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Functioning of the logistics system on the example of the selected sales network

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ABSTRACT

In business operations of enterprises operating a sales network, particular importance is given to appropriately planned and properly implemented activities that enable the flow of goods as well as the accompanying information. This flow can be ensured only by the logistic system designed in the right way. Each company selling products using sales network has its own individual logistics system. The proper functioning of this system allows the company to fulfill all the tasks and goals that are set before logistics. The article illustrates the functioning of the logistics system in the sales network, and also presents the organization of logistic processes on the example of the chosen network.

Keywords: network, sales network, logistics system, logistics management

1. INTRODUCTION

Increasing market competition, diversified offer of products and services available on the market as well as changing tastes and growing requirements of buyers cause that business entities are forced to develop and implement appropriately targeted flow activities related to the flow of goods. These activities are diverse and their implementation is possible by logistics. Each company sets specific goals and tasks for it. They come down to the fact that the products or services offered by the company are introduced to the market, to the final buyers. It is important to provide them with the availability of goods or services in such a way that the costs

of these activities are as low as possible for the company. Most logistics specialists and scientists agree that logistics is a basic function in business. Moreover, for several years there has been a tendency to consider logistics as a process that creates value [1, 7, 8].



Fig. 1. Sales network in logistics
[Source: garlandsource.com]

Logistics is a process that includes the management of the flow of goods and the accompanying information. This process serves specific purposes. The most important of them is proper management of the flow of materials, raw materials and intermediates from the sources of their acquisition, through the production process, up to the form in which, as finished products are delivered to final buyers. The purpose of this is to subordinate specific logistics goals. They focus on the optimal use of appropriate organizational, technical and technological solutions that will enable the rationalization of the physical flow of goods, materials, semi-finished products and finished products.

This flow takes place both within the company and between the company, its market partners and between the company and the final purchasers of the products offered. Actions that enterprises implement to make this goal a reality focus on [2, 10]:

- planning production and supervision of deliveries,
- controlling the management of materials, warehouses, purchases and transport,
- securing the supply of necessary materials for the development and implementation of the production plan
- establishing and then maintaining contact with suppliers, conducting negotiations with them, carrying out purchases and organizing deliveries,
- providing customers with full satisfaction thanks to the optimal supervision of the order from its acceptance to delivery of the product,
- minimizing the total costs of product and information flow.

Mainly, logistics goals focus on coordinating and streamlining the flows of raw materials, materials and products ready for final buyers, reducing the costs of these flows, i.e. increasing

their efficiency in subordinating logistics activities to the requirements set by the market for the company. These goals can be considered from two points of view, namely from the point of view of the company and from the point of view of final buyers. In the business unit, logistics activities, if implemented in a proper manner, enable gathering information about the market, in particular about contractors and customers, as well as their requirements for the offered goods and the demand for them. Thanks to this, they allow to properly plan the production process, give the opportunity to establish cooperation with commercial agents, and allow to reach with the offer a potentially large number of final clients [3].

Logistics must always be considered from the point of view of final buyers. It allows to deliver the products offered by the company in a timely manner to the place of purchase by consumers and what is important - ensures their continuous availability and the possibility of choosing from the proposed assortment, also gives customers the opportunity to use various additional services both before and after purchase [4, 11].

Logistics also places emphasis on product handling activities that include storage, transport, distribution, and packaging and processing. Accordingly, logistics tasks concentrate on managing the physical structure of the flow of goods and the accompanying information.

They focus on three areas:

- the first is to improve the management of the flow and product storage processes implemented within the framework of logistics,
- the second is the subordination of activities related to logistics processes to all, or at least the most essential requirements of customer service,
- the third is to increase the efficiency of the flow of goods and information in the enterprise as well as between the company and its contractors [5, 12].



Fig. 2. Logistics management
[Source: aims-education]

2. FUNCTIONING OF THE LOGISTICS SYSTEM IN THE SALES NETWORK

In business operations of enterprises operating a sales network, particular importance is given to properly planned and properly implemented activities that enable the flow of goods,

as well as the accompanying information in two directions - to the company running the sales network, in the company and the sales network created by the company, and from the enterprise to the market (to customers). These flows can only be ensured by a logistic system that is designed in the right way. Each company selling products using sales network has its own individual logistics system. The proper functioning of this system allows the company to fulfill all the tasks and goals that are set before logistics.

Explaining what a logistics system is in the sales network, it is worth explaining the first what the system is all about. In professional literature, the concept of a system is defined in many ways.

According to one definition, the system is:

- a specific set of units that together form an organizational unit and are used to achieve specific goals,
- way of performing specific activities,
- a set of rules according to which some activities are carried out.
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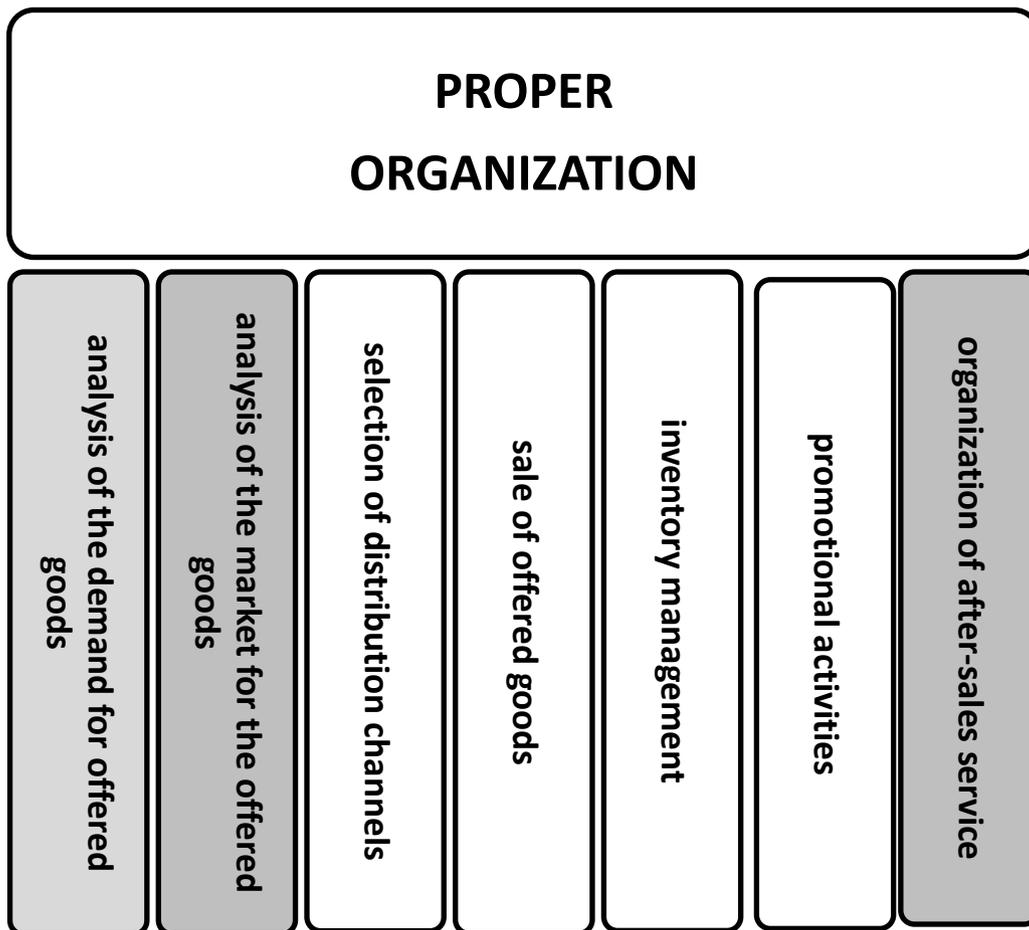


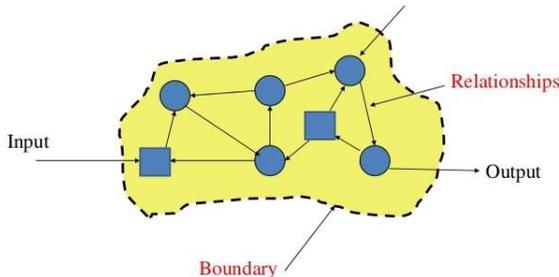
Fig. 3. The organization of the sales network
[Source: own elaboration]

In management, the term "system" is understood as a set of specific elements and relations between these elements and between their properties. The properties of individual objects are considered to be properties, and relationships that are binding individual parts with the whole are considered relations [6, 13] According to this definition, a system is a deliberately defined set of elements that have specific properties, and certain relationships take place between these elements. In turn, the logistics system is a purposeful organized and connected within a given economic system physical flow of streams of goods accompanied by the flow of physical means and information.

The logistics system has a specific character in enterprises running a sales network. In order to understand its essence, it should first be explained what the sales network is. This concept is directly related to the organization of the commercial activities of products included in the offer of manufacturing enterprises. For these enterprises, the network is a collection of outlets where direct sales of manufactured products take place [7]. Składa się z placówek fabrycznych, magazynów sprzedaży, a także działu sprzedaży, który przyjmuje zamówienia od klientów [6]. In the sales network the most important is sales of goods offered by the company. In order for it to produce satisfying results very important is proper organization, which includes elements showed below [14].

In the organization of the sales network, a well-organized logistics system plays a special role. In the sales network, the logistics system is always considered in a functional aspect, which takes into account the elements that make up this system and the phases of the flow of goods and the accompanying information [7, 15]. These two factors allow to distinguish several types of logistic systems. Their classification is presented in table 1.

Table 1. Types of logistics systems in the sales network and criteria for their classification

Types of logistics systems	Classification criteria
<ol style="list-style-type: none"> 1. Transport system 2. Storage system 3. Material management system 4. Order fulfillment system 5. Packing system 6. Control system 7. Service system 8. Information processing system 	<p>Elements creating a system</p>  <p>The diagram shows a network of nodes (circles and squares) connected by lines, enclosed in a dashed yellow boundary. An arrow labeled 'Input' points to a square node on the left, and an arrow labeled 'Output' points away from a square node on the right. Labels 'Relationships' and 'Boundary' point to the connecting lines and the dashed outline respectively.</p>
<ol style="list-style-type: none"> 1. Logistic supply system 2. Logistic production system 3. Logistic distribution system 4. A logistics system of returns 	<p>The phases of the flow of goods and information in the system</p>

[Source: own elaboration]

Depending on the type and number of institutions that occur in the logistics system of the company selling on the network, the following is specified:

- micrologistic system, which refers to enterprises with specific specialization and, depending on it, is divided into logistics of industry, trade and logistics of services,
- a metalogistic system having an inter-organizational character and referring to enterprises of the same or different industries involved in the creation of cooperation

The functional aspect of the logistics system in the sales network is a much broader issue. It is usually considered in two ways, i.e. taking into account the phases of flow of goods produced and sold by the company and information accompanying production and sales or logistic tasks performed as part of the flow of goods and accompanying information both within the company and inside the sales network. When analyzing the logistics system in the sales network from the point of view of the flow of goods, the accompanying information is separated by four subsystems, which together form the logistics in the sales network.

These are:

- procurement logistics,
- production logistics,
- distribution logistics,
- utilization logistics [7, 16].

Procurement logistics is the first phase of the flow of goods in the sales network. She is responsible for supplying raw materials, materials, spare parts, semi-finished products and finished products from the supply market to the supply warehouse. The second phase of the flow of goods is the production logistics, in which the flow of materials and raw materials from the supply warehouse takes place through successive links of the production and technological process up to the sales warehouse. The third phase is distribution logistics, which includes the flow of finished products from stores to customers.

The last phase of the flow runs in the opposite direction, from the market and from the customers to the supply market, i.e. to the suppliers. It is a utilization logistics. The logistics system in the sales network can also be considered according to logistic tasks performed as part of the flow in the network of goods and the accompanying information from the enterprise to the final buyers. This criterion allows to specify several logistic systems.

The most important of them are:

- transport system,
- storage system,
- material management system,
- packing system,
- customer service system [17].

In the sales network, the transport system is one of the most important elements of the logistics system. It includes internal transport (transport within the sales network) and external transport, (transport outside the sales network). The proper functioning of this system ensures that the company selling goods in the sales network the properly transported in time and space

of a specified quantity of raw materials and materials as well as finished goods using appropriate means of transport and with the shortest possible way [10].

The storage system is another important element of the logistics system in the sales network company. It is responsible for receiving, moving, storing, arranging, registering and controlling semi-finished products and finished products in designated places, i.e. warehouses. In the sales network, these are central warehouses from which the goods are then directed to individual selling points [11]. The material management system is a system allowing for efficient inventory management, their registration and valuation. In the logistics process of the sales network, its role is focused on providing information regarding inventory, their quantity and value. Based on this information, the company makes decisions in terms of production volume and purchase decisions. Another of the logistics systems in the sales network - the packaging system is a system aimed at protecting and securing the finished products from the company's warehouses to commercial selling points. The customer service system plays a significant role in the sales network. Its operation focuses on the development and implementation of orders placed by customers. The buyers' service system covers the implementation of many different activities that are directly related to customer service and after-sales service. These include: preparation of orders, their receipt, processing and processing, execution of orders including the preparation of products, their dispatch and invoicing. The handling of complaints and the handling of returns as well as the collection of receivables, the assessment of the level of order fulfillment and customer service also play an important role in the proper functioning of this system. All these activities are aimed at ensuring the highest level of customer service in the sales network, but at the same time the lowest costs. As is clear from the information provided, the logistics system in the sales network is a broad concept. It is always considered taking into account the elements that make up this system, as well as the phases of the flow of goods and information in the sales network system. This system always includes the implementation of certain activities necessary to ensure that all goods are delivered to the market to commercial outlets, and from there, that they reach the right customers at the right time and at an acceptable price [19].

3. ORGANIZATION OF LOGISTIC PROCESSES OF THE SELECTED SALES NETWORK

The organization of logistics in the surveyed sales network includes the implementation of activities in the field of supply management, production and distribution of women's, men's and children's footwear. The aim of these activities is to offer customers high quality products in the right quantity at the right price and their sale in all showrooms of the surveyed "X" company. The logistics organization occupies an important place in the operations of every company, including the "X" company. In the analyzed company, this process includes a wide range of activities related to planning, organizing, coordinating and controlling all activities related to the flow of footwear from the central warehouse of the company to salons of the sales network.

These activities include: demand forecasting, procurement processes, information flow, production process management, selection of sources of supply, purchase organization, inventory maintenance, storage and storage, transport operations, as well as order processing and customer service. The course of these activities is presented in the figure below [10, 18].

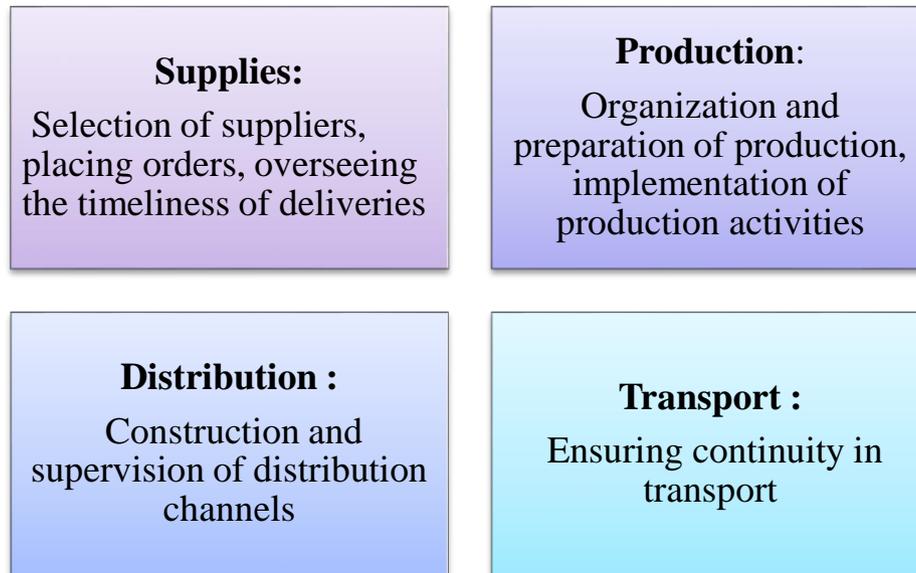


Fig. 4. Logistics activities carried out in the selected sales network
[Source: own elaboration]

One of the types of activities in the field of distribution logistics in the studied company is the supply organization. Activities implemented in this area include the coordination of flows of tangible goods necessary for the production process of footwear. These are: raw materials, materials, as well as packaging. The flow of material goods is accompanied by the flow of information. Organization of supply in the company also includes planning, organizing, coordinating and controlling activities undertaken in the field of estimating the amount of material needed for the production process of particular brands and types of footwear and purchase of materials needed for production. This process therefore includes several stages.

Their course is presented in Figure 3. Analyzing it, it can be seen that within each stage of procurement planning in the production plant of the company "X" decisions are made, on the basis of which exactly is determined:

- how and how many materials and semi-finished products for the production of particular types and brands of footwear must be ordered or purchased,
- what size of goods is needed,
- what is the cost of purchasing the necessary materials and semi-finished products,
- where the useful materials can be bought at the lowest cost,
- when the purchase should be made [20].

All activities carried out as part of procurement planning are closely related to the demand for particular types and brands of footwear and the requirements of buyers. The level of production is also dependent on the purchasing preferences of the customers and the season of the year. When planning supplies, the company implements activities related to estimating the demand for materials and components needed to produce particular types and brands of footwear and forecasting demand for them. It includes determining the number of models of

particular brands of women's, men's and children's footwear that will be needed in a given period in the future. Proper implementation of these activities is particularly important for the production department and logistics department of the company "X". Based on the information gathered, the production department defines production plans and schedules, purchase strategies, and procurement and inventories. For the logistics department, this information is the basis for deciding what quantities of particular brands and types of footwear should be included in transport plans. As part of procurement planning, the company also implements activities in the field of inventory control. They focus on determining inventory norms, and hence the ratio of inventory to sales volumes of particular types and brands of footwear [21].

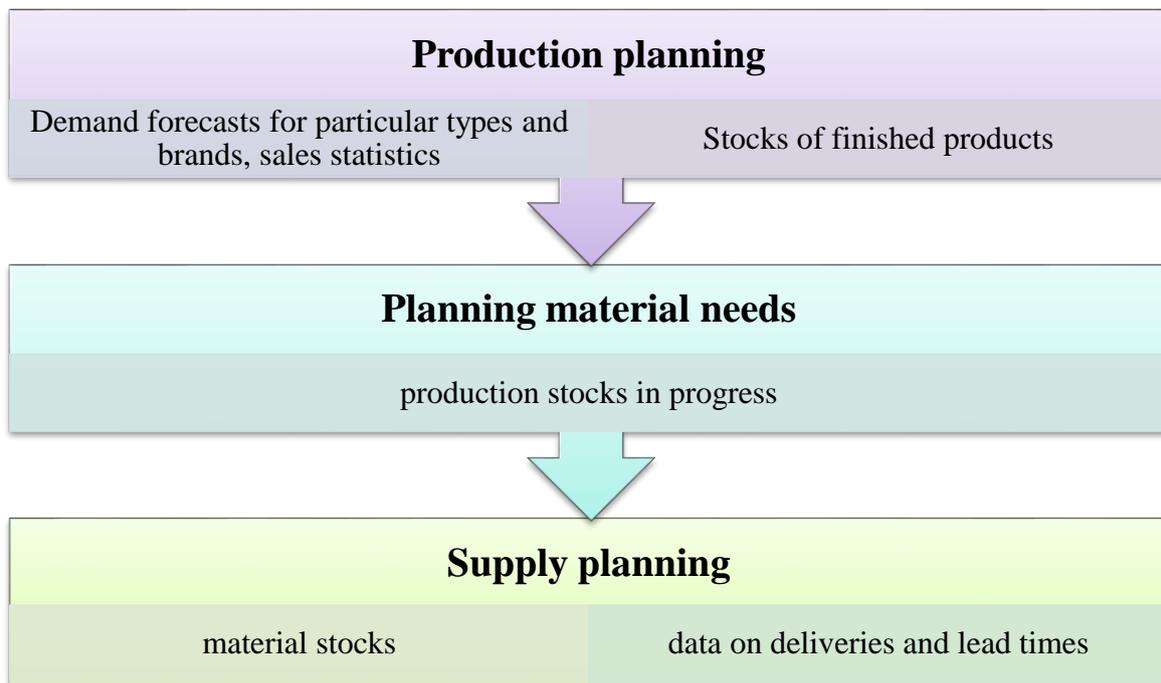


Fig. 5. Logistics activities of the selected sales network
[Source: own elaboration]

In the surveyed company, inventories are divided into five groups. These are:

- current inventories - in equal time intervals the analyzed company orders materials used for the production of footwear, protects against shortages, distortions and stopping production,
- inventories in production and inventory on the way - these are materials that are in the processing phase and materials that are transported,
- seasonal inventories - this group includes types and brands of footwear, collected and maintained in central warehouses before the season, in which there is the greatest demand for a specific type of footwear,

- speculative inventories - these are inventories of particular types and brands of footwear that the company creates to protect against sudden, unexpected increase in the level of sales,
- promotional inventories - this group includes inventories of various types and brands of women's, men's and children's footwear, which the company maintains so that the logistics system in the company can quickly and effectively respond to the promotional offer that the network will recommend to customers [22].

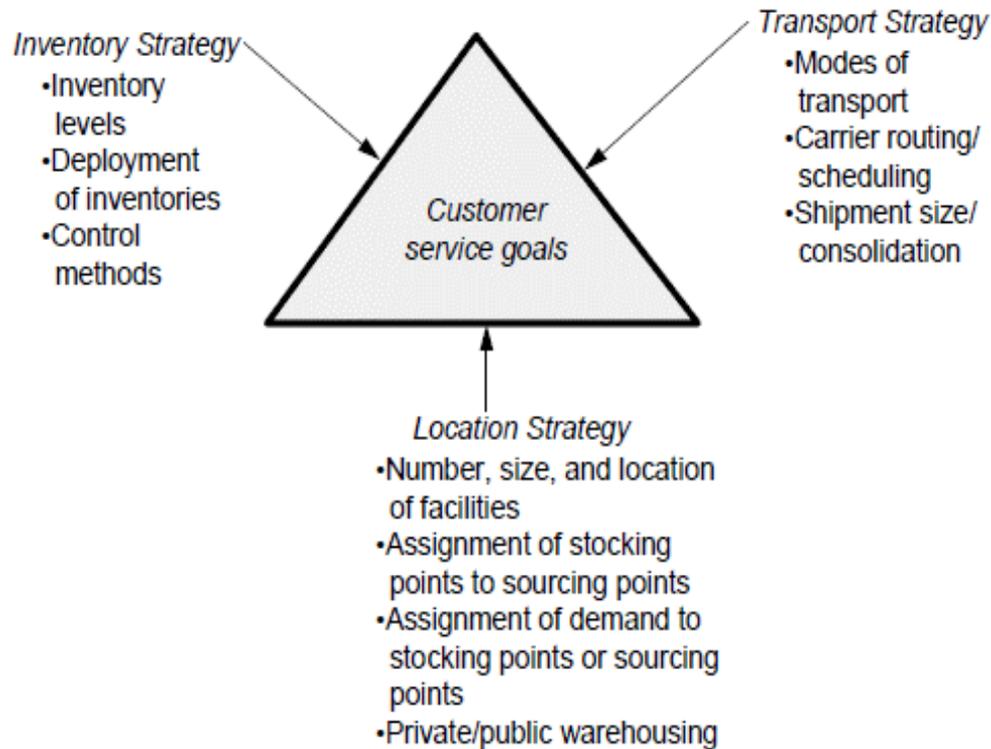


Fig. 6. The Trinagle the LogisticS Strategy

[Source: own elaboration and Business logistics: importance and some research (...)]

An important place in distribution logistics activities in the company's sales network is planning and organizing production. The production process of particular types and brands of footwear is of serial nature and takes place in the so-called fixed-size series. When deciding on the volume of production, the company relies on estimates of the level of sales of particular types and brands of women's, men's and children's footwear as well as the demand reported by the market. The company also takes into account the risks associated with the production of excess specific types and brands of footwear and the possibility of difficulties in their storage. Based on the warehouse risk and sales level estimates, the company "X" divides footwear for women, men and children, which is to be produced in three groups. These are:

- types and brands of footwear very urgent, i.e. those that must be produced in a short time and in large quantities,

- types and brands of non-urgent footwear, which include those whose production and sale may take place at a later date,
- types and brands of footwear whose sales are not high at a given moment (eg summer shoes in the winter), but which must be produced due to the adopted sales plan.

An important role in logistics activities in the surveyed sales network plays distribution. It includes the implementation of activities related to changing the place, quantity, time and delivery of footwear from the company's central warehouse to the showroom stores of the sales network.

The company "X" uses direct distribution. Footwear in the company's offer is sold by sellers in salons of the sales network. As part of the distribution logistics, the company also performs activities related to order processing. These are activities related to crediting and settling clients and keeping contacts with them - informing them about the assortment offer of the company. As part of the distribution logistics, the company under study also carries out activities related to customer service and after-sales service. They include: identification of customer requirements and expectations, determination of terms of sale and complaints, after-sales service and the possibility of submitting complaints. Figure 4 lists the most important activities that are carried out by the salons of the sales network regarding the customer service [11, 23, 24].

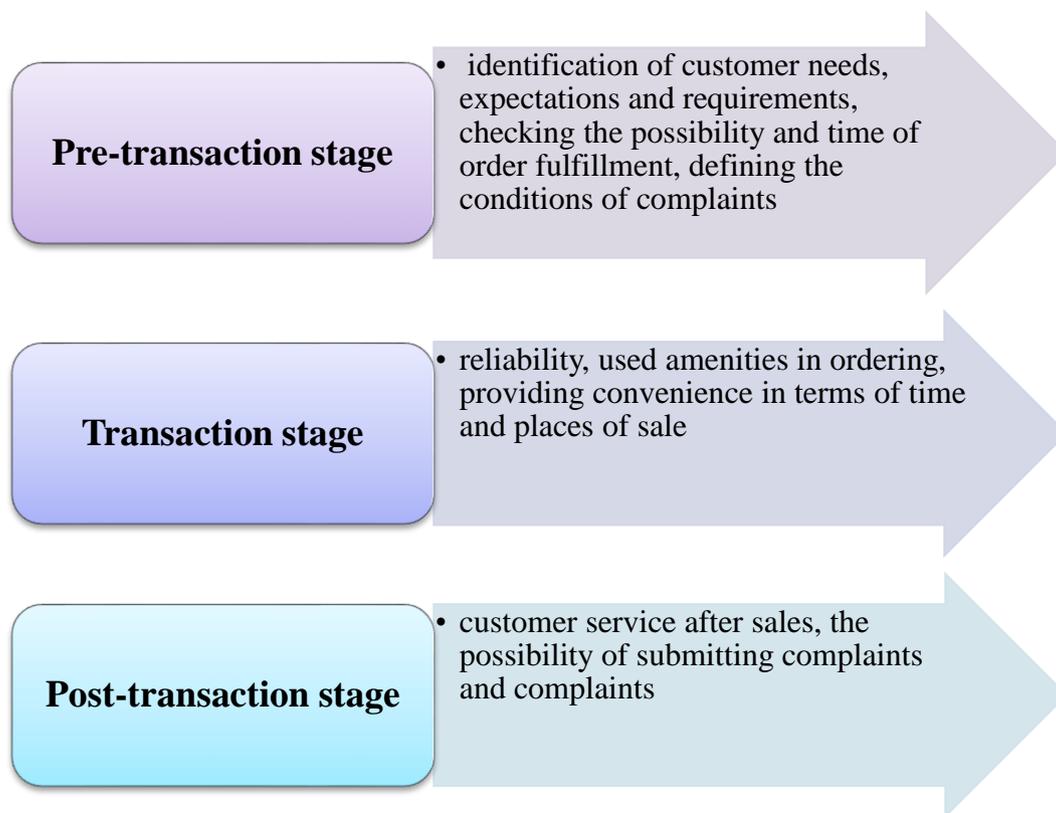


Fig. 7. Activities regarding customer service.
[Source: own elaboration]

4. CONCLUSIONS

The organized flow of materials, semi-finished products and finished products, as well as the information accompanying them, occupy an important place of activity of each enterprise. This role is particularly important for companies with a production and sales profile, which direct sales of their goods at the points of their own sales network.

As it was presented in the article, the scope of logistics activities implemented by the surveyed sales network is wide. These activities include tasks related to the production, transport and distribution of various types and brands of women's, men's and children's footwear offered in the surveyed company. These activities are appropriately planned, and the manner of their implementation is subject to coordination and control.

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