

THE ROLE OF INDUSTRIAL LOGISTICS IN THE IMPROVEMENT OF THE COMPANIES' ECONOMIC PERFORMANCE

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Abstract: The coordination of logistic strategy with the overall strategy is of great importance, which will allow logistics to provide considerable support to achieve the overall objectives of the company, as profitable as possible. At the same time, it is essential to align the lines of actions of logistic managers in order to improve the services for consumers and users and to obtain increased efficiency of the logistic system. To this scope, it is highly significant for the logistic managers to have suitable equipment to measure performance, which they should diversify and improve constantly.

1. INTRODUCTION

In addition to the added value created, logistics has a major role in enhancing business performance. Logistics is used to perform the strategic management of supply, internal operations, transport and delivery, all embodied in the flows of raw materials, materials, finished goods and related information flows, through which the company is in constant contact with the external environment in order to meet customer orders at the lowest cost. To obtain competitive advantage, close collaboration is needed between the company's department managers, so that logistic strategy is fully integrated into the overall strategy of the company. From this perspective, the components of logistic strategy must be in close accordance with those of the general strategy in order to obtain enhanced synergy. To this purpose, effective ways must be identified to obtain low costs, to differentiate services, namely to synchronize the company's overall activities. An example in this respect is one of the most common objectives of firms - on-time delivery of orders. This goal requires close coordination of activities taking place within the internal operations, of downstream logistics and marketing ones. Given that the objectives can be achieved in several ways, costs and performances may differ also. It is therefore necessary to monitor and evaluate results, link elements interconnecting with the flow of activities performed in order to fully understand the impact of logistic strategy on firm profitability.

2. THE LOGISTIC STRATEGY

Identifying logistic activities, which create added value, leads to a differentiation of products and services provided by the company, compared to those of its competitors. However, considering the increasing complexity and diversity of products and materials, the differentiation strategy should be focused on techniques and methods to capture the customer's perception on such differentiation rather than on comparative deepening of products and materials. Thus, the logistic strategy must focus on matters of importance to consumers or users such as company reputation on logistical support given to products, characterized by quality and diversity of services. Since these participants are in the downstream of the logistic system, they can be powerful factors of differentiation and influence and the company must use all instruments available to determine them to become trusted allies, notably through customization of products and services provided. To enhance the impact on prospective clients or users, the logistic managers should, through logistic strategy, focus on the following:

- Flow of products and materials throughout the logistic system, namely assortments quantity and range; planning and frequency of deliveries (re-deliveries) and physical distribution; methods, routes and means transportation; handling means and methods;
- Expansion of logistic area, namely nearness of clients or users and enhancement of market coverage;
- Range of available products concerning: quantity and assortments; level and speed of inventory rotation; compatibility of warehouses with stored products; seasonal storage.
- Internal operation, namely: reception of raw materials and materials from suppliers or production divisions; consolidation or separation of handling divisions; receipt and processing of orders; packaging; selection of handling units; labeling; containerization; administrative issues – inventories, issuance of invoices, payment of invoices from suppliers, received or granted discounts, etc.
- Customer relations regarding: security management; information on changes brought to products and their performances; pre- and post sale technical support; product's significance for client and the type of relation;
- Market information, such as: activities carried out by competitors; their logistic performances, especially regarding inventories, available products and distribution means; newly-emerged opportunities.

Analyzing these activities thoroughly, logistic managers can focus resources on those activities that add value and for which the customer shows special interest, thus capitalizing every chance of developing the logistic system. The adjustment or addition of the traditional strategies by many companies is the result of increased volatility of the current economic environment. Thus, rapid developments in communication technology and informatics, constant liberalization of world markets, decrease of product lifespan and the explosion of their diversity and complexity, have led to dramatic changes in the supplier - manufacturer - client relationship and to increasing difficulties when entering more crowded domestic or international markets.

Proactive companies have given a new meaning to logistics. If initially it has been considered a mere operational variable, at present, it is given strategic significance, given the role it has in the process of coordinating the flow of goods and related information, which results into a high level of serving the client and increasing company profits. But it requires a disciplined and systematic approach of the market, setting priorities, allocating resources and constantly adjusting to the circumstances of the external environment.

The logistic strategy is used to develop specific long term programs aimed to ensure company profitability, having as a basis to anticipate the needs of consumers and users. This strategic plan is used by the logistic system to integrate and manage the flow of products and related information, taking into account their interactions with internal and external influence factors, in an integrated manner from the product's conception to its consumption.

With the help of strategic planning, logistic managers draw up long-term forecasts and meet the immediate requirements of consumers and users. Thus, an apparently impossible, but balanced connection is obtained, capable of forecasting on a certain period of time, the company's ability to meet spontaneous needs of clients.

The logistic strategy involves the thorough identification of *long-term prospects* and *objectives of qualitative and quantitative nature*, by setting clear goals, based on measurable factors and specific deadlines. In addition, it is advisable to determine techniques, methods and procedures appropriate for operationalization, monitoring, control and assessment enabling the implementation of theoretical elements.

The development of logistic strategy creates a reference framework enabling the evaluation of changes outside the company's environment, without securing positive outcomes after operationalization. However, the strategy gives the company a lever designed to answer properly to both predictable unpredictable changes in the environment given the existence of strategic back-up plans established for such cases. Such response ability allows the company to enhance its adjustment and evolution capacities.

Achieving more flexibility in relation to the external environment and selecting the best products and services both qualitatively and in terms of low costs is possible through long-term partnerships, both upstream and downstream in the logistics system. These partnerships represent a guarantee to achieve strategic and operational levels, which generate multiple long-term gains for both sides. The foundation of such relations should be represented by permanent communication, coordination of plans and activities, even development of joint programs on various areas of logistics, to successfully contribute to the creation of new products, the growth in serving customers and to expand the logistic area.

The principle of visibility, transparency, should dominate the relations of partnership. Under this principle, a mutual exchange of information should take place between the components of the logistic system, in an open and timely manner. Such exchange is not to be limited to historical or recent data, but it must include, in particular, the partners' estimates, plans and prospective programs. A significant improvement of the flows performed in the upstream logistic may be obtained if manufacturers provide the suppliers, in advance, with the rhythmic supply programs concerning production lines. Thus, deliveries are staggered and services are improved at supplier level, raw material and material inventories are reduced while ensuring continuity of production and logistic costs drop considerably.

In international logistics, planning and building partnerships take the form of strategic alliances with an increasing complexity, which require a careful approach of relations with suppliers and customers, close coordination of logistic system and well-trained logistic specialists. These entail additional costs of training and supporting courses of action which should however be fully compensated by improving the operational process, by increasing the market share, given the preferential relations between some suppliers, customers or users.

In the supply chain, strategic alliances may include a variety of partners such as manufacturers, carriers, public or contract warehouses; logistic centers, all of whom have a common purpose: serving consumers and users optimally.

The planning phase of the logistic strategy should provide a realistic estimate of the necessary financial resources as the starting point for future options. However, the efficiency in using assets, potential added value, projected costs and minimum standards of logistics services form the basis of these estimates, which are, at the same time, indicators of the logistic system. The result of the analysis of costs necessary for the functioning of the logistic system can guide companies to a strategy of outsourcing services to reduce the investments in logistic assets. Implementing such a strategy may result in a reduced number of vehicles or waiving their fleet of vehicles or appealing to public warehouses at the expense of own warehouses.

The modern logistic approach requires a careful and detailed analysis of major factors influencing the costs of specific activities that relate directly to the overall strategy and impact on the company profitability. This approach waives the measurement of costs per areas designed for logistic components such as costs per unit of cargo stored, handled or transported, on behalf of total logistic costs or total production costs, which include global financial elements of flows of goods and materials – from delivery to use or consumption.

Logistic activities should be examined from a comprehensive perspective to achieve significant savings in the system and a sustained growth of the company's performance. In this respect, it is necessary for significant items to be dealt with through levers offered by the company's overall strategy. Improving the operation of logistic activities must be based on simple but effective solutions grounded on the exploitation of knowledge, experience and creativity of logistic experts, on encouraging their active involvement together with sustaining the strategic sense and focus on the quality of serving customers. The comprehensive approach of the activities within the logistic system allows an effective control of all issues arising in each moment, estimating the potential effects that can be generated and efforts needed to solve them, in order to ensure process continuity.

For large logistics systems, comprising staff, customers and numerous suppliers, or structures acting on logistic national, regional or international areas, the consistency of purpose, goals, flows of products and information is an issue of great importance within the logistic strategy. In an increasingly globalized economy, companies need to plan and to carefully assess the logistical operations to remain competitive. Optimization of volume and flow of products and materials will become a prerequisite for increasing the efficiency of the assets' use and increasing the performance of the logistic system.

To this end, logistic managers must devise tools, methods and techniques of collecting information, monitoring and evaluating quantities of goods received, handled, stored, transported or delivered in the logistics of an integrative manner. Thus, the appropriate framework can be achieved in order to optimize activities and implement creative options that lead to reduced total logistic costs, improved profitability and achievement of competitive advantage - critical objectives of the logistic strategy.

Providing increased performance over a long period of time is based on the sustainability of the logistic system's effectiveness, which requires a proactive approach of the results obtained. Upon the integration of logistic strategy in the global strategy, logistic managers should conduct the interconnection of logistic activities especially with production and marketing, which action would be highly complex and difficult. Thus, fewer warehouses, as a consequence of the decision to reduce inventories and improve the efficiency of the assets' use may result in lower market share. The outsourcing strategy also involves loss of control over flows of goods, contact with suppliers and customers which may cause the loss of competitive advantage.

The dynamism of business conduct will reflect exactly the results achieved through constant monitoring and an accurate assessment of logistic system performance. For a correlation and coordination of logistics with other activities, logistic managers must identify and adjust the techniques and methods for measuring the performance obtained by applying logistic strategy, so that to highlight in terms of quality and quantity, the extent to which logistic objectives have contributed to achieving the overall strategy. However, if the logistic system does not achieve optimal parameters of development, logistic managers must be able to take action to direct the logistic activities towards the strategic objectives of the company.

3. CONCLUSIONS

Therefore, the coordination of logistic strategy with the overall strategy is of great importance, which will allow logistics to provide considerable support to achieve the overall objectives of the company, as profitable as possible. At the same time, it is essential to align the lines of actions of logistic managers in order to improve the services for consumers and users and to obtain increased efficiency of the logistic system. To this scope, it is highly significant for the logistic managers to have suitable equipment to

measure performance, which they should diversify and improve constantly so that the logistic system would possess a true anticipatory barometer of environmental changes.

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