

THE “LOGIDRAM” THE RESULT OF LOGISTICS INEXISTENCE WITHIN THE COMPANY

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Abstract: The conflicts, linked to the contradictory interests, are intensified in the management of operations. Once they are identified, they become an intervention privileged base for logistics. (JEL: J53, D30, Q01)

Key words: logistics, management of operations, client, supplier.

Introduction

Logistics intervenes into this base of action for primarily preventing the potential conflicts which shall not cease to occur between various parties coming into contact and for leading arbitrages for obtaining this solution, which in its daily application, shall ensure the best global service, at the lowest global price.

The areas and reasons for conflicts are infinite. In order to act at a maximum efficiency, the logistic responsible intervenes on those whose action is determined in the normal logistic operation of the company.

Company's nonlogistics – a “logidram” for the company

The conflicts, connected to the contradictory interests, are intensified in managing operations. Once they are identified, they become here a privileged field of intervention for logistics. Logistics intervenes in this field of action in order to primarily prevent the potential conflicts that will occur between the various parties coming into contact and for leading the arbitrages in order to obtain that solution which, by its daily application, it shall ensure the best global service, with the smallest global cost.

The areas and reasons of conflicts are infinite. In order to act with maximum efficiency, the logistical responsible intervenes onto those the action of which is determined in the company's normal logistical operation. Three types of conflicts are known, requesting the foreground intervention of logistics, such as:

The client-supplier

This conflict knows a special acuity, illustrated under various domains, such as: managing the transfers from the supplier to clients, managing packages, contribution to increasing quality etc.

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The merchandisers upstream and downstream of the manufacturer have today the increasing tendency of initiating new measures, aiming their suppliers or clients when they see the stocks of products are increasing.

Among these measures, the most important ones are:

Setting forth a new way of exchange and negotiation between manufacturers and distributors. Logistics forms a special investigation area as interface between the upstream and downstream, in a commercial exchange process. If at a first stage it acts internally, the client slightly realises that the most interesting sources of improving the management of its operations directly involve its supplier. To this effect, it has two ways available: to work individually, by imposing additional restrictions even in special situations, with the risk of exacerbating the multiple areas of conflicts (a way frequently followed) and to collectively approach issues, meaning to evaluate the advantages obtained from their resolution for being further shared (a more difficult way to follow, as it requests a good prior domination of logistics internally, and the capacity of initiating negotiations with the suppliers or clients shall exceed the only dimension quality – price).

There are numerous conflicts between the manufacturer and wholesaler, as their interests are divergent.

By means of logistics, the manufacturer researches downstream the possibility: of keeping the control over the formation of its costs and thusly ensuring the real competitiveness by the prices of products at final client; of choosing its distribution channels for keeping control over its marketing mixture (choosing the product, its price, distribution and promotion); of preserving a complete image over the end client, thusly orientating its activity over the real consumption; of adding new services attached to its products, accomplishing additional operations with high added value.

On the contrary, the distributor has multiple interests which determine him/her to wish to have direct responsibility of the logistical upstream or downstream operations. That is why he/she wants to: accomplish important economies thanks to the orders that become mass orders, as such an order to the supplying factory is susceptible of commercial conditions clearly better than those obtained by various smaller orders besides the regional warehouses; simultaneous optimisation of supplying transportations (from the producers) and distribution transportations (to clients); totally controlling its extremely sensitive supplies, as its logic is to obtain the highest speed of rotating current assets and a minimum stock.

The increase of the distributors' importance in the global logistic process in the case of the great distribution. The example of the convenience products distributed by the great distribution, featured by the risk logistics represents to the interface between the producers and distributors is eloquent to this effect. By the beginning of the '90's, manufacturers dominated the pilotage of the physical distribution operations in the sector of the convenience products, Today, distributors have developed the distribution channel, by trying to ensure

Internal conflicts of interests

Structured in a manner fragmented too often, the company requests, on one hand, a better coordination between the great functions and, on the other hand, between the services where these functions are accomplished. The important improvement operations are placed not only in a service, but in choosing a compromise, by associating at least two services.

The internal latent conflict is the one existing between the production and marketing, being revealing with regard to the existing divergences of view over the common problems. In order to logistically accomplish it, thanks to the connection between the flow of products and that of materials, it offers an occasion of commonly approaching the various operational problems occurred. It certifies a change of dimension and integrates a diversity of more important restrictions in the pattern of solving the internal conflicts;

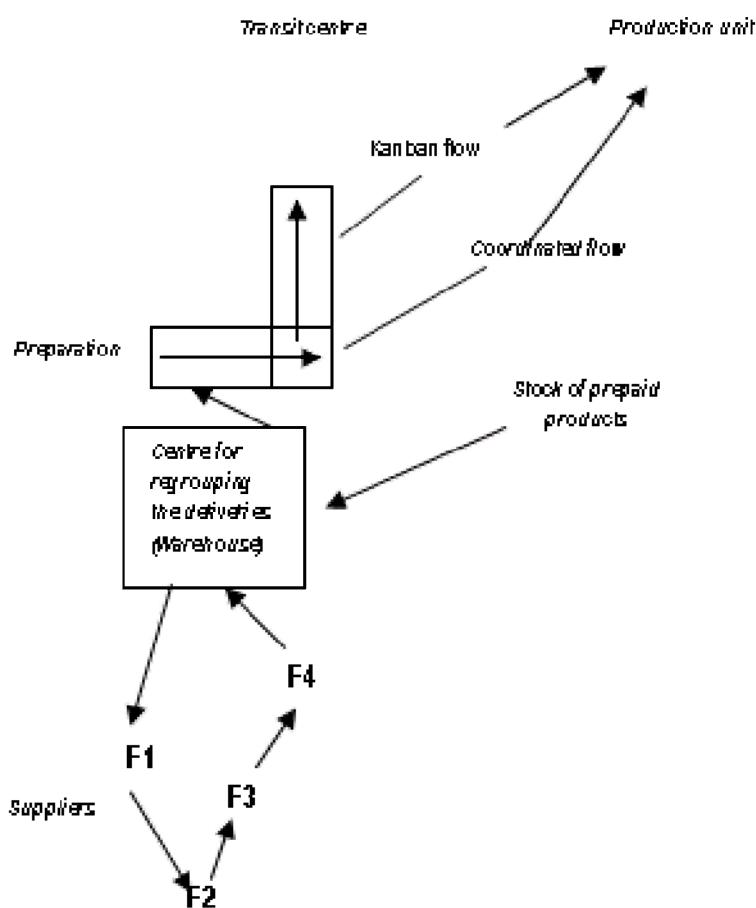


Figure 2. Logistical organisation based on the centre of regrouping sales

The conflicts connected to the logistical operators' activity

For a long time, logistics has been considered a juxtaposition of the operational activities. Since the beginning of the '80's, it has been structured at an economical scale in a profession composed by various skills (specialists in stocks, in storing etc.). They are qualified as logistical operators or logistical service providers. Their development is basically connected to the tendency existing in companies of entrusting the performance of some logistical operations to some public specialists. This is why the external logistical operators' recruitment process raises multiple problems in a context of logistical providers' new offers, the companies have started asking a series of questions regarding the request for these providers' services, and namely: What will be the social impact in the (hiring) company of using some external logistical operators? Who are these providers and how are the relations with them managed? What are the implications of this policy in managing the activities of the company hiring them? What will be the implication of the provider's operational system into that of the company?

The answers to these questions are the one that shall determine mostly the decision of turning to logistic operators. It must be insisted upon the fact: concerning the working climate, there shall be created the quality of the original context of integrating the logistic operator into the beneficiary company. The resolution of such conflicts leads to developing the logistics, which has as aim: the improvement of the economical profitability, by a better management of a domain which greatly contributes to the costs of investments; of mediating areas of conflict needlessly consuming resources; of formalising a management instrument, meaning a tool suiting the parameters of the structure; of widening the vision and measure of performance.

The existence of an inadequate logistics determines the deterioration of the economical indicators connected to the logistical activity, mainly the logistical costs (which must be identified and kept under control) and the size of the logistical investments more or less concentrated (the increase of which must be controlled). The logistical costs fluctuate between 3% and 10% of the turnover for the industrial companies and may reach 15% for those specialised in the distribution of products.

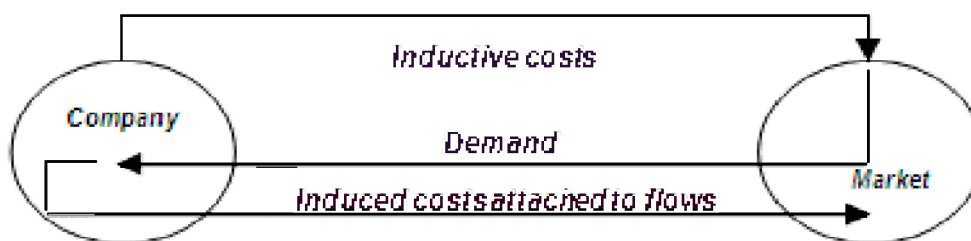


Figure 3. Correlation marketing costs – logistic costs

Summary

The comparison of the logistic costs to the turnover forms a first stage in setting the order of the operational management. The availability or non-availability in this domain is revealing with regard to the company's capacity of identifying and keeping under control the logistic costs or not. If the costs generated by the marketing activity are inductive costs of the demand registered on the market that may be determined or evaluated, the logistic costs are made by the circulation of raw materials and finished products. A response of the marketing induction is found in the induced costs of logistics (figure 3). Generally, they are costs of physical distribution which are best identified and isolated. Such costs are: previsual costs, sales management costs, supply management costs, warehouse costs, transportation costs, customs costs and fees, costs with the informational logistic system etc.

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LOGIDRAM – REZULTAT LOGISTYKI W PRZEDSIĘBIORSTWIE

Streszczenie: Konflikty, w połączeniu ze sprzecznymi interesami, nasilają się w przypadku zarządzania operacjami. Kiedy zostaną jednak zidentyfikowane, stają się podstawą uprzywilejowanych interwencji dla logistyki. Logistyka ingeruje w te podstawowe działania, aby wstępnie zapobiegać potencjalnym konfliktom, oraz aby prowadzić arbitraż w celu osiągnięcia rozwiązania, które w przypadku codziennego zastosowania, zapewni najlepszą obsługę przy najniższych cenach. Obszary i przyczyny konfliktów są nieograniczone. Aby osiągnąć maksymalną wydajność, osoba odpowiedzialna za działania logistyczne podejmuje ingerencję względem działań określonych przez logistykę przedsiębiorstwa.