations between the producer, provider and customers are complete, the logistics network will be easier to control because all the involved parts are interested in decreasing the costs. Initially the logistics components have been viewed and treated separately and this is way the logistics' costs have increased and also the enterprise's yield has been reduced.

There are correlations not only inside the value chain of an enterprise, but also between all these and the value chains of the providers and distribution chains. These

links, which Porter names them as “vertical connections” are similar to those from the inside of the value chain and give an influence to the logistics’ activity costs.

The providers accomplish a product which the merchant enterprise uses in its value chain and the activities developed by the provider (the frequent delivering can reduce the stocks’ level; the properly packing of the products can reduce handling’s costs) give an influence to the enterprise’s logistics activities costs. The enterprise’s connections with the providers determine their relationship not to be a worthless game, but a relationship from which, both can win.

The enterprise’s connections with the suppliers are similar to the ones with the providers. The coordination and common optimization of distribution activities can reduce the logistics costs. Creating partnerships between the enterprises and other participants in the product’s chain is a benefit for a good functionality of the logistics system. These relationships are based, first of all, on common values and strategies, on a communication of plans and developed activities. Making strategic partnerships with the providers and distributors, it is an opportunity to get access to an unlimited profit logistics. The specialized transports enterprises could become partners with the producers or sellers from the logistics chain. Speaking of costs, it is more advantageous to appeal to the other enterprise’s services to cover the transportation.

Conclusions

The enterprises can respond to the challenges of a competitive environment using logistics as a competitive weapon and not as a group as activities, generating costs.

Because of the fact that same logistics’ activity can be realized in many ways, with deferent performances and costs, the activity’s evaluation and the connection between them are important for logistics’ influence on understanding on the enterprise’s yield.

The competence development in the logistics area determines the increase of the logistics systems, competitive advantage and enterprise’s yield.

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