

The Logistics and Management of Distribution Channels, the case of Kosovo

Hidajet Karaxha, Ilia Kristo

Abstract

By coordinating their activities, companies aim to provide available products for their clients in the right place and time. Logistics activities have always been essential for companies, and therefore the logistics of the business and the management of the supply chain is a synthesis of many concepts, principles and methods from some of the most traditional fields of marketing, manufacture, accountability and transport, and also of the disciplines of mathematics and economy. This paper deals with the main aspects of logistics, business and management of the supply chain, and with the main aspects of the strategies and competitive incomes of the company. These aspects include transportation, inventory, processing, purchase, storage, treatment, packing, the standards of customer service and production. We have also described the role of the marketing of logistics as a system of planning which guarantees that the order will be executed in time, in the fastest way possible and with a low cost. The effective management of distribution channels affects the firms to realize an efficient process of distribution, in distributing the final products from the producer to the last consumer and in this way it helps these firms to grow their market and sales, and built strong relations with their clients. This paper includes empirical data that were collected by questionnaires and interviews, and subsidiary

www.dx.doi.org/10.21113/iir.v6i1.224

data as well, based on the review of the existing literature regarding logistics and the management of distribution channels. The collection of primary data was realized by the compilation of a questionnaire, which helped in developing contacts. The research was realized with owners, directors, managers and other holders of Kosovan companies. The sample is intentional (not probable).

Key Words: Marketing's logistics, the integrated management of logistics, distribution channels

1. The nature and importance of marketing's logistics

The functioning of transportation determines the efficiency and the movement of products along with techniques and the principles of management, improves cargo's speed, the movement of the product, the quality of the service, costs, the usage of objects and takes a part in the manipulation of logistics (Yung-yu T. 2005, p.1657). The logistics is a process of planning, implementing efficient control, with effective cost, the flow of raw materials, the supplement, the management of inventory, the distribution of available goods from the point of origin to the point of consume with the purpose of fulfilling clients needs (Cecilia G. 2008, p. 357-358). The system of logistics is focused on overcoming the barriers in space and time, from transportation and storage, the delivery of the cargo and the movement of materials (Segetlija, M. and Dujak, 2008, p. 787). The logistics refers to the flow of the storage of goods inside and out, the performance of services, the flow of information inside and outside organizations. As a managerial activity, initially the concepts of logistics were focused in its role in distributing the products as a manner to support the strategy of the organization's business and to ensure that the products and services are provided in time. Later, the globalization of industry and the liberalization of transportation led to the growth of logistics beyond the recognition of physical management and distribution as important elements as processes of planning, efficient implementation and control, with effective cost, the flow and maintenance of raw materials, and the flow of information from the point of origin to the point of consume with the purpose to fulfill clients needs (Gundlach, Bolumole, Eltantawy and Frankel 2006, p.432). Physical distribution means the coordination of actions and activities in order to provide the available products for the clients of the firm in the right place

and time. Based on these structures of logistics, the specialists of marketing-management involve a new concept: purchase, supply and management of the chain, regarding a better correlation between all participants. Therefore, the management starts with the process of production, including the production and distribution of the components from the suppliers as part of the production process, providing the flow of information until the client's needs are fulfilled (Silvia, 2008, p.1054). Logistics marketing or physical distribution entails the planning, implementation, control and physical flow of goods and services, connected from the point of origin towards the points of consume to fulfill the needs of the consumers.

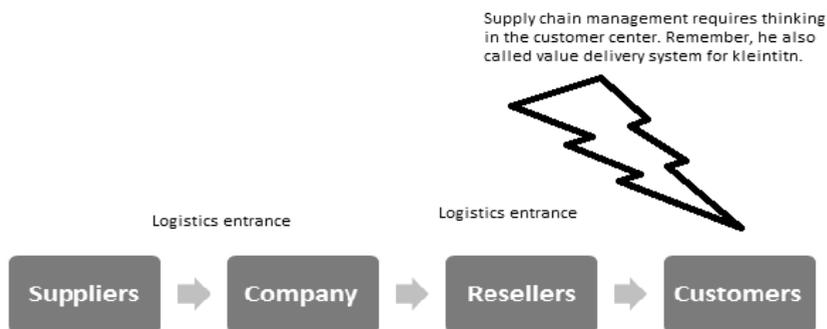
1.1. Integrated management of logistics

Today, an increased number of companies are embracing the concept of the integrated management of logistics. This concept accepts that providing the best service for the client and lowering the cost of distribution requires group work, inside the company but also between all organizations of the marketing channel. Inside the company, different departments have to closely work together to maximize the performance of company's logistics. Outside, the company has to integrate its logistics system with the one of its suppliers and clients, to maximize the performance of the entire distribution channel (Kotler Ph. Armstrong G. 2011, p. 363). Integrated logistics is a discipline of the unified management of technical logistics that plans and implements the logistical support for industrial organizations that will provide the quality of the product towards trust and availability. The logistics is a pile of activities related to purchase, movement, storage and delivery of goods, supply chain (i.e., the products in all phases of production, service and information) (Manjunatha and Shivanand. 2005-2009, p. 658).

1.2. The logistics of marketing

A sign for the coherence of logistics and marketing is a concept known as the logistics of marketing. The marketing of logistics is described as a system of planning and actions that guarantees that the ordered goods will be supplied in time, by using the proper means of transportation, in the fastest way and probably the cheapest one as well (Dwiliński, 1998, p.178). By providing logistics activities in cooperation with marketing happens in the area of the point of contact, which is the logistic in offering and

distributing, usually by creating a structure of the marketing of logistics. The channels of marketing connect with the logistics of marketing, where the supply chain permeates a longer channel that extends from the raw materials to the final products that were realized for the final buyers. This supply chain presents a value of the distribution system where each company gets only a certain percentage of the total value generated in the supply chain. When a company gets its competitors or moves in the upper flow or in the direction of the flow, its purpose is to get a higher percentage from the value of the supply chain (Kotler Ph. 2000, p.8). The skills of managing the marketing are based in a process of marketing's management that consists in the analysis of the possibilities of the market, the formulation of clear marketing objectives and the development of a strategy that has to be implemented and controlled (Banterle A, Cavaliere A, Stranieri S, and Carraresi L, 2009, p.3). Marketing and logistics are similar, because both of them take part in a heuristic process towards the structures and dimensions of supply for the desires and needs of clients. They are also complementary - the marketing stimulates demand, the logistics pleases it with distribution. The marketing embraces all activities and instruments that have a direct knowledge, their purpose and specification, creating potential effects of the market and the success of the company. The logistics is headed towards creating and using the potentials of effectiveness and the supporting system for the company to be oriented towards the market. The integration of logistics is oriented in expanding the services for consumers (Barcik R, and Jakubiec M. 2013, p.8). The logistics of marketing includes not only the distribution from outside (the displacement of products and materials from the suppliers in the fabric), but also the inside distribution (the displacement of broken products, unwanted or excess products, or returned by the consumers). Thus, it includes the whole management of the supply chain - the management from the source until the end of the chain - the elaboration of materials with added value, final goods and information, related with them, between the suppliers, retail sellers and final consumers, as seen in the figure (Kotler Ph. and Armstrong G. 2011, p. 357).

Figure 1: Logistics overturned

Source: Kotler and Amstrong, 2011, p. 357

1.3. Main logistics functions

The main functions of logistics include storage, management of inventory, transportation and management of logistics information (Kotler Ph. and Amstrong G. 2011, p. 360). **Storage.** Usually, warehouses are big buildings that are used solely for commercial purposes for the storage of goods. Warehouses were usually used by exporters, importers, wholesale traders, producers etc. The latest developments in the field of marketing have led to the design and development of the warehouses style, where the same warehouse was used for storage and as a retail store. This concept lowers the cost of the product which on the other hand increases the product's sale. The concept of storage is used as a keenly tool by producers, to directly connect with the consumers by avoiding the importers or other average agencies (Rajuldevi M. Veeramachaneni R. and Kare S. 2009, p.12). **Management of inventory.** The management of inventory also affects the customer's satisfaction. Here, the managers have to maintain the delicate balance, between the transportation of a very little inventory and the excess transportation. Keeping excess inventory results in the obsolescence of goods and in higher transportation costs. Thus, in managing the inventory, the firm has to balance the costs of transporting larger amounts of goods against the sales and the resulting profits (Kotler Ph. and Amstrong G. 2011, p. 361). **Transportation** - the selection of transportation agencies affects the price of products, in the performance of elaboration and the position of goods, and in the satisfaction of the client as well (Kotler Ph.

and Armstrong G. 2011, p. 362). The transportation system ensures that the goods and services are movable, provides them in time and with efficiency to promote the added value according to the principle of lower cost. Transportation affects the results of the logistics' activity and of course that it also affects the production and sales. Transportation has a connecting role between some steps that result in the conversion of sources in useful goods in the name of the final consumer. This is the planning of all the functions and sub-functions in a system of movable goods in order to minimize the cost and to maximize the service for consumers, which presents the concept of the logistics of business (Michael A. and Taylor, 2005, p.1661).

1.4. Effective management of distribution channels

Distribution has an important role within the mixed marketing, and the key to success is the integration in distribution structures, by ensuring that the clients get their products in the right time and place. If the product can't achieve its chosen destination in the right time, then this can damage the competitive advantage and the customer retention. In order to be effective, every organization has to realize an efficient process of managing the distribution to deliver the final products from the producer to the final consumer. This because if the product is not delivered in the right time and place, the distribution plan will fail, therefore the firms have to adopt the management of the supply chain in order to lower the cost, grow the market and sales, and built strong relations with their consumers (Yeboah A. Owusu A. and Boakye S. 2013, p.28). Today, the issue of distribution is becoming more and more important for the managers, based on the systems of physical distribution and its management, where the cost and cooperation between the analysis, planning, and the control in the level of services are physical duties while managing the distribution. The companies have achieved this competitive advantage by using distribution channels (Saremi H. and Mosavi S. 2014, p. 452).

2. The Research Results

In the beginning, the concepts of logistics were focused on its role in distributing the products in time and performance of services as a manner to support the business' strategy. In this context, the system of logistics for Kosovan companies is focused in overcoming space barriers, ensuring the

transportation in time, storage, the execution of the cargo and movement of materials.

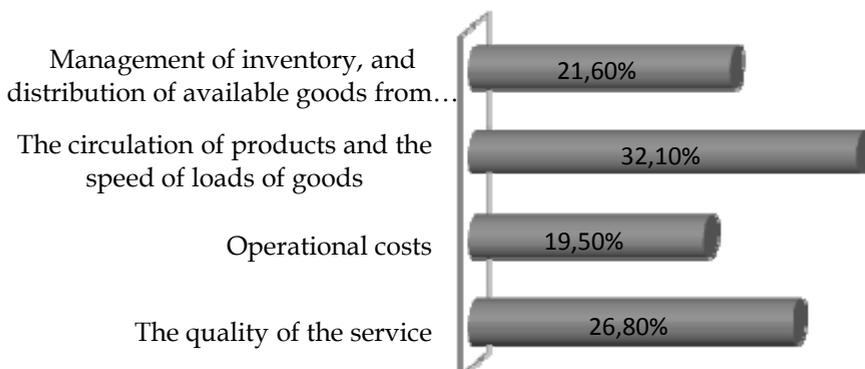
Table 1: Important aspects of logistics for the business

Important aspects of logistics for the business	%
The quality of the service	26.8 %
Operational costs	19.5 %
The circulation of products and the speed of loads of goods	32.1 %
Management of inventory, and distribution of available goods from the point of origin to the point of consume	21.6 %
	100 %

Source: Authors’ own calculations based on the research results

From the table we can see that the most important aspects of logistics are considered to be the movement (circulation) of products and the speed of loads of goods, the quality of the service, operational costs, management of inventory, the distribution of available goods from the point of origin to the point of consume. In this aspect, the functioning of transportation determines the movement of products as well, with contemporary techniques by improving the quality, cost, the movement of products and the management of inventory.

Figure 2: Important aspects of logistics for the business



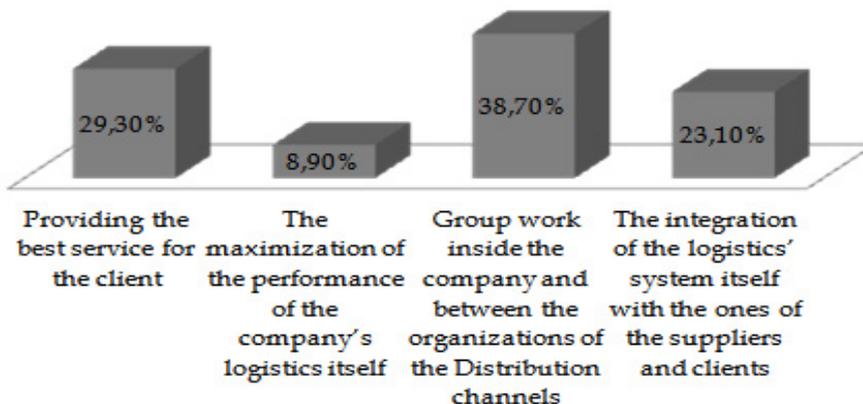
Source: Authors’ own calculations based on the research results

Table 2: The integrated management of logistics

The integrated management of logistics	%
Providing the best service for the client	29.3 %
The maximization of the performance of the company's logistics itself	8.9 %
Group work inside the company and between the organizations of the Distribution channels	38.7 %
The integration of the logistics' system itself with the ones of the suppliers and clients	23.1 %
	100 %

Source: Authors' own calculations based on the research results

Kosovan companies agree that group work inside the company and between all organizations of the distribution channel has an impact in providing better services for the clients and lowering the distribution cost. Thus, from the table above, the integrated management of logistics includes: providing better services for the clients, maximization of the performance of the companies' logistics itself, the integration of the logistics system itself with the ones of the suppliers and clients, and work group inside the company as well.

Figure 3: The integrated management of logistics

Source: Authors' own calculations based on the research results

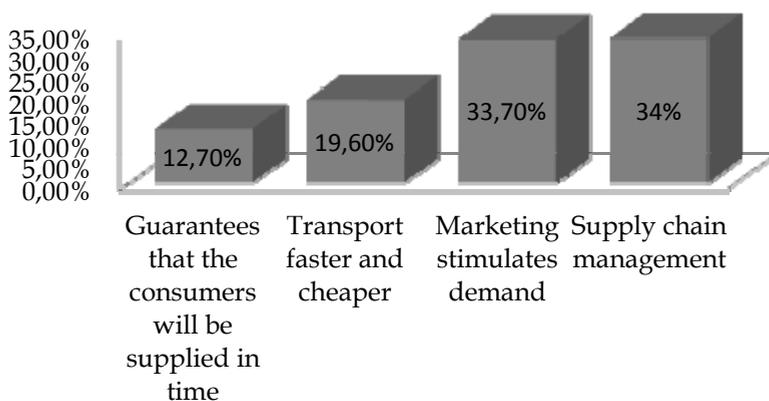
Table 3: The benefits from the logistics of marketing

The benefits from the logistics of marketing	%
Guarantees that the consumers will be supplied in time	12.7%
Transport faster and cheaper	19.6%
Marketing stimulates demand	33.7 %
The logistics of marketing does the management of the supply chain from the source until the end of the chain between the suppliers, resellers and final consumers.	34 %
	100 %

Source: Authors’ own calculations based on the research results

Kosovan companies declare the marketing of logistics helps in the planning and use of means of transport and liaison activities of the ordered goods arrive at the right time, so faster and at a lower cost. From the table we can see that the benefits of logistics and marketing are: faster and cheaper transport, guarantees the consumers will be supplied in time, stimulates demand and managing supply chain from the source to the end of the chain between suppliers’ company resellers and end customers is more effective.

Figure 4: The benefits from the logistics of marketing



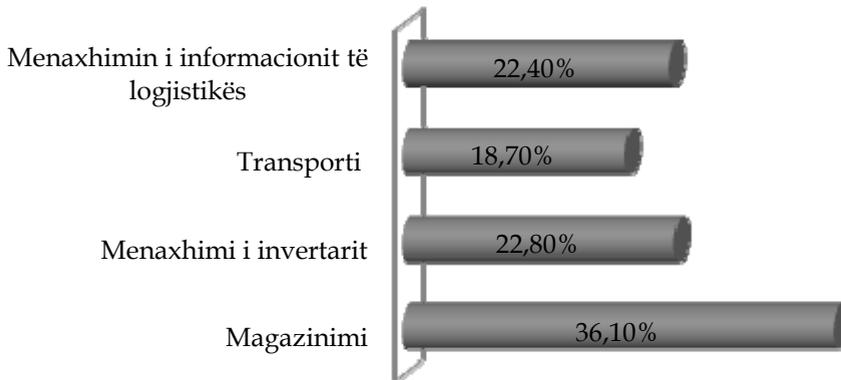
Source: Authors’ own calculations based on the research results

Table 4: Main functions of logistics

Main functions of logistics	%
Storage	36.1%
Management of inventory	22.8%
Transportation	18.7%
Logistics information management	22.4%
	100 %

Source: Authors' own calculations based on the research results

The increase of sales and production and the decrease of the product's cost, for many kosovan businesses had its impact in designing and developing warehouses, where the same was used as a warehouse and as a retail store. Another factor that affects client's satisfaction is the managing of inventory as well, and the selection of the transportation means which affects the price of products.

Figure 5: Main functions of logistics

Source: Authors' own calculations based on the research results

3. Conclusions and Recommendations

The purpose of the effective management of distribution channels is to review a better distribution strategy and other factors that help the companies to fulfill their expectations regarding the provision of services. Thus the goal of companies in Kosovo is to realize an efficient process of

distribution in order to convey the final products from the production to the last consumer in the right time and with the lowest cost. As a result, the firms always have to embrace the management of the supply chain to lower the cost, to grow the market and sales, and to build strong relations with their clients. If the product can't reach its destination in the right time, then it can damage the competitive advantage and can lead to a loss of clients. Important aspects of logistics for the business are: the movement of products and the speed of loads of goods, the quality of the service, the maximization of the performance of company's logistics itself, the integration of the logistics system itself and group work. Logistics and the effective management of distribution channels bring benefits in faster and cheaper transportation, guarantees that the consumers will be supplied in time and stimulates the demand. However, the main challenge faced by businesses is the power of consumers or buyers, because the consumers are becoming more and more intelligent, intolerable, don't want to wait for their products. Therefore, the firms have to try to implement a special strategy of distribution based on their competitive priorities and their circumstances in order to achieve the desirable level of performance.

List of References

- Banterle, A. Cavaliere, S. Stranieri, and L. Carraresi, (2009), "Marketing management capabilities and price setting", Università degli Studi di Milano - Italy.
- Barcik R, and Jakubiec M. (2013), "Marketing logistics", University of Bielsko-Biala.
- Cecilia Stănculescu G. (2010), "Importance of Reverse Logistics for Retail", The Bucharest Academy of Economic Studies Romania.
- Gregory T. Gundlach, Yemisi A. Bolumole, Reham A. Eltantawy and Robert Frankel, (2006), "The changing landscape of supply chain management, marketing channels of distribution, logistics and purchasing", University of North Florida, USA.
- Kotler P, and Amstrong G., (2011), "Principles of Marketing", 14th Edition, Pearson Prentice Hall.
- Kotler Ph. (2000), "Marketing Management Millenium Edition", Tenth Edition, by Prentice-Hall, Inc.

- Manjunatha, Shivanand, and Manjunath, (2005-2009), "Development of an integrated logistic model in an organization for an automotive application problem".
- Taylor M. (2005), "The role of transportation in logistics chain", Proceedings of the Eastern Asia Society for Transportation Studies, Vol. 5.
- Rajuldevi M. Veeramachaneni R. and Kare S. (2009), "Warehousing in theory and practice", University College of Borås.
- Saremi H. and Mosavi S. (2014), "Management of distribution channels", ISSN: 2250-0138(Online).
- Segetlija Z, Mesarić J and Dujak D, (2008), "Importance of distribution channels", for national economy.
- Silvia M. (2008), "Physical distribution, - Logistics and supply chain management", University of Constanta, Constanta, Ap. 1.
- Yeboah A. Owusu A. and Boakye S. (2013), "European Journal of Business and Innovation Research Vol. 1.
- Yung-yu T. (2005), "The role of transportation in logistics chain", Proceedings of the Eastern Asia Society for Transportation Studies, Vol. 5.