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Managing distribution processes in the selected sales Network

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ABSTRACT

Distribution logistics plays an important role in the proper functioning of the company. It is particularly important in manufacturing companies that sell their products in their showrooms. Many of these types of companies see the opportunity to improve the efficiency of their operations in properly organized activities in the field of distribution logistics. However, this requires proper management of distribution processes. A choice should be made between direct and indirect distribution, in the case of the latter, also specify the number of intermediary links and select the sales agents accordingly. With this in mind, the considerations taken up in the article were devoted to the problems of managing distribution processes in the sales network on the example of a selected enterprise.

Keywords: network, sales network, distribution logistics, distribution, logistics management

1. INTRODUCTION

Distribution is one of the most important elements in the logistics system of a sales network company. Distribution activities are carried out both at the stage of creating a commercial offer by the company, organization of promotional activities, sales, completion of customer service and after-sales service [1]. Activities related to distribution are therefore present at every stage of the sales process. Distribution is the implementation of activities whose purpose is to provide products offered by the company to the market to the final buyers.

However, earlier these products have to be produced in the production process, using appropriately selected materials. Then they are delivered to the market and sold. Consequently, it is widely accepted that distribution activities are the last link in the company's operations [2, 11].

Distribution activities are carried out at every stage of product creation and delivery to the market, ie at the stage of gathering information about the market and customer needs, as well as at the stage of supply, transport, storage, production, customer service and after-sales service. The first stage in the logistic activity of every business entity is gathering information about the market and the needs of clients. Information in this respect comes from various sources, eg market research, consumer opinions, or from commercial agents. They are the most important when planning the product offer, mainly in determining the specificity and properties of the products created. The nature of these products and their properties depends on bringing the products to the market, their final buyers, as well as consumers' decision to buy. In turn, this is put on activities related to the storage, transport and sharing of products at a specific time and place, as well as the determination of their price, conditions of sale, complaints and returns. Based on the needs of buyers, the company develops a product offer. At the same time, it always sets the types of raw materials, materials, components and semi-finished products necessary to carry out the manufacturing process [3, 12].

Their suppliers are business entities that operate both on the domestic market and on foreign markets. Therefore, the company should contact the suppliers who, at the right time, in the right quantity, in the right quality and at the right price will provide all the necessary materials. Materials supplied by suppliers are stored in supply depots. These are warehouses intended for storing stocks, as well as sorting and controlling their quality. The primary purpose of storage is to provide goods with conditions where they retain useful properties and thus ensure continuity of production. Regardless of whether the production is permanent, cyclical or seasonal enterprise is forced to store the right type and quantity of stock in the warehouse. Their lack may lead to production stoppages, as a result of which the products offered will not be delivered to final buyers on time, so their distribution will be impossible. Distribution plays an important role also at the stage of the production process. It consists of a technological process and auxiliary processes. During the technological process, production involves the change of form, chemical or physical properties of processed materials or raw materials. However, in order for the technological process to have a proper course, many auxiliary processes must coexist, such as: preparation of production, transport, storage [4, 13].

If we want to reach buyers with their offer, the company must define the needs and requirements of customers, design the right product, collect materials, raw materials and semi-finished products needed for production, properly store them and properly implement the production process. In addition, it must also reach the market on its own or start cooperation with commercial agents. At each of these stages, there is a problem of moving products. Only properly implemented activities in the field of distribution ensure timely delivery of goods, in a different spatial layout, at the lowest possible costs and with optimal quality of customer service. The presence of distribution in the logistics process provides several elements (Figure 1).

Distribution is important for the logistics system and the entire company. Although it is assumed to be the last link in the logistics activity of the company, in fact distribution activities are carried out at every stage of product development and delivery to the market. It can therefore be considered that distribution is a kind of link between production and consumption.

Without it, it would be impossible to create an offer that meets the requirements of buyers, the implementation of the production process and the delivery of manufactured products to the market, in a convenient place, at the right time and at the right price [5].

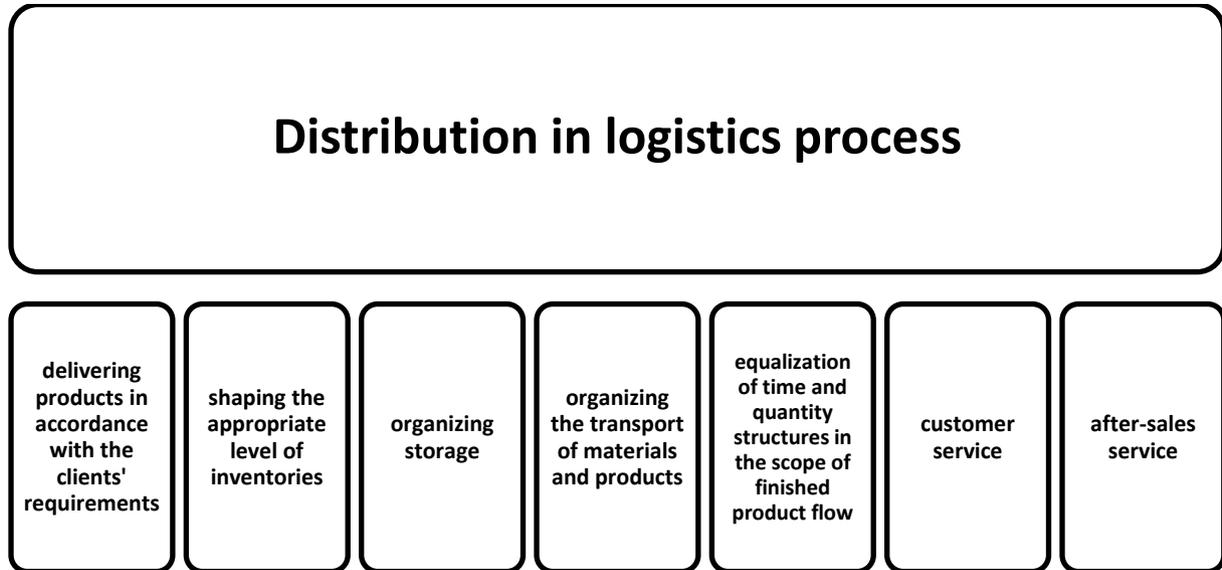


Figure 1. The presence of distribution in the logistics process
[source: own elaboration]

Distribution focuses on delivering in the right place and at the right time, and at the appropriate price of a given product from the producer to the recipient. To do this, it is necessary to use distribution channels, otherwise known as market channels, which constitute a set of interdependent organizations that participate in the process of product delivery to the user. On the one hand, distribution channels are a kind of path that a product or service travels from the producer to the final recipient. On the other hand, it is also assumed that distribution channels are a chain of institutions, through to it is possible to move information, services and goods to a given market [6, 14].

2. EFFICIENCY OF DISTRIBUTION ACTIVITIES IN THE SALES NETWORK

Distribution is one of the most important elements of the logistics system in an enterprise. Together with other activities carried out in the logistics enterprise, it creates an integrated set of activities whose main purpose is to meet the needs of buyers by supplying them with appropriate products and selling them in convenient places for buyers. However, in order for these products to reach customers and be offered to them in an appropriate manner, the company must perform certain activities. They can not be accidental, but they must be competently planned. Only then the effective physical flow of goods is possible. To assess this effectiveness, specific criteria are used, which the producer always considers in his distribution activities [7].

Various types of criteria are used to assess the effectiveness of distribution activities. Some of them include:

- economic criteria,
- organizational criteria
- criteria regarding the functioning of the distribution channel.

The logistic goals of the company's distribution system are determined individually, depending on the specificity of the company and its operating market. However, there are some general criteria that can be used to assess the effectiveness of distribution activities. These purposes include:

- the level of implementation of the sales result assumed by the company, both in individual distribution channels, as well as in the layout of markets, buyers and assortments,
- the ability to create, maintain and develop mutually satisfying relationships with participants of each distribution channel, as well as the final purchasers of the products offered,
- the degree of business recognition on the market,
- the ability to stimulate high demand for products in the company's offer.

In addition to the general criteria, there are also detailed criteria for assessing the efficiency of the distribution chain. Among them, economic criteria are particularly important. They are directly related to the financial situation of the company, affect the amount of income and expenses that the company can spend on distribution activities. The structure of distribution channels have a significant impact on the efficiency of distribution. It should enable the producer to realize the sales volume he is planning. However, this entails certain costs that arise from the need to pay remuneration to intermediaries [8].

The cheapest solution for producers seems to be the use of direct, short distribution channels. However, they do not always give the opportunity to reach a wide range of buyers, which in turn means that the manufacturer does not have the opportunity to sell a large number of goods offered by him. In addition, direct distribution is not always a cheaper option. Sometimes its cost is much higher than the cost of indirect distribution, because it includes the costs of handling orders, transport, storage, sorting, labeling, etc. The use of indirect distribution channels is slightly different.

They are much more effective in the operations of the company, because they allow reaching a wide range of buyers, which results from the participation of trade intermediaries. It might seem that the use of such solutions generates high costs, but in reality it is not. Commissions and margins charged by intermediaries are usually lower than the costs that the producer would have to incur when organizing direct distribution. Commercial intermediaries, due to their experience, extensive contacts and large scale of operations, fulfill their functions much more effectively than producers and at lower total costs [9].

Another economic criterion for assessing the efficiency of the distribution chain are the commercial costs that the producer must bear. They include the value of products manufactured and sales costs. Their amount is always put on the company's financial results. If these costs are high, it may expose the company to losses. To avoid this, it is necessary to apply an appropriate pricing procedure. It always depends on the objectives pursued by the company's pricing policy. Therefore, the producer should first determine what he intends to achieve by proceeding to set the price. It can be: profit, increase sales volume, create a good image in the eyes of buyers or gain an advantage over the competition.

An important economic criterion for assessing the effectiveness of distribution is capital expenditures that the company must incur in relation to the physical movement of the goods it offers. They include both costs related to the flow of goods, as well as costs related to the flow of information. Capital expenditures incurred on the flow of goods are expenses related to the transport of products, their storage, sorting, completing and packaging. While the costs related to the flow of information relate to the reception, preparation and transmission of orders as well as the preparation, development and launching of the flow of goods.

The third type of criteria for assessing the efficiency of distribution in the logistics activities of an enterprise are the organizational criteria. This group includes six factors that are always taken into account by the producer who wants to assess the effectiveness of intermediaries in the distribution channels. These criteria are presented in the figure below.

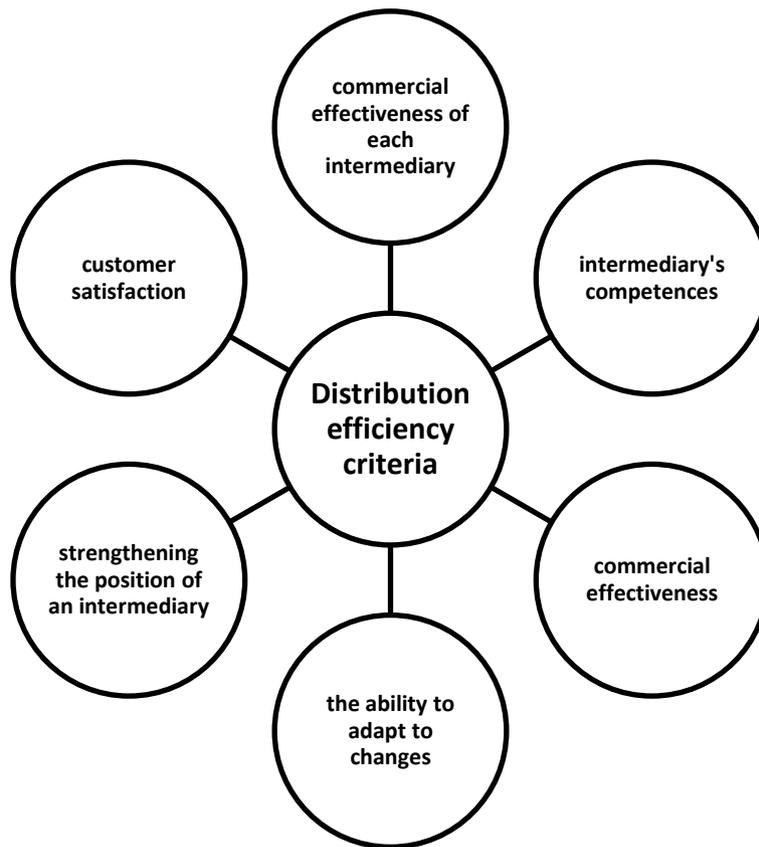


Figure 2. Organizational criteria used to the assessment of distribution efficiency.

[source: own elaboration]

The above criteria refer to both commercial intermediaries and institutions providing services supporting the company's activity, and thus to all enterprises and organizations directly or indirectly involved in the process of physical flow of goods from producers to final purchasers. To assess the effectiveness of distribution channels, the producer must always consider whether the trading partners cooperating with him have the opportunity to develop and whether they can count on long-term cooperation with him [7]. The goal of any enterprise

trading through the sales network is to achieve profit and grow. However, this depends on the effective sale of the offered products. This sale is possible through proper distribution.

It should be emphasized that in the distribution, or physical movement of products from the place of their production to the place of sale, distribution channels occupy a special place. Each of them has a different structure and consists of a different number of intermediary links. Companies operating on the market are building intermediate narrow, wide, long or short channels [10]. Other companies are distributing using indirect channels. Regardless of the distribution method used by the company, it is important that it is effective, that is, to meet the tasks set for them [15, 18].

3. ASSESSMENT OF THE DISTRIBUTION SYSTEM IN A SELECTED SALES NETWORK IN THE OPINION OF CLIENTS

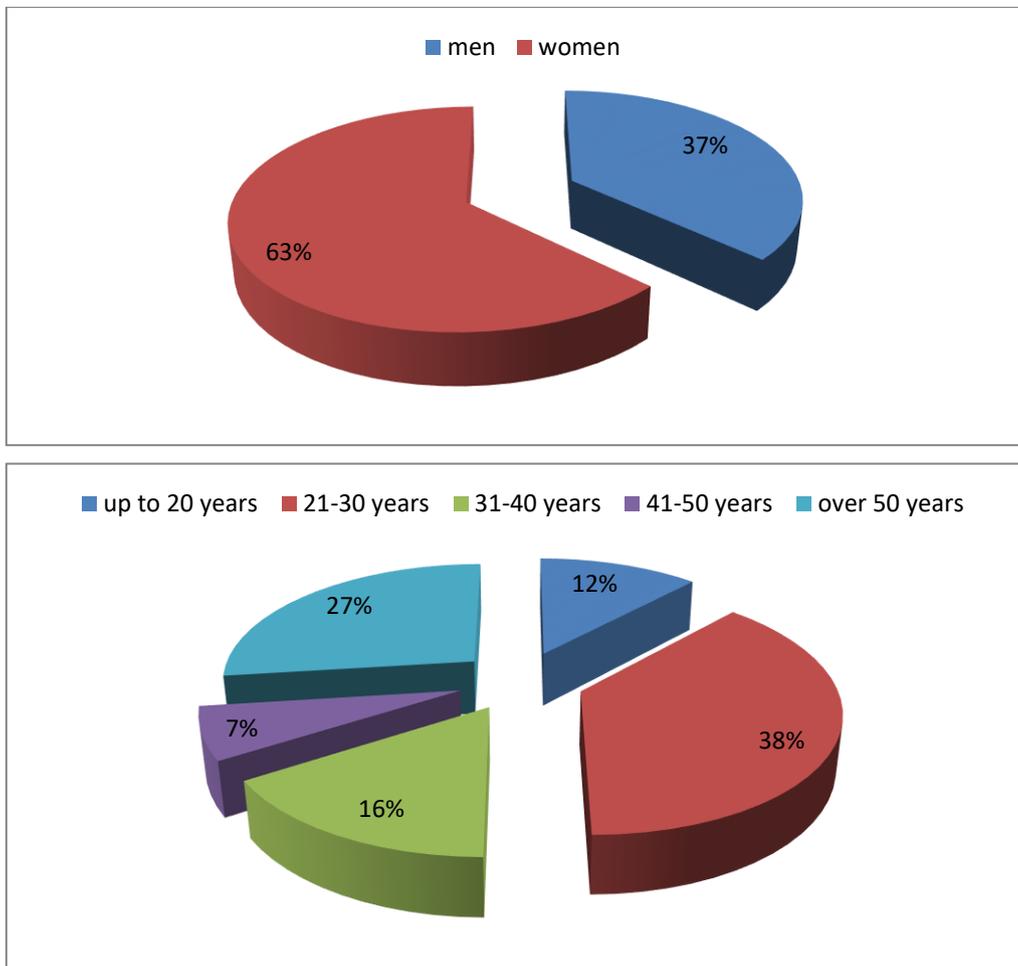


Figure 3. Composition of the research sample
[source: own elaboration]

The market participant is not only the producer but also the customer. It is to his needs and tastes that the goods are adapted. The customer is also the last link in the logistics chain,

because it is the final recipient of the goods offered by the company. In this part of the article was assessed the footwear distribution system in the selected sales network. The customers of salons of the selected sales network took part in the survey. The survey questionnaire was completed by 100 people, who in the period from November 12 to 20, 2018 made purchases in showrooms of the sales network in Częstochowa (Fig. 3) [16, 17].

The majority of respondents were women. They accounted for 63% of respondents. Men were much less. They constituted only 37% of the respondents. The age of the respondents was varied. The respondents were mainly people aged 21-30, who accounted for 38% of respondents and older people, aged over 50, which accounted for 27% of respondents (Figure 3). The smallest percentage of respondents - only 7% were respondents in the age group 41 - 50 years.

The results of the surveys carried out showed that the biggest impact on the acquisition and retention of customers has a wide and diversified offer of different brands of women's, men's and children's footwear. In addition, their price, high quality and fast availability are also important for customers. The figure 4 presents the opinion of the respondents on the factors having the greatest impact on the acquisition and retention of customers by the surveyed salons of the sales network.

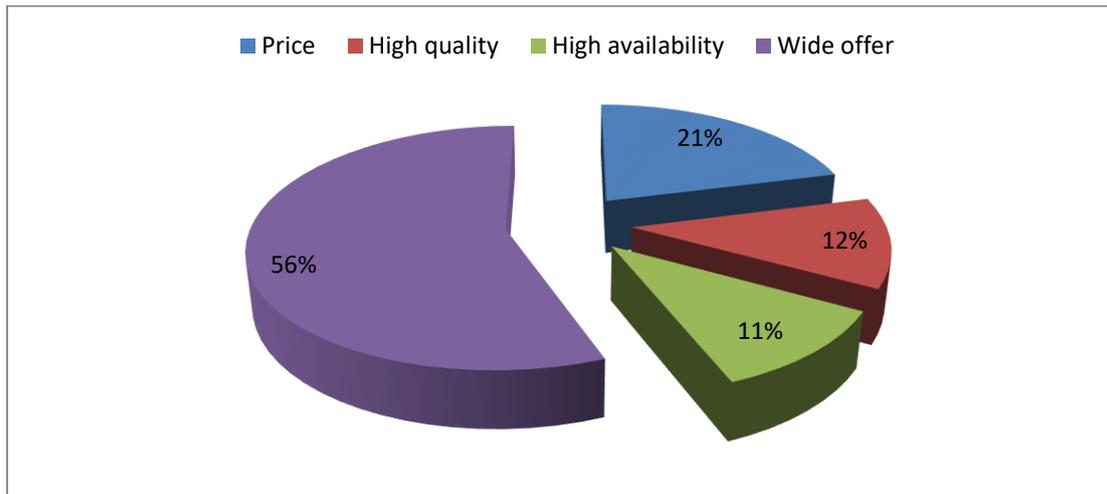


Figure 4. Factors affecting the acquisition and retention of customers in the sales network under study.

[source: own elaboration]

For each customer, the price is of great importance when making purchase decisions. It affects the perception of the offered goods and is one of the basic factors considered when making a purchase decision. The price also determines the amount of profit achieved by the company and is an important competitive factor, deciding to a significant extent on the sales volume and, consequently, on the size of market share. With this in mind, companies are developing different types of pricing strategies. In the conducted research, attention was paid to the type of pricing strategies applied by the sales network under study. The research shows that the pricing strategy most often used by the analyzed company is differential price strategy, which consists in differentiating the prices of particular footwear brands depending on time and place of sale, as well as customer's readiness to pay a specific amount for the product. 56% of respondents gave such a response. Every fourth respondent pointed to a market penetration

strategy based on keeping the prices of offered footwear brands at a lower level than the prices of competing companies. The remaining 19% of respondents recognized that the sales network under study uses a price-cutting strategy. However, none of the respondents stated that the analyzed company uses a single price strategy or a compensation strategy. Figure 5 shows the distribution of the answers obtained graphically.

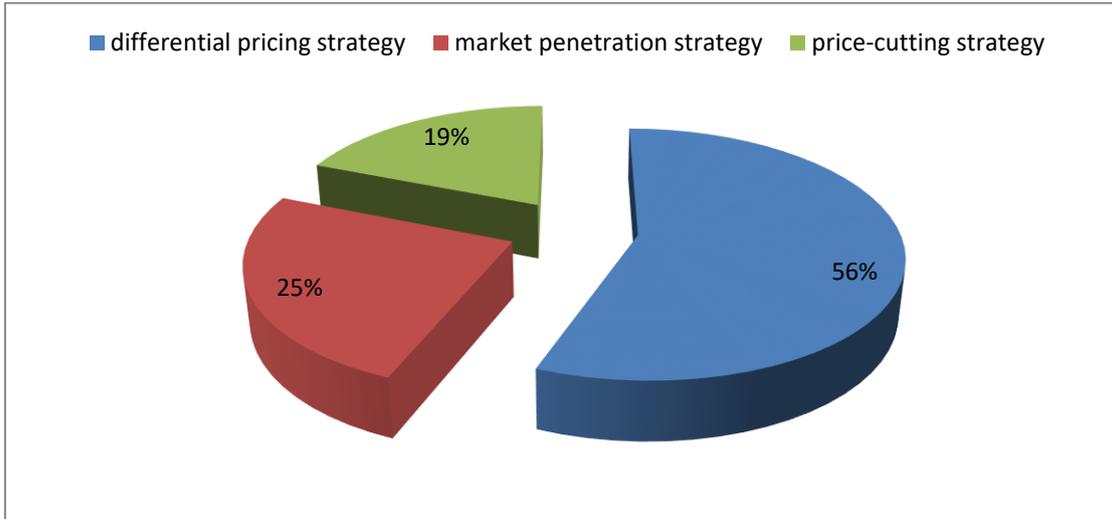


Figure 5. Price strategies used
[source: own elaboration]

Using the next question of the survey, an attempt was made to find out what the customers of the examined chain of footwear stores in Częstochowa think about the pricing strategies applied by the salons. The results of the study are presented in Figure 6.

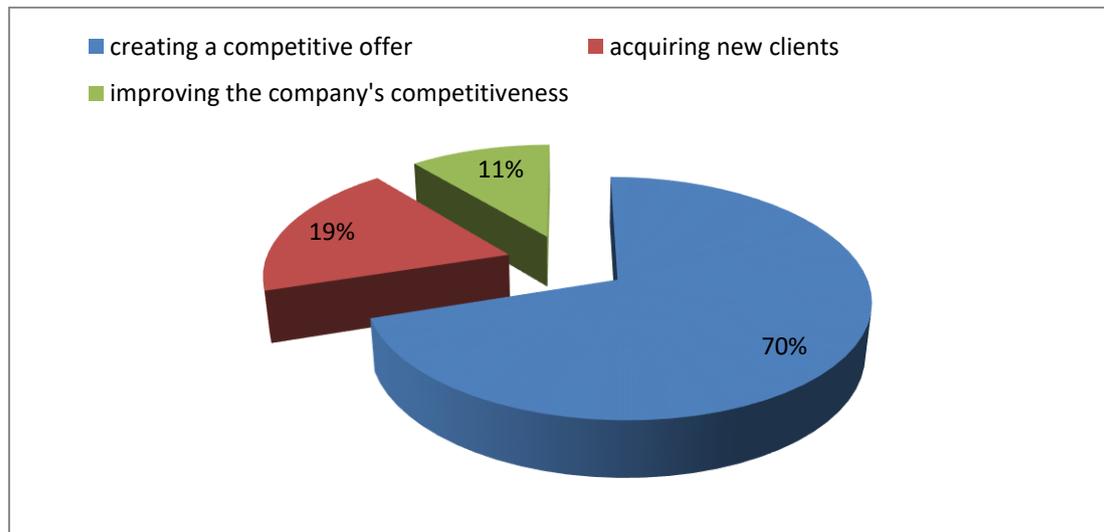


Figure 6. The objectives of price strategies
[source: own elaboration]

Price is an important competitive factor, significantly affecting the level of sales and, as a result, the size of the company's market share. The conducted research has shown that the pricing strategy used by the network allows this company to create a competitive market offer and gives the opportunity to acquire new customers. In addition, this strategy also affects the improvement of the company's competitiveness. Nowadays, an increasing number of customers pay particular attention to the possibility of choosing products that fully satisfy them. This was confirmed by the survey. In the next question in the questionnaire, the respondents were asked to assess the elements related to the offer of the salons, which affect the acquisition and retention of customers by the company. While providing answers, the respondents could use the scale from 0 to 5, where: 0 meant no influence, 1 - very low impact, 2 - low impact, 3 - medium impact, 4 - high impact, and 5 - very high impact. Figure 7 presents the results obtained.

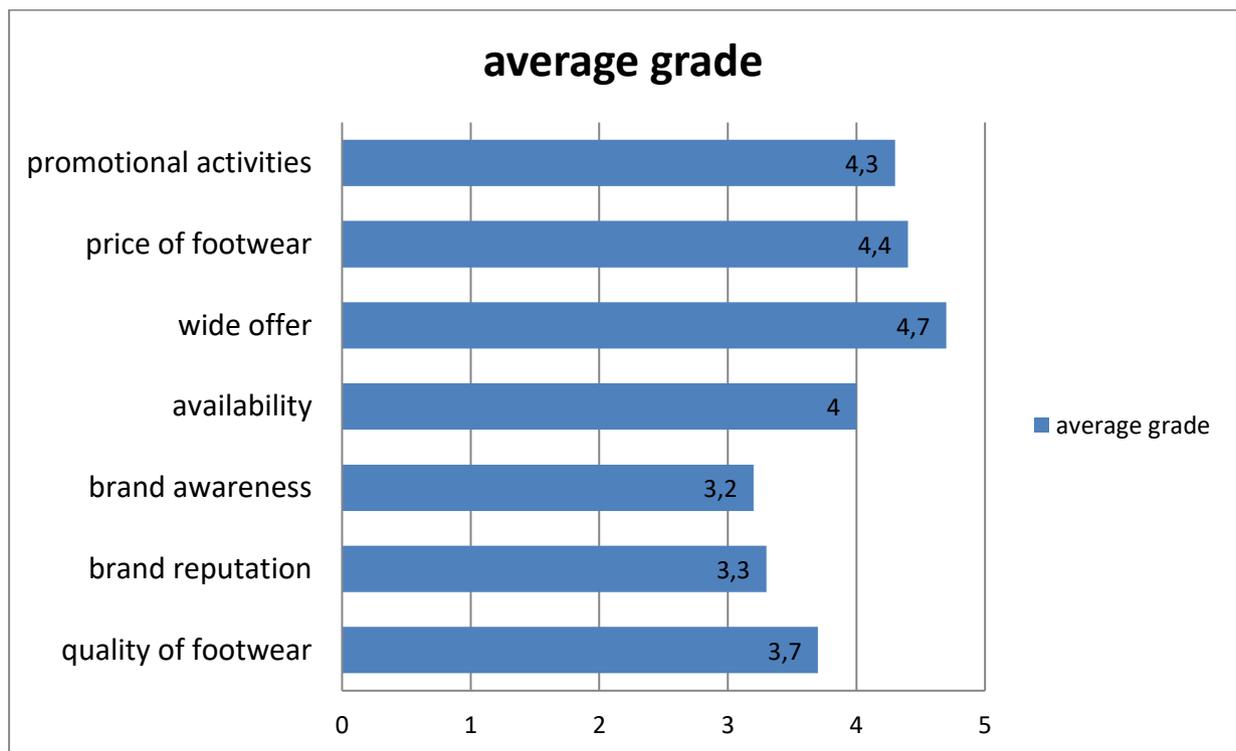


Figure 7. Elements having influence on gaining and the maintenance of customers
[source: own elaboration]

The answers provided indicate that in the opinion of the respondents, a wide range of footwear brands is influencing the acquisition and retention of clients by the analyzed company. This answer was most often indicated. She obtained an average score of 4.7. The least affecting the acquisition and retention of customers, however, is brand awareness.

In addition to the price, an important factor affecting customers is distribution, which includes activities directly related to the physical movement of products from the producer to the final recipient. The distribution decisions made by the company must always be consistent with the specifics and characteristics of the product offered. In addition, many other factors

affect the type of distribution used by the company. Respondents were asked to indicate them in the next poll question. The distribution of responses is presented in the figure below.

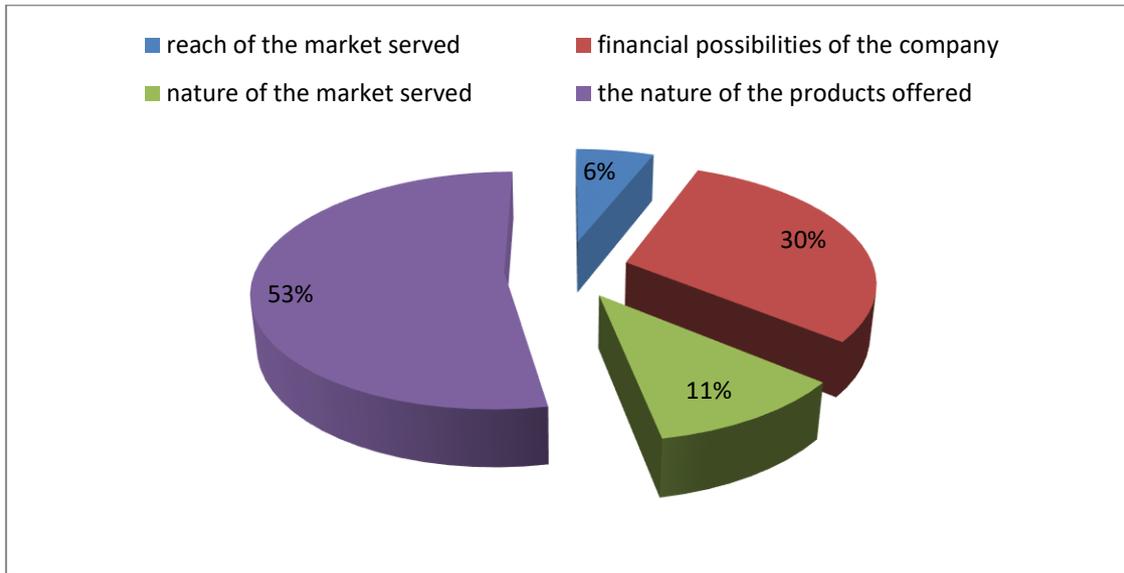


Figure 8. Factors affecting on the type of distribution
[source: own elaboration]

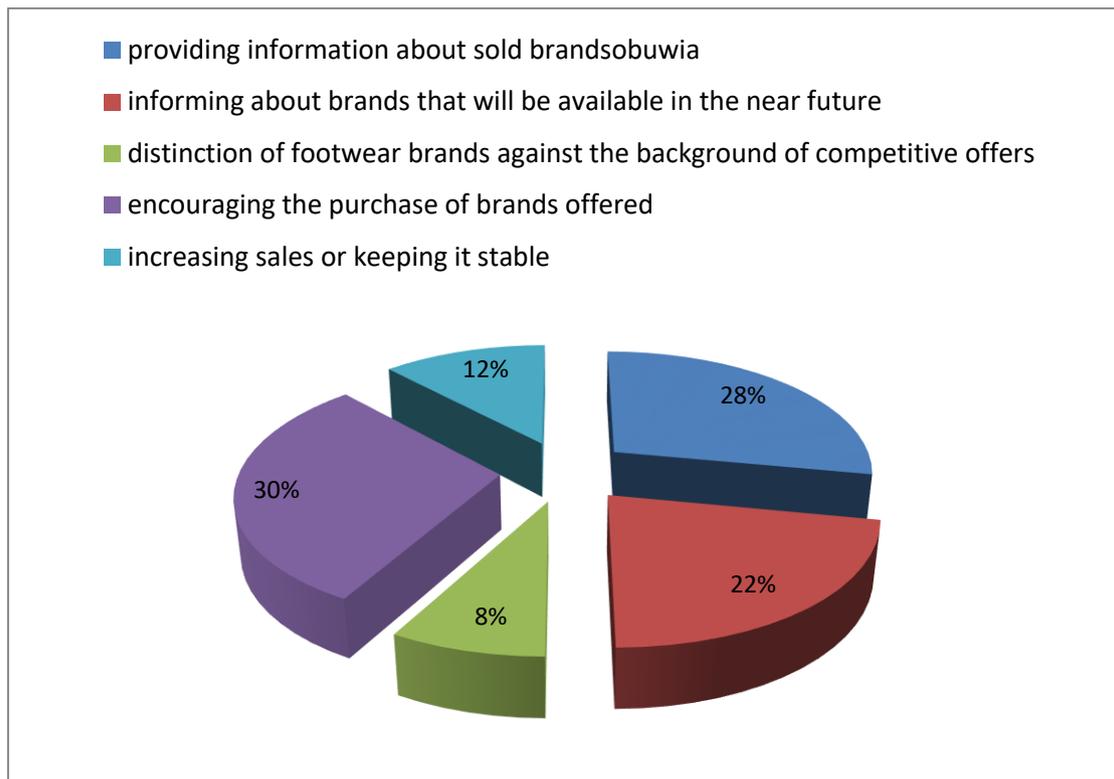


Figure 9. The goals of promotional activities
[source: own elaboration]

The presented data show that the most important factor that affects the type of distribution used by the sales network is the nature of the products offered. Over 50% of respondents gave such answers. The smallest percentage of respondents - only 6% of respondents felt that the type of distribution used by the analyzed company depends on the nature of the market served. An important aspect of sales of offered products in the sales network is the organization of promotional activities. It serves to increase the demand for offered products. Therefore, every entrepreneur has an appropriate vision of the system, through which he wants to get information about the product to the relevant market segment. The promotion enables the acquisition of new customers, as well as increasing the frequency of purchases or introducing a new product to the market. By inducing a potential buyer to take advantage of the offer, the entrepreneur also creates a favorable climate around his business, and thus influences the shaping and consolidation of the company's image. With this in mind, it was decided to check what are the objectives of promotional activities conducted by the surveyed sales network. Answers given are presented in Figure 9.

The research shows that the main purpose of promotional activities is to provide information on the sold footwear brands on the market, as well as to encourage their purchase. Another, but less important, goal of promotional activities is to inform about footwear brands that will be introduced to the market in the near future. The least of respondents considered that the promotional activities conducted by the surveyed sales network serve to highlight the offered footwear brands against the background of competitive offers.

4. CONCLUSIONS

The logistics of distribution is responsible for all activities carried out in the sales network, from production planning to customer service and post-sales service. The activities carried out within its framework cover a wide range of issues, ranging from market needs research and determining the demand for offered products, through production, sales, customer service and after-sales service. Distribution plays an important role among these activities. Its scope includes planning, organizing and controlling the flow of products offered by the company from the place of production to sales points of the sales network. The considerations taken at article were aimed at assessing the footwear distribution system in the selected sales network in the opinion of its customers. In the opinion of respondents, the network under study pays great attention to distribution activities. The analyzed company from time to time launches new footwear brands, and their price adjusts to the financial possibilities of buyers. The network also conducts large-scale promotional activities. The results of the survey indicate that the customers of showroom salons recognize and appreciate the activities conducted by this company related to distribution.

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