

Lecture 14

Sales logistics

The essence of sales logistics

Sales logistics – ensuring the physical promotion of products to the consumer.

The main thing in sales logistics is to improve the process of physical distribution of goods from the manufacturer to the consumer in accordance with his interests and requirements.

1.1. The functions of sales logistics are as follows:

- planning,
- organization and management of transportation of goods; inventory management;
- receiving orders for the supply of products and their efficient processing;
- packing and packing of goods;
- organization of shipment;
- delivery management and control over the execution of transport operations in logistics chains;
- planning, organization and management of logistics services.

Marketing activities at the enterprise require significant costs for its implementation.

The main part of logistics costs is related to the implementation of key logistics operations:

- warehousing,
- recycling,
- transportation,
- forwarding,
- preparation of products for consumption,
- collecting, storing, processing and issuing information about orders, stocks, deliveries, etc.

Logistics costs are related :

- ✓ with transportation and storage costs,
- ✓ packaging and packaging costs,
- ✓ expenses related to the delivery of goods,
- ✓ sending goods to consumers.

The fundamental difference between sales logistics and traditional sales methods is as follows:

- ❖ subordination of the process of managing material and information flows to the goals and objectives of marketing;
- ❖ the relationship of the distribution process with the production and procurement processes (in terms of material flow management);
- ❖ the relationship of all functions within the sales itself.

1.2. Tasks of sales logistics

Sales logistics solves the following tasks at the enterprise level (microlevel): planning of the sales process; organization of receiving and processing orders; organization of a warehouse network; selection of the type of packaging; decision-making on the picking of batches; organization of operations preceding shipment; organization of shipment of products; organization of delivery and transportation control; organization of post-sale service. When choosing the optimal scheme of goods movement from the manufacturer to the consumer, it is necessary to take into account the entire chain of passage of the goods to the final consumer. It is necessary to take into account the minimum delivery time, the maximum level of service, the maximum level of profit, the minimum costs.

2. Logistics in wholesale trade

2.1. Features of material flow management in wholesale trade

Wholesale logistics is part of the distribution system of finished products in the field of commodity circulation.

When managing logistics processes in wholesale trade, goods movement is optimized at the stage of material flow from manufacturing enterprises to retail trade enterprises. At the same time, all participants in the logistics process should take into account the interests of end users. In the sphere of commodity circulation, the subjects of the logistics process are: sales units of manufacturing enterprises; large and small wholesale intermediaries; retail trading enterprises; logistics intermediaries and providers. With the help of these participants, the aggregate material flow is transferred from producers to households or institutions. The object of wholesale logistics research is the material flow and related financial, information and service flows at the stages of commodity movement from manufacturing enterprises to the retail trade network. The subject of the study is the optimization of the movement of material flows at the macro and micro levels in the wholesale trade.

The movement of the aggregate material flow in the sphere of commodity circulation can be divided into the following phases.

Phase 1. The movement of material flows from manufacturing enterprises to large wholesale trading enterprises, as well as the transfer of related information and financial flows.

Phase 2. Receipt of material flow by large wholesale trading enterprises, its processing and intermediate storage, receipt of orders from customers and transfer of goods to small wholesale intermediaries in exchange for financial flows.

Phase 3. Receipt of the material flow by small wholesale trade enterprises, its processing and intermediate storage, receipt of orders from the retail trade network, delivery or delivery of completed batches of goods to retailers.

Phase 4. Processing of product batches by a retail trading company, sale and, in some cases, delivery of goods to end consumers.

The presented classification has a theoretical character, since in real conditions there is a "blurring" of the boundaries between these phases due to the fact that the manufacturer can ship goods directly to retail trade enterprises or sell to end consumers using its own retail network.

In general, the sphere of commodity circulation is represented by trade and service enterprises connected by material, information and financial flows.

Particular attention in wholesale trade should be paid to returnable material flows, the need to reduce their size at all stages of commodity movement.

The **functions of wholesale logistics** are as follows:

- ✓ planning,
- ✓ organization and management of transport processes in the logistics system of the sphere of commodity circulation;
- ✓ inventory management at all stages of product distribution;
- ✓ receipt of the purchase order and its effective processing by commercial intermediaries;
- ✓ picking, packing and performing a number of other logistics operations when preparing shipments for shipment;
- ✓ organization of rational shipment;
- ✓ managing the delivery of goods on the site from the supplier to the intermediate consumer;
- ✓ planning, organization and management of logistics services.

Cargo handling activities at wholesale trade enterprises require significant costs for their implementation.

The main part of these costs is associated with the performance of such logistics functions and operations as: warehousing; transportation and forwarding; collection, storage, processing and issuance of information about orders, stocks, deliveries. The fundamental difference between wholesale logistics and traditional methods of purchasing and selling goods is as follows: subordination of the process of managing material and information flows to marketing goals and objectives; system interconnection of all functions at the enterprise and within the supply chain.

2.2. Tasks of wholesale logistics

The tasks of wholesale trade logistics are solved at the level of individual enterprises and at the macro level (the sphere of commodity circulation).

At the level of a wholesale trading enterprise (micro-level), logisticians solve the following tasks:

- planning the process of selling goods;
- organization of receiving and processing orders;
- choosing the location of the warehouse in the serviced area;
- choosing the type of packaging;

- making a decision on the complete set of product batches, performing other operations immediately preceding the shipment;
- organization of shipment of goods;
- transportation control;
- organization of post-sale service.

At the macro level, the tasks of logistics in wholesale trade include:

the choice of the scheme of distribution of the material flow between the participants of the commodity movement;

determination of the optimal number of warehouses in the serviced area;

control over all parts of the cargo movement system.

The main indicator of the success of a wholesale trading company is the profit received. The main areas of activity for increasing profits by reducing costs in wholesale trade are the following activities: creation of a unified transport and warehouse system (fast delivery to the consumer); economic unification of purchases and sales of goods; development of optimal storage and replenishment schemes. When solving a certain task, an enterprise may face the problem of reducing profits, which arises due to the lack of consideration of all factors affecting the income of a trading enterprise.

Therefore, for successful commercial activity, the company's specialists must answer the following three questions.

Question 1. To what extent are the costs associated with a reduction in the time of goods movement offset by an increase in revenue from increased sales due to improved customer service.

Question 2. Can the company allow a decrease in the level of customer service while increasing the volume of deliveries?

Question 3. How appropriate is it to store goods from a wholesaler who is located next to a manufacturing enterprise or directly on the sales market. When choosing the optimal scheme of goods distribution, the wholesaler should consider the entire logistics chain to the end consumer. That is, take into account the minimum delivery time, the maximum level of service, obtaining maximum profit and ensuring minimum costs for the movement of goods.

2.3. Cross-docking technology in wholesale warehouses

Cross-docking (from the English cross-docking – from cross – going directly and dock – berth, docking, connection).

This is the movement of cargo through the warehouse directly, without actually placing it in storage. Sometimes cross-docking is understood as direct transshipment of goods between vehicles. The idea of cross-docking originated in the early 90s of the 20th century. This technology is a process within the supply chain, during which goods are delivered to the intermediary's warehouse from the manufacturer and the goods are

delivered to the recipient (store) they are so coordinated in time and volume that it is possible to avoid the process of placing product batches in the storage area.

An important difference between cross-docking and traditional warehousing is that it is a set of operations with orders, not with goods. The order for the store is completed not at the intermediary's warehouse, but by the manufacturer of the goods during shipment. As a result, the consignment arrives at the warehouse of a commercial intermediary immediately before shipment to retail outlets, which ensures a minimum period of stay of the goods in the warehouse. Instead of placing the pallet in the intermediary's warehouse, it is immediately transferred to the final recipient (retail company).

In the process of cross-docking, close information interaction of all partners performing this process is carried out, which ensures effective planning, management and control of the entire supply chain.

Cross-docking is used when intermediate warehousing of goods in a central warehouse entails large costs or costs for storing perishable products.

The advantages of cross-docking are as follows:

- ❖ reduction of warehousing costs;
- ❖ reducing the number of stages of product distribution;
- ❖ reduction of warehouse space and reduction of warehouse rental costs and staff labor.

Along with the positive aspects of cross-docking, there are the following restrictions:
–the goods passing through the warehouse must be well–predicted by the dynamics of "arrival - departure", and the analysis of consumer demand for a particular product must be constantly carried out;

–incoming goods must be immediately ready for shipment or involve minor additional operations;

–it is necessary to have a clear organization of traffic, including in the adjacent territory of the warehouse

Two forms of cross-docking are known: one-stage and two-stage.

One-stage cross-docking. The sender carries out the commission of goods, focusing on the final recipient (stores).

In this form, the created cargo units, without undergoing changes, pass through several cross-docking points and reach the consumer of the material flow. One-stage cross-docking is used when the buyer places an order with its receipt at the intermediary's warehouse, and the supplier-manufacturer labels the cargo units accordingly, that is, indicates a specific recipient (point of sale).

Two-stage cross-docking. The sender carries out the commission, focusing on the point of crossdocking (commercial intermediary). In this case, the created cargo units are sent to the intermediary's warehouse without any changes. And already here the secondary

commission is carried out with an orientation to the recipient of the consignment. This form of cross-docking is practiced when an order is placed for several outlets or when the manufacturer specifies the cross-docking point as the recipient. Thus, logistics in wholesale trade logistics methods are used both at the level of a wholesale trading enterprise and in the process of interaction of commercial entities in the field of commodity circulation.

3. Logistics in retail

3.1. Fundamentals of logistics in retail

Currently, trade is one of the most dynamically developing areas of commercial activity in modern Russia. The emergence of new retail formats, the changing role of wholesalers, the arrival of foreign capital, the improvement of communications – all this together leads to tougher competition and raises the question of applying the most modern management concepts, one of which is logistics.

A wide variety of stores allows the buyer to choose the right product, both in price, assortment and quality.

Currently, hypermarkets have become widespread, where you can buy almost everything. But the most popular are small shops that are as close as possible to households (convenient stores).

In addition, thanks to the use of modern technologies, an out-of-store form of trade is developing (e-commerce, network marketing, selling through vending machines).

The development of retail trade, as well as wholesale trade, from the point of view of logistics should be considered as an improvement of the link of the commodity distribution system.

Retail trade enterprises currently use various methods of forecasting demand, selecting goods, and controlling inventory.

To increase the efficiency of inventory control, scanning devices are used to reduce the time for the buyer to pay for goods and increase the throughput of trading enterprises.

Logistics solutions are formed already at the design stage of stores, the premises of which must meet the requirements of end-to-end technological processes.

Taking into account the organization of end - to -end technological processes , the following are designed:

- ✓ convenience of moving customers around the store;
- ✓ optimal sizes of retail, warehouse, office premises and technological zones;
- ✓ width of doorways;
- ✓ height and area of unloading ramps;
- ✓ modern layout of trading halls.

All components of the store's production facilities (premises, technological equipment, personnel, information, goods and negotiable containers) must be linked into a single system, which in turn is integrated into the general system of commodity circulation.

The use of logistics in retail trade provides for the construction of a consistent, coordinated scheme that allows you to respond in a timely manner to changes in consumer requests and maximize the strengths of the trading company.

Logistics tasks include

- ✓ analysis of the movement of customer flows in the store,
- ✓ monitoring of demand and competition.

3.2. Rapid response system in retail

As the commodity markets become saturated and competition increases, most trading enterprises should pay attention to methods of reducing logistics costs in order to increase competitiveness.

The relevance of logistics in the retail sector is due to the following factors:

competition among retail operators is increasing, in a number of cities it is already possible to talk about the physical saturation of the market with large stores and shopping centers;

New retail formats are emerging – up to attempts to create supra-format structures that combine the advantages of several retail formats.

This leads to the fact that all retail operators, regardless of the market segment, pay attention to logistics in its broad sense and, in particular, inventory management, warehousing, transportation, outsourcing issues.

One of the main trends of modern supply chain relationships linking manufacturers, wholesalers and retailers is the growing control of retailers over the entire supply chain.

Retailers are increasing their influence by passing most of their supplies through distribution centers.

In addition, the introduction of private trademarks allows retailers to influence suppliers of raw materials.

The process of increasing control of retailers over supply chains is caused by the fact that the volume of sales of retailers and the use of modern information technologies for storing and processing information allow them to know the needs of customers and influence them much better than marketers of manufacturing enterprises.

As a result, this leads to the fact that retailers are winning over manufacturers in the struggle for a share of the total profit generated in the complete supply chain.

The emergence of the latest information technologies accelerates the process of introducing rapid response systems into retail trade. The essence of this system is as

follows. After a certain number of units of goods are sold by stores, and information about this is passed through a scanning device and entered into the information system of a retail outlet or network, the data is sent to the system of restocking and re-ordering suppliers.

This is followed by a quick reaction to the demand that has arisen. The transfer of information about the demand for goods to the main suppliers leads to the subsequent integration of production and the sphere of commodity circulation

Advantages of a rapid response system for a retailer: reducing the level of logistics costs;

- lower inventory levels;
- acceleration of the movement of material flows;
- customer satisfaction;
- increase in sales volumes;
- strengthening competitive advantages.

Advantages of the rapid response system for the supplier:

- ✓ reduction of logistics costs;
- ✓ more predictable production cycles;
- ✓ increasing the frequency of orders
- ✓ closer ties with retailers;
- ✓ the ability to track retail sales volumes for each product line, therefore, better forecasting;
- ✓ strengthening competitive advantages.

Stages of implementation of the rapid response system.

Stage 1. Implementation of the basic technologies of the rapid response system:

- use of scanners to collect data on all warehouse accounting units;
- using barcodes;
- the use of electronic data exchange devices.

Stage 2. Reorganization of internal processes of the supplier and the consumer enterprise:

- ✓ the use of electronic communications to replenish stocks;
- ✓ availability of small volumes of stocks in the system;
- ✓ processing orders for small batches of goods;
- ✓ implementation of the automatic replenishment program;
- ✓ organization of delivery using the "just in time" technology;
- ✓ marking of containers or pallets during loading;
- ✓ notifying stores about the upcoming delivery of shipped finished products.

Stage 3. Supply chain management based on the cooperation of participants in the movement of goods, that is, the sharing of sales volume data in real time.

Thus, in order to increase the economic efficiency of logistics operations, most retailers come to the need for closer cooperation with their suppliers. The introduction of the concept of supply chain management and rapid response systems by manufacturers and retailers make it possible to manage supply chains as a whole and effectively coordinate joint logistics activities.

3.3. Efficiency of logistics application in trade

World and domestic experience shows that the application of the logistics concept can significantly improve the efficiency of trade. The effectiveness of logistics in trade is manifested in the following components.

Component 1. Reduction of stocks in commodity distribution chains due to: redistribution of stocks between wholesale and retail trade and concentration of stocks in the wholesale link;

- ❖ application of modern technologies for inventory control;
- ❖ a high degree of consistency of the participants in the movement of goods in matters of timely replenishment of stocks.

Both current and insurance stocks are being reduced.

The current ones are due to the use of just-in-time technology, as well as the formation of optimal batch sizes.

Insurance stocks – due to their concentration in a single distribution center.

Component 2. Maximum use of the areas and volumes of wholesale and retail trade enterprises. For example, optimizing the distribution chain allows you to significantly change the structure of store areas in favor of increasing the share of retail space. This can be achieved by sharply reducing the total number of stocks and moving a significant part of them from stores to the wholesale link, as well as moving part of the preparatory operations, such as packing, labeling, putting prices at earlier stages of commodity movement.

Component 3. Acceleration of capital turnover. It is achieved by controlling the execution time of end-to-end processes of placing and executing orders.

Component 4. Reduction of transport costs due to the high consistency of participants in the movement of goods during the delivery of goods.

Component 5. Reduction of logistics costs associated with cargo handling, including manual labor costs. The choice of methods to reduce logistics costs is made taking into account such factors as:

- the complexity of the logistics system of the retail network;
- differentiation of products (assortment, packaging, requirements for the mode of transportation);
- traffic volumes;
- planning period;

- number of types of transport used;
- mode of operation of transport companies.

The cumulative effect of the use of logistics in retail trade, as a rule, exceeds the sum of the effects of improving the listed components. This is explained by the emergence of logically organized systems of the ability to ensure the delivery of the right cargo, the right quality, in the right quantity, at the right time, to the right place with minimal costs and to the right consumer.