

LOGISTICS CONCEPT REVISITED. THE LOGISTICS PERSPECTIVE OF THE DISTRIBUTION

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Purpose: The aim of the article is to identify the most important characteristics related to the logistics perspective of distribution and the concept of distribution logistics.

Design/methodology/approach: The article presents the nature and the most significant characteristics concerning the distribution and distribution logistics. A literature review and an identification approach were used.

Findings: Within the logistics concept the particular importance is assigned both to the nature and the most important features of distribution as well as to the nature of the distribution logistics and its basic characteristics.

Practical implications: Both distribution and distribution logistics are the important tools for building firm success and its competitive advantage. Distribution and distribution logistics also play a crucial role in firms' and supply chains strategies development, as well as in building and implementing modern business models.

Originality/value: The most important features related to the logistics perspective of distribution and distribution logistics were presented. The article is addressed both to researchers as well as managers and other business practitioners.

Keywords: logistics, logistics concept, distribution, distribution logistics.

Category of the paper: Conceptual paper.

1. Introduction

The role of logistics in widely perceived business as well as business management is constantly growing. Logistics is a significant tool for building the firm success as well as the competitive advantage of a firm. Particular importance is assigned to the concept of logistics, the effective and efficient development and implementation of which is the path to the above-mentioned success and competitive advantage.

In general terms, the logistics concept means a decision-making model that includes: (1) strategic analysis of logistics situations, (2) logistics goals, (3) logistics strategies and (4) logistics tools (Matwiejczuk, 2021a, 2022).

The concept of logistics has had many studies in its classic approach, including such logistics processes as transport, storage, reloading, packaging, marking, labeling and order fulfillment. These processes relate to a very large extent to distribution logistics.

At the same time, in recent years one may notice an increasing importance of the managerial and strategic aspects of the logistics concept (Blaik et al., 2013), related to its perception as a determinant of the business management performance (Blaik, 2015) as well as the formation and development of business models (Matwiejczuk, 2021b) related to distribution and logistics in the area of distribution. It is distribution and distribution logistics that are an important tool in building the firm success and its long-term, sustainable competitive advantage.

The aim of the article is to identify the most important characteristics related to the logistics perspective of distribution and the concept of distribution logistics. The article presents in particular: (1) the nature and the most important characteristics of distribution as well as its place and role in the concept of logistics (2) the nature of the concept of distribution logistics and its basic characteristics.

2. Distribution and its place and role in the concept of logistics

Logistics within the distribution area is the third main sphere (phase) of flows in a manufacturing firm, next to the logistics in the sphere (phase) of procurement and logistics in the sphere (phase) of production. Like the two previous spheres (phases), i.e. procurement logistics as well as production logistics, logistics in the sphere (phase) of distribution is often abbreviated as distribution logistics.

The basis for the development of distribution logistics is primarily distribution, which is – next to the product, price and promotion – one of the basic marketing tools co-creating the so-called marketing-mix composition, abbreviated as “4P” (product, price, place /distribution/, promotion) (Kotler, 1994; Altkorn, 2003).

However, the “4P” composition presents only the perspective (point of view) of the firm, related to the marketing tools developed by a firm, thanks to which the firm is able to actively influence the market and the customers.

From the customer’s perspective (point of view) each of the marketing tools should be developed in a way that ensures specific benefits for the customer. R. Lauterborn proposed the so-called “4C” composition, developed from the customer’s perspective, corresponding to the “4P” composition, developed from the firm perspective. R. Lauterborn’s “4C” composition comprises (Kotler, 1994, pp. 89-91):

- 1) Customer needs and wants.
- 2) Cost to the consumer.
- 3) Convenience.

4) Communication.

Taking into account the place and role of distribution within the logistics concept, it should be noted that distribution is related to the sphere (phase) of goods and information flows in the firm, which is called distribution logistics. Distribution is characterized by both marketing-related characteristics and logistics-related characteristics. A very special (distinctive) feature of distribution is its close relationship with the customer and his needs, wants, preferences and expectations.

In general, distribution includes all decisions and activities related to making manufactured products available to their final buyers (ultimate customers) (Altkorn, 2003; Czubała, Niestrój, Pabian, 2020). According to M. Frankowska and M. Jedliński, the semantic meaning of the term “distribution” comes from two other terms: (1) *distributio*, meaning the division and (2) *distribuere*, meaning the separation or handing out (Frankowska, Jedliński, 2011, p. 11).

B. Piasecki emphasizes that distribution is a set of activities and decisions related to making the product available at a place and time corresponding to the customers needs (Piasecki, 1999, p. 295). In turn, T. Kramer believes that distribution includes all activities related to overcoming the spatial and temporal differences between the production and the consumption (Kramer, 2004, p. 111).

The most important and significant aim of distribution is to provide (create) customers with the opportunity to purchase the products they want in accordance with the “7R” logistics principle which comprises: (Blaik, 2017, p. 281) (1) right product, (2) right information, (3) right quantity, (4) right quality, (5) right time, (6) right place, and (7) right cost.

The above components concern broadly and comprehensively understood logistics as a concept of the flow management of materials, goods and information within the firm as well as the entire supply chain. They are particularly related to the area of distribution due to its proximity to the customer and his needs, wants, preferences and expectations.

Taking into account the firms efforts to meet the needs and wants of customers by offering and delivering products that meet their expectations, A. Czubała points out the following among the most important functions of distribution (Altkorn, 2003; Przybyłowski et al., 1998; Rutkowski, 2000; Stern, El-Ansary, Coughlan, 2002):

- 1) Pre-transaction functions, including in particular: collecting and transmitting the market information needed to plan and organize the sale of products as well as the promotional information about the offer and the benefits it provides to potential customers, searching for and submitting purchase and sale offers, establishing business contacts, negotiating transaction terms, etc.;

- 2) Transactional functions, including in particular concluding purchase and sale agreements creating legal basis for the transfer of the ownership rights to moved products; the aim of these functions is to coordinate the supply of the products with the demand for these products by securing the necessary capacity of distribution channels;
- 3) Logistics functions, including in particular: order processing, transport, warehousing and inventory management, commercial processing, transformation of the production assortment into commercial assortment, as well as the transfer of the products to intermediaries and ultimate customers, enabling the physical flow of products from the manufacturer to the ultimate customers, referred to as the physical distribution; the aim of these functions is to ensure the level of service expected by the customer with minimizing the costs of this service;
- 4) Post-transaction functions, including in particular: the implementation of customers' rights related to the warranty and guarantee granted for purchased products, providing customers with differential additional services (e.g. installation, repair, delivery, etc.), examining the level of customer satisfaction with purchases made and products used, expected service forms and standards, causes of customer loss, etc.; the purpose of these functions is to form and sustain the relationships with customers, as well as to build and strengthen their loyalty to the firm and its offer.

In defining the place and role of distribution in logistics, logistics functions are of the key importance, thanks to which it is possible to effectively and efficiently implement logistics processes and activities, allowing both to offer the level of service required by customers and to rationalize (minimize) incurred costs. These processes and activities are related to the "material side" of distribution, i.e. the physical distribution.

At the same time the processes and activities related to the flow of goods, i.e. the above-mentioned physical distribution, require the appropriate structures allowing for their planning and implementation. Distribution channels are the such structures.

Taking the above into consideration, one may say that distribution is a marketing tool playing a very important role in the process of forming and developing the logistics concept in the area of distribution. Distribution perceived in such a way covers two main areas of decisions and actions regarding:

- 1) Distribution channels related to the concept of marketing and its tools (marketing-mix).
- 2) Physical distribution of goods, related to the concept of logistics and its tools (logistics-mix), in particular to the distribution logistics and its tools comprising customer service, merchandising, and demand forecasting.

The distribution channel, also referred to as the market channel or marketing channel, is created by a group (chain) of firms participating in the process of providing and making available a product or service to customers. Business practice proves that there are a number of types of distribution channels performing many, often very diverse, functions. The classification of distribution channels presents table 1.

Table 1.
Classification of distribution channels

Criteria of classification	Types of channels
1. Type of participants	1. Direct 2. Indirect
2. Number of intermediate levels	1. Short 2. Long
3. Number of intermediaries at the same level	1. Narrow 2. Wide
4. Type of flowing streams	1. Transactional 2. Material
5. Scope of cooperation between channel participants	1. Conventional 2. Vertically integrated 2.1. Integrated along the entire length 2.2. Partially integrated in some sections
6. Method of coordination of the channel participants activities	1. Administered 2. Contractual 3. Corporate
7. Title of property to intermediaries participating in the channel	1. Own 2. Partially own 3. Alien

Source: Altkorn, 2003, p. 200.

The subject of flows within the distribution channels are specific market streams. These streams include primarily (Altkorn, 2003, pp. 198-199): (1) market information, (2) promotional information, (3) purchase and sale transactions negotiations, (4) fulfilling the customers orders, (5) logistics processes concerning the storage and delivery of products, (6) payment processing, (7) acquiring and transferring the ownership of products and (8) risks related to products, inventories and sales (table 2).

Table 2.
Basic market streams flowing in the distribution channel

Market streams	Examples of flows in the distribution channel
1. Market information	Collecting, processing and transmitting information regarding potential customers, competitors, as well as the price elasticity of demand for the offered products and services
2. Promotional information	Providing information about the offered products, encouraging customers to make a purchase
3. Negotiations	Identification of potential customers, agreeing on the terms of purchase and sale transactions regarding concluded contracts and transfers of titles to products
4. Orders fulfillment	Providing information about customers' intentions to purchase specific products
5. Products	Shipping, transport, physical distribution, warehousing, sorting, picking
6. Payments	Payment of receivables by banks on behalf of customers, financing of inventories
7. Ownership	Transfer of ownership or the right to use a product between channel participants
8. Risk	Taking over the risk related to the financing of inventories, the sale of products moved through the distribution channel and the collection of receivables

Source: Based on: Altkorn, 2003, pp. 198-199; Pisz, Sęk, Zielecki, 2013, pp. 146-148; Stern, El-Ansary, Coughlan, 2002, pp. 24-28.

In flow management within the distribution area the division into direct and indirect distribution channels is of key importance. It is primarily related to decision-making (managerial) processes that determine the place and role of intermediaries in distribution channels. These decisions significantly influence the form and shape of the logistics concept in the area of distribution, in particular the number of market intermediaries and tasks performed by them.

Distribution channels play a crucial role both in the process of moving goods from production to customers as well as in transmitting appropriate information accompanying the flow of goods. The goods and information flows between the area of production and the area of consumption create a distribution system. This system occupies an important place in the overall concept of logistics within business management and the entire supply chain management. Apart from distribution channels, an important part of the distribution system is distribution logistics.

3. The concept of distribution logistics and its basic characteristics

Distribution logistics, which should be more precisely called “logistics within the area of distribution”, is the third phase of flows, located in a manufacturing firm after procurement logistics (logistics within the area of procurement/supply) and production logistics (logistics within the area of production).

The concept of distribution logistics comprises decisions as well as processes and activities related to the flow management of goods moved from the area of production (manufacturing) to the area of consumption, i.e. to the ultimate customers (end buyers/users).

The set of distribution channels for products offered by the manufacturer and the relations between the participants of these channels, carrying out specific logistic activities, create the manufacturer’s distribution system (Altkorn, 2003). Thus, the structure of the distribution system consists of: (1) distribution channels, and (2) logistics processes and activities related to distribution logistics (Figure 1).

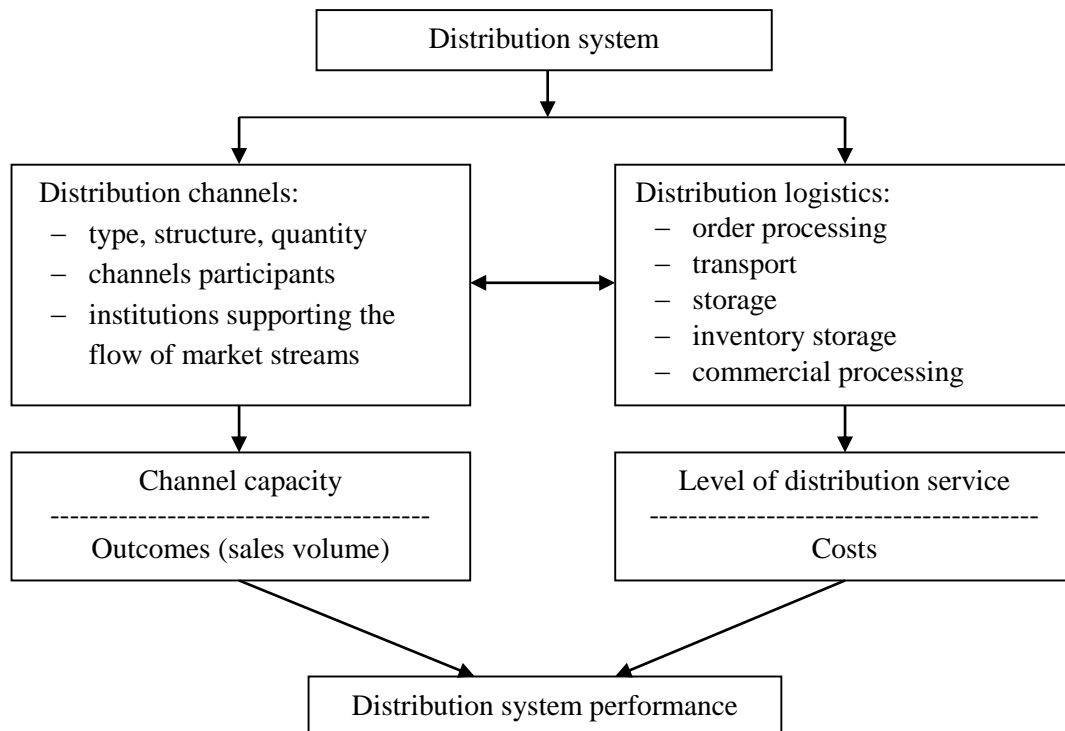


Figure 1. The structure of the distribution system.

Source: Altkorn, 2003, p. 196.

As A. Czubała points out, the institutional structure of the distribution system is created by entities participating in the sale of specific products, their type (e.g. manufacturer, wholesalers, retailers), quantity, order of occurrence, and relationships between them. In turn, the functional structure of the distribution system is determined by the type and scope of logistics activities necessary for the physical flow of products to the places of purchase by the ultimate customers (end/final buyers) and their division among the channel participants (Altkorn, 2003).

In the process of the distribution system forming and development one may identify a number of factors that influence the choice of the distribution system. As M. Frankowska and M. Jedliński point out, in general terms the above-mentioned factors can be divided into two groups (Frankowska, Jedliński, 2011, p. 27):

- 1) Endogenous (internal) factors related to the firm capabilities, including its human, material and financial resources, as well as the firm capabilities to build the relationships with customers and the features of the product itself,
- 2) Exogenous (external) factors influencing the distribution system by forming and shaping customers' possibilities and expectations, competitors' behavior, or elements (characteristics) of the macroeconomic environment.

More detailed factors influencing the choice of distribution system comprise the following (Frankowska, Jedliński, 2011):

- 1) Features of the target market where the firm intends to place its products,
- 2) Features of the product that the firm intends to sell,

- 3) Features of the firm influencing its situation within the market,
- 4) Factors concerning the competition,
- 5) Factors resulting from the current distribution structure and expected trends in its development.

The key process in offering products to customers is the physical distribution. It is related to the real, i.e. physical movement of products from the production area to the final buyer (ultimate customer) area. Physical distribution requires the implementation of a number of real logistics processes and activities related to the material side of distribution, including: (1) transport, (2) warehousing, (3) storage and inventory management, (4) packaging and labeling (5) commercial processing, and (6) order processing.

As A. Czubała points out, the following solutions can be distinguished within the organization of physical distribution (Altkorn, 2003):

- 1) The manufacturer himself is responsible for placing manufactured products on the market and organizing his own sales network,
- 2) Logistics activities are performed by commercial intermediaries (wholesalers, retailers) creating a given distribution channel,
- 3) The manufacturer or trade intermediaries outsource all or part of the logistics activities (transport, forwarding, warehousing) to specialized logistics firms.

Taking into account the varying degrees of distribution intensity, three basic distribution strategies, also known as distribution methods, can be distinguished (Altkorn, 2003; Frankowska, Jedliński, 2011; Rutkowski, 2000):

- 1) Intensive distribution,
- 2) Selective distribution,
- 3) Exclusive distribution.

The first distribution strategy, i.e. intensive distribution, consists in offering products at all possible and available sales points (places) to customers at a specific level of the distribution channel, as well as within the boundaries of a spatially separated market. This type of distribution requires the development of long and wide distribution channels that enable advanced penetration of the serviced market. Intensive distribution is used primarily in the market of frequently purchased consumer products and services, whose buyers require wide availability of products, as well as the shortest possible time necessary to make a purchase.

In turn, the second distribution strategy, i.e. selective distribution, involves offering products on a specific territorial market area by a limited number of commercial intermediaries who are selected according to pre-defined criteria and obliged to carry out specific commercial and promotional activities. As a consequence, the distribution channels typical for this strategy are often significantly narrower than in the case of intensive distribution.

Selective distribution is used primarily within the markets concerning the so-called “electable” products and services. Customers purchasing such products and services base their purchasing decisions on detailed information about the purchased goods and services, while at

the same time devoting themselves to thorough assessments of the offered product assortment. Selective distribution allows producers to focus their activities on cooperation with selected intermediaries, and also ensures fuller market control as well as helps in distribution costs reduction.

Finally, the third distribution strategy, i.e. exclusive distribution, assumes offering products through one or – at most – several intermediaries operating at a specific level of the distribution channel and within the boundaries of a spatially separated market. The “extreme” form of exclusive distribution, associated with the use of the narrowest distribution channels, is “sole” distribution. It consists in the exclusivity of a selected commercial intermediary in the sale of products of a given manufacturer, with a simultaneous ban on the sale of products of other competitive manufacturers.

Exclusive distribution is used primarily in the markets for luxury, unique, episodic purchase and specialized goods and services. The above-mentioned types of products often have no substitutes in the minds of customers. At the same time, the customers themselves are willing to devote significant amounts of time for purchasing these products. As a consequence, exclusive distribution provides producers with extensive control over the sales processes of the offered products, their prices and the level of services offered. This distribution strategy can also support effective brand creation and promotion, and contribute to achieving a number of benefits for intermediaries, including relative certainty of supply sources, restrictions of competition, or support for the sale of products and services by producers.

4. Conclusion

The significance of logistics in business management has been growing for many years. Logistics as a strategic tool for building the firm success as well as its competitive advantage plays an increasingly important role in firms. In building firm success and creating firm competitive advantage, the concept of logistics as well as the concepts of distribution and distribution logistics are of particular importance.

The article presents the most important features related to the logistics perspective of distribution and to the distribution logistics. The particular significance was assigned both to the nature and the most important features of distribution as well as its place and role in the concept of logistics, and also to the nature of the concept of distribution logistics and its basic characteristics. Distribution and distribution logistics are not only the important tools for building firm success and its competitive advantage, but also play a crucial role in the development of firms' and supply chains strategies, as well as in building and implementing modern business models.

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