

## ANALYSIS OF DISTRIBUTION AND LOGISTICS SYSTEMS IN ROMANIA

*Ovidiu BUZOIANU<sup>a\*</sup>, Arghir CIOBOTARU<sup>b</sup>, Georgiana Carmen BADEA<sup>c</sup>*

<sup>a</sup> Bucharest University of Economic Studies, Romania, buzoianuvidiu@yahoo.com

<sup>b</sup> Bucharest University of Economic Studies, Romania, arghir.ciobotaru@yahoo.com

<sup>c</sup> Bucharest University of Economic Studies, Romania, badeageo@yahoo.com

---

### ABSTRACT

*In the literature, logistics is considered to be an essential area of modern business activity. In fact, over the past 15 to 20 years, the term logistics has become more and more important, and its field has been really spectacular. Such mutations, some of a practical nature, others of a conceptual nature, have resulted in a reorientation from focusing on physical distribution, to analysis of the entire logistic system, logistics progressing from the source stage to physical distribution operations, operations carried out separately at the stage current source of added value and competitive advantage, based on the supply-delivery chain concept. Such mutations have led to the emergence of new terms, some of which are considered synonymous, being used to describe the same area of logistics ultimately. We refer to terms such as physical distribution, logistics, logistics management, supply chain management, etc.*

**KEYWORDS:** *distribution, logistics, market, supply*

---

### 1. INTRODUCTION

The philosophy of logistics promotes as the main objective the provision of time and possession space utilities at the lowest possible total cost (Balan, 2004). The content of the logistics concept is much broader and more complex than that of physical distribution (Balasescu, 2005). At the level of a manufacturing company, the logistics system includes: physical distribution (including transport, storage, inventory management, customer order processing, packaging, etc.) production support activities (support operations) (Burlacu, 2011). Supply involves, besides purchasing activity and transport, storage, handling, information management (Bodislav et al., 2018). Logistics operations are correlated with the value chain that is a tool to identify new ways to create an increasing value for customers (Chopra et al., 2006). Depreciation of the firm's own efforts with those of suppliers and customers is the condition for the success of any firm (Costea, 2004). A new concept emerged: the supply chain management (Ionita et al., 2009). Essentially, it relies on correlating the participants' efforts in marketing channels through sharing information and joint planning in order to increase efficiency and competitiveness (Gattorna, 2001).

---

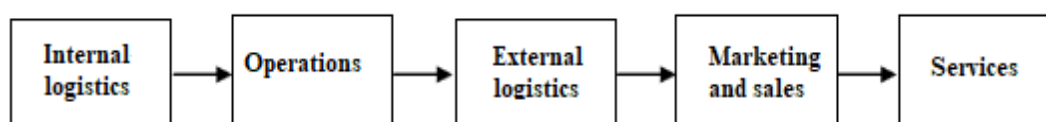
\* Corresponding author. E-mail address: buzoianuvidiu@yahoo.com

## 2. CONTROL OF OPEN LOGISTIC AND DISTRIBUTION ACTIVITIES ON THE ROMANIAN MARKET

The term logistics has different meanings, so some managers do not realize the term labeled as such, although any firm, regardless of size and turnover, carries out logistics operations. Others assimilate logistics with marketing, finance, or best distribution (Radulescu et al., 2015).

In general, macroeconomic, distribution is the system of relationships that is formed between the three domains that structure the market: production, consumption and distribution. In this optics, the notion of distribution encompasses all activities that allow the passing of tangible and intangible assets from an economic operator to other users or end-users (Ristea & Purcarea, 1996). At the enterprise level, in a particular sense, the distribution process must involve specific marketing activities related to the transfer of goods (Lefter et al., 2006).

In his paper "Principles of Marketing," Ph. Kotler puts a sign of equality between logistics and physical distribution, showing that it means "planning, implementing and controlling the physical flow of materials, finished products, information between the point of origin and the point of consumption, in order to meet the customer's needs and obtain an appropriate profit" (Kotler, 1999).



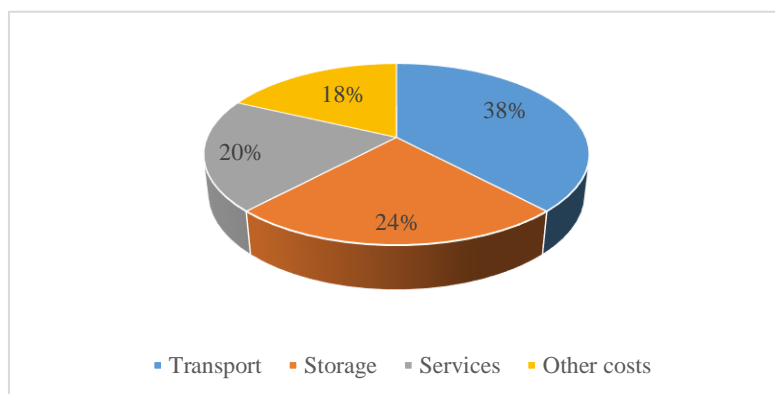
**Figure 1. Logistics connections**

*Source: Gattorna J.L., 2001*

External logistics include the distribution of finished products, warehousing, material handling, vehicle delivery, order management and delivery planning to customers. The main objectives of the company are, in general, to reduce the costs of production and distribution of products, to improve the quality and services offered to customers (Costache et. Al, 2015). These goals, along with the pressure exerted by competitors, force the firm to examine, redirect and restructure the shares to gain competitive advantage. Most companies say that the main goal of physical distribution is to supply the right goods in the right place at the minimum cost. However, in order to balance the situation, account must be taken of: the efficiency of the use of assets; value added; operating costs and standards; rate of asset use efficiency (Burlacu, 2010). With a significant contribution to establishing market share and company profitability, logistics should become a service function, as traditionally considered, a strategic resource, becoming a source of money saving, profit growth, and market share, gaining new markets and introducing new products.

## 3. LOGISTICS CHARACTERISTICS IN ROMANIA

In Romania, the management of the companies started to be interested in the total cost of physical distribution, costing up to 30-40% of the price of the product. Reducing the costs involved in physical distribution will allow companies to practice lower sales prices or gain higher profit margins. The main elements of the total cost of physical distribution are: 38% transport; storage 24%; customer service 20% and distribution management 18%.



**Figure 2. Elements of the cost of physical distribution**

In Romania, the distribution sector has developed in the shadow of big consumer goods producers, but has been a strong affirmation in recent years. However, the importance of this activity often goes unnoticed, and the process is often associated with a common freight activity.

Two distinct trends, two ways of strategic approach, have emerged: some producers have decided to produce their products themselves and others have supported the development of independent distribution networks.

Another possible model is the collaboration with several distributors who know the area well and be very good on that area. In this business, local relationships are very important. Each such distributor has a certain zonal exclusivity, and zonal agents are closely watched. The advantage of the manufacturer is that of risk-sharing because, in the event of a distributor's bankruptcy, only one area is lost.

The distribution contract must reflect the company's sales policy, and if these two activities are unsuccessful, then the company is not successful on the market. Promoting products and brands is not enough to ensure the success of a company's sales. The big consumer goods producers have understood that if the products are not close to the final consumer, the investment in promotion is not justified.

The distribution chain in Romania is different from that in the developed European countries. In the Western countries the distributor is the one who connects the producer and the wholesaler, the latter being the one who supplies the retailers. In Romania wholesalers are much more static and are not the main source of supply for retailers, who most often take the merchandise from distributors. About 40-50% of general sales of goods are in Bucharest, which makes distribution costs here normal, but in the province, in the case of a national distribution, these costs are very high.

### **3.1. Trends in distribution**

At international level, as a result of increased sales through large commercial chains, manufacturing firms no longer resort to sales services offered by distributors, but they value the logistics offered by them or by specialized international operators.

Major manufacturers tend to act directly on the market. Thus, the buyers and sellers of products, the distributors turn into providers of transport, warehousing and dispatching services. In Romania, there is also a strong development of large network of stores. Important names invest in opening new retail spaces: Metro, Carrefour, Selgros, Penny Market, Profi, Mega Image, etc.

In the medium term, 5-10 years will change the business model in the distribution, it will be a massive explosion in the retail area, the transactions will be made directly between the producers and the big

chains. The distribution activity will change: the software part of the sales technique will go to the producers who will now be able to afford it.

Distributors will remain on the hard side, becoming logistics specialists: shipments, warehouse operations, stock management, freight forwarding and customs clearance operations. Distribution will become a simple delivery, and logistics firms will also be able to handle the merchandise of competing manufacturers because the sales part will be owned by them.

The development of large chain stores will lead to a decrease in the share of distribution companies, primarily by lowering sales outlets, but also by the fact that many manufacturers will begin to deliver their products directly to them. It is estimated that over the next 10 years, large stores will account for 35-45% of the retail market in Romania.

Over time, there will also be a tendency to reduce the additions made by distributors, especially as a result of the increase in sales volumes. In countries such as Hungary and Poland, there are not many traditional distributors. Most of their work is done by logistics firms, because retail has changed a lot. In Hungary, about 75% of the volume of retail sales takes place through large retail chains and only 25% through regular stores. The same thing is expected to happen in Romania in the next 5 years, and most of today's distribution companies will have to provide logistics services.

#### 4. CONCLUSION

Located on both the mass production field and luxury, depending both on purchasing power and on the level of education or lifestyle, the Romanian cosmetics market is undergoing major transformations, surprising even the leaders of this business.

The structure of company sales changes from year to year, and products that make massive sales reach half the market share in one year. The integration of logistics into the company's business is different from company to firm and takes into account the specific characteristics of the enterprise and its products. The organizational structure of logistics differs between firms, but the efficiency and effectiveness of the logistics system is important.

The new logistics imposes the need to integrate the logistics function with the other functions of an organization in an effort to gain the overall success of the firm.

The logistics of a company, through the streams it manages and the activities it integrates, is important not only within the company but also between the companies it collaborates with (suppliers, distributors, customers).

Integration of logistics at the company level is no longer sufficient, given the need to coordinate with all the partners involved in material, component, product and service flows from suppliers to the final consumer, plus the flow of information.

In order to maintain and enhance the development of the company, it is possible to act by continuing the expansion of the sales networks, increasing the quality of distributed products, maintaining competitive prices, continuously researching the market and the needs of consumers.

#### REFERENCES:

- Balan, C. (2004), *Logistica*, Bucharest: Uranus Publishing House.
- Balasescu, M. (2005), *Restructurarea activitatilor din domeniul distributiei bunurilor de consum final, in conditiile integrarii Romaniei in Uniunea Europeana*, Chisinau: Technical University of Moldova Publishing House.
- Bodislav, A., Bran, F. & Petrescu, I.E. (2018). The advantages of economic growth policy in Romania. *Quality - Access to Success*. 19:433-435.

- Burlacu, S. (2011). The role of NGOs in awareness of the public private partnership in the social economy in Romania. In *Proceedings of Administration and Public Management International Conference* (Vol. 7, No. 1, pp. 118-127). Research Centre in Public Administration and Public Services, Bucharest, Romania
- Burlacu, S. (2010). Evaluation of training process by Fuzzy techniques. *Administratie si Management Public*, 15:162.
- Chopra, S. & Meindl, P. (2006), *Supply Chain Management-Strategy, Planning and Operation*, third Edition, Hew Jersey: Pearson Prentice-Hall.
- Costache, G., Marinas, C. V., Icret, R. & Burlacu, S. (2015). Internship in the HR Department–Organizational And Individual Perspectives. In *Proceedings of the International Management Conference* (Vol. 9, No. 1, pp. 359-370).
- Costea, C. (2004), *Firma de comert in economia de piata*, Bucharest: Uranus Publishing House.
- Gattorna, J.L. (2001), *Managementul logisticii și distribuției*, Bucharest: Teora Publishing House,
- Ionita, F., Ursacescu, M. & Burlacu, S. (2009). Public services as poles of regional competitiveness in sustainable development. *Review of International Comparative Management*, 10(3):552-565.
- Kotler, Ph. & Armstrong, G. (1999), *Principiile marketingului*, Bucharest: Teora Publishing House.
- Lefter, C., Brătucu, G., & Bălășescu M. (2006), *Marketing*, Vol. I si Vol II, UTBV, Brașov.
- Radulescu, C. V., Ioan, I., Bran, F. & Iovitu, M. (2015). Strategii de comunicare pentru afaceri sustenabile. *Calitatea*, 16(148): 37.
- Ristea A.L. & Purcărea T. (1996), *Distribuția mărfurilor*, Bucharest: Didactic and Pedagogical Publishing House.