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Danuta Janczewska

University of Social Sciences

Methods and Marketing Instruments of Logistic Processes

*Modern enterprises face intensive competitiveness,
and the farther into the future, the more difficult it will be*

Ph. Kotler [2002], *Marketing. European Handbook*

Abstract:

Knowledge about a logistic process in SMEs can be the way to growth of competitiveness of a company by improving those processes. One of the ways can be use of marketing as a support of a logistic process. Identification of logistic activities, logistic process and management should be based on full knowledge about market and its participants. Achieving knowledge and accumulation as a resource allow increasing logistic standards such as supply process, production, storage and distribution. It can contribute to recognize possibilities of competitor's opportunities. Using marketing methods and instruments in logistic processes can increase competitiveness of SMEs.

Key words: logistic process, marketing methods and instruments, SME sector.

Introduction

As a result of dynamic changes in the business environment, the use of traditional management methods does not ensure success in the market, and a new approach to marketing makes managers recognize the need to develop more dynamic models of running a business [Gattoma 2013, p. 16]. Global trends of management methods go beyond the classical framework, but they are not

widely known in the practice of companies. An example of new methods can change management through sensemaking and sensegiving [Sułkowski 2013, p. 85]. Managing a company in a market economy must now take into account the multifaceted elements affecting the corporate strategy. Interdisciplinarity of the company management means that it is necessary to possess many domains of knowledge including marketing which plays an important role. One of the features typical for the modern enterprise is the ability to conduct logistics processes in a manner that allows to obtain the anticipated financial, marketing and marketing results. Marketing and logistics are two closely related areas of human activity. Both of them affect the direction of the development of the economic and social sphere, support the development of science, practice as well as private and professional life of the population. Marketing support of logistics processes is a subject of research on improvement of competitiveness of enterprises, especially the use of modern methods of management in SMEs. There are no studies on the use of modern marketing achievements in the improvement of logistics processes [Janczewska 2011]. The results of Polish and foreign studies indicate that it is difficult to combine these two areas as there are many barriers and it greatly weakens the dynamics and development of the SME sector, especially microbusiness. The main reason for this is the difficulty in finding common goals and forms of supporting logistics with marketing instruments and the lack of information on the possibility of providing such support. Thus a question arises: how to improve the relationship between marketing and logistics to decrease the distance between these two areas of human activity so that they become closer and more harmonized. Therefore in this section of the article are presented results of own researches of methods and marketing instruments in SMEs confectionery branch. The own researched were conducted in 2000–2009 years in 100 of SMEs with application of survey by questionnaire, observation and by confectionery branch expert opinion. There are presented two hypothesis:

- I. Marketing instruments support the realization of logistic process in enterprise, by giving the knowledge of expectation of market.
- II. Using the marketing support can be the competitiveness element of enterprise.

The researches proved that a well-targeted marketing activity can reduce the gap between marketing and logistics and help achieve synergy effect One of the aspects of the practical application of marketing is the use marketing instruments in the management of logistics processes in SMEs. The purpose of this article is to present the applicability of marketing methods in the implementation of logistics processes in the enterprise.

Logistics processes in SMEs

Management of SMEs discussed on the level of processes allows for comprehensive presentation and definition of the business. The specificity of management of SMEs concerns a number of areas, such as organizational structure, human resource management system, the implementation of management functions, defining of strategic goals. Marketing objectives of the company require support of a dynamic and efficient logistics processes and by analogy the implementation of logistics processes should be complemented by marketing activities. Combining marketing and logistics in the company allows meeting the objectives of the business, the effects of which will satisfy the needs of customers. In the literature, there are very few studies on the use of marketing and logistics approach to business management in the SME sector. Defining and shaping resources of the enterprise is correlated with specific and limited financial resources, which in turn exerts impact on all areas of management in the SME sector. Table 1 below shows the characteristics of a small and medium-sized enterprise in selected areas of business management.

Table 1. Characteristics of management of a small and medium-sized enterprise

Selected areas of management	Features of a given management area in an SME
Organisational structure	Simplified structure or lack of such a structure, horizontal, flattened structure, the owner manages employees directly. Combining ownership and management.
Human resources system	Self-employment, family business, a limited number of employees performing different tasks.
Management functions	The owner is also the manager. Centralized control method, a limited number of middle managers.
Setting strategic goals	The owner sets strategic goals of the company intuitively, rarely uses the help of specialists. The decisive factor is the proximity to the market. Choosing a niche strategy or lack of strategy - focus on survival.
Knowledge resources	Practical knowledge based on the experience of the owner. Education of managers is not renewed in the system of continuous education.

Human resources	A limited number of employees, often without necessary skills and competence.
Planning system	Lack of planning on the part of the owner, or short-term planning, temporary planning related to current activities of the company.
Organisation of working time	Low degree of task formalization. No bureaucracy. Organizing the work of the owner applies to single products or services, individual or simple products.
Decision-making	Quick decision-making by the owner, risk aversion, fear of losing market.
Control systems	Owner's personal supervision of his business, simplified control systems.
Change management	Responding to customers' needs, specific direct relationships with customers.
Logistics and marketing	Lack of explicit marketing orientation Occasional use of marketing instruments, logistics processes focused on internal resources, based on customer relations.
Innovations	Narrow specialization an area of little interest for large companies. Mainly organizational and process innovations.

Source: own study based on: B. Nogalski, J. Karpacz, A. Wójcik-Karpacz, *Operation and development of small and medium-sized enterprises*, Published by AJG, Bydgoszcz 2004, p. 26 and D. Janczewska, *Marketing and logistics elements in management of a family business*, pp. 179–192 [in:] *Family business: determinants of their operation and development* [ed.] Ł. Sułkowski, Published by SWSPiZ in Łódź: "Entrepreneurship and Management", vol. XII, issue 6, 2011.

Logistics management in a small and medium-sized enterprise includes the processes of movement of goods and people and supporting activities in systems in which they occur [Blaik 2010]. The purpose of logistics activities in the company is to provide goods or services adhering to the following principles:

- proper customer;
- proper products;
- proper quantity;
- proper quality;
- proper place;
- proper time;
- proper price (proper costs).

Knowledge of logistics processes in a small and medium-sized enterprise, their structure and sequences can become the basis for identifying problems interfering their implementation and as a result can lead to their improvement. The most important categories of logistics processes include:

- processes that support physical movement of materials and goods;
- processes that support flow of information;
- processes that support logistics of customer service.

The processes that support physical movement of materials and services include transport, storage, handling, sorting, packaging and labelling, production and distribution processes. Comparing structures of logistics systems in large enterprises and companies from the SME sector you can identify individual nature of the systems and their limitations. In case of SMEs transport processes require the use of appropriate means of transport, mainly road transport. Warehouse processes are implemented using the storage infrastructure with a predominance of traditional types and kinds of warehouses. In the SME sector storage facilities are not usually modern and do not use the state-of-the-art technologies. Handling, sorting, and packaging is mostly done by hand, which does not allow for an increase in productivity or increase of quality standards. Logistics of production processes in SMEs is related to the technology used, and the type of production. In many SMEs production is automated and requires continuity of raw materials supply. Companies which exercise discrete manufacturing need adequate supply and distribution.

In the SME sector information flow processes use Internet, GPS and satellite communications. Quick access to information makes it possible to achieve market advantage and allows you to interact with customers and suppliers.

Currently, the most promising field of logistics activities is customer service, which has become a strategic formula and an element of market struggle. Logistics customer service requires the use of marketing instruments in order to improve and enhance comprehensive customer service. Logistics customer service is seen as the ability to meet requirements and expectations of customers mainly regarding the place and time of delivery using all available forms of logistics activity, including transportation, warehousing, inventory management, and packaging [Kempny 2001, p. 15].

Logistics processes applied in SMEs are different than logistics processes used in large organizations, such differences not only being due to the size of the company and its resources. The way of defining logistics processes and standards for their implementation result from skills and experience of the

company, know-how and intellectual capital being the most important. Characteristics of logistics processes in an enterprise can be examined in a multi-faceted way depending on the used criteria [Dwiliński 2006, p. 19]: resource approach: it takes into account resources needed to implement a given process, functional perspective: concerns the provision of resources to the company and supply of finished goods to customers, efficiency approach: includes valuation of logistics solutions using estimation of economic, technical, quality, social, ecological etc. parameters. In SMEs it is the owner or a person designated by an owner that deals with logistics management. On the basis of the comparison of implementation of logistics processes and characteristics of selected logistics processes we can point out differences between large companies and SMEs:

- logistic processes in SMEs are run intermittently, free – it depends on the level of available resources;
- a small and medium-sized enterprise is focused on minimizing costs due to limited resources;
- in SMEs transport processes are implemented using traditional methods and own means of transport;
- the use of computers and the Internet in SMEs is much more limited compared to large organizations;
- logistic processes such as control and restocking is performed using traditional methods, computers are used occasionally;
- microcompanies do not apply specialized programs supporting management.

Significant differences in the level of resources and logistics infrastructure allow you to specify features of logistics processes typical for large enterprises and SMEs. Given such a diversity of approaches in the description of the characteristics of logistics processes in a SME there is the issue of quality analysis of logistic processes in this sector.

Defining marketing support for logistics processes – in light of literature researches

Starting from the definition of marketing formulated by Ph. Kotler [Kotler 2002] according to which “Marketing is a social and managerial process by which specific individuals and groups get what they need and want to achieve by developing, offering and exchanging products of value”, its components can be interpreted in relation to management of an SME. However, in order to demonstrate the links between marketing and the management of logistics

processes we need to define the basic concepts of Kotler's definition relating to the logistics process¹:

- social process means that logistics activities and implementation of logistics processes are not individual and single events, but they are repetitive actions, which consists of subsequent phases and activities typical for a given SME based not only on individual but social needs;
- management process means that the entire logistics process and its various phases constitute an integral part of the management process and as such should be supported by marketing activities which are a part of the overall market strategy of a company;
- specific persons and groups (institutions) which are participants of a logistics process, which is addressed to a customer waiting for the ordered product or service;
- needs with respect to:
 - institutions: generally speaking, expectations of higher efficiency of an SME manifested in improved market performance, specific indicators of competitiveness in a given industry or in a particular market;
 - people: specific individuals i.e. employees of such institutions implementing the logistics process expect better working conditions, their needs being met;
 - final customers: they expect delivery of better products and services within the specified time, offering attractive products that meet customer requirements;
- creation: design by SMEs new product types and solutions that will result from improvement of logistics processes, use of new raw materials, and new knowledge;
- offering: presentation of the results of improvement of logistics processes, implementation of logistic processes and monitoring of their effectiveness. All this should meet customer expectations;
- exchange: a change of ownership of the results of design and manufacturing work of a company i.e. its sales in the broader market to individual customers and institutional clients.

The analysis of Kotler's definition allows for formulation of a modified definition of marketing of logistics processes as follows: Marketing of logistics

¹ See also L. Białoń, D. Janczewska – *Innovation marketing* [in:] *Marketing identity and image*, edited by R. Niestrój, Published by PWE, Warszawa 2009, pp. 202–210.

processes is a social and managerial process consisting in development, offering and exchange of logistics solutions in the field of business processes so as to meet the needs of people and institutions through improvement of processes, resulting in increasing competitiveness of companies, and finally in increase of the level of life of the society. A definition suggested in this article can be understood in the context of marketing support of logistics processes with use of modern marketing tools. Marketing support of logistics processes can be analysed in many institutional contexts, i.e.:

- In large enterprises that have a logistics department, or a well-developed logistics structure logistic planning of marketing and logistics activities is feasible; In such a case we can assume that the entire logistics process is supported by appropriate marketing activities, such as market analysis, customer segmentation, competitor research, customer expectation monitoring etc. In these enterprises marketing and logistics activities are formulated and implemented. Such activities constitute marketing and logistics management system.
- In medium-sized enterprises, very few of which have a developed logistics and marketing structure a logistics and marketing concept can be developed only through close cooperation between relevant departments, but implementation of such a concept will require assistance of external companies.
- Small enterprises and micro-enterprises lack adequate organizational structures responsible for planning and implementation of marketing and logistics processes. It is often a business owner or a person designated by an owner² that is responsible for such activities and implements the process of marketing support in an incomplete way or does not use marketing tools in logistics processes at all.

This type of marketing support is called marketing logistics, which according to the methodology of Oslo Manual (Sec. 1, p.1.1.) means the use of new marketing forms and techniques in logistics that have not been used so far in business operation. You can equate marketing, logistics and marketing logistics when implementation of new marketing ideas needs initiation of a logistics process. The integration of this kind can be explained on the basis of transformation and development of marketing [Kotler, Kartajaya, Setiawan 2010, p. 20].

² During one discussion with students about organizational structures it turned out that many small enterprises a person who deals with logistics is the one that is subordinate to a warehouseman which obviously limited the scope of logistics to the activities performed in the warehouse.

Results of own researches of marketing as support of logistic process in SMEs in confectionery branch

The own researches of marketing as support of logistic process in 100 of SMEs were conducted in years 2000–2009 in confectionery branch. Selecting the sample group was intentional, and sample was not representative. Thus the results of researches apply only to researched SMEs companies located in regions: Mazowieckie, Łódzkie, Kujawsko-Pomorskie and Wielkopolskie. The study used different methods such as surveys, interviews, direct observation and interviews with experts. The study included 100 SMEs operating in manufacturing industry (60%), trade (30%) and services (30%). The content of Table 1 is the result of a study conducted in 2000–2009 in SMEs operating in confectionery industry. One of the main task in the field of market reconnaissance which also provides marketing support for logistics processes is defining a set of activities included in Table 2. This Table contains features and objectives of marketing activities which support logistics processes in the enterprise as results of own researches.

Table 2. Marketing support of logistics processes in an SME – results of own researches

Type of logistics process	Features of marketing support activities	Objectives of marketing support	Implementation of activities covered by the marketing support	
			Marketing instruments and methods	Expected results and benefits for an SME.
Processes of physical flow of materials and goods	Analysis of the needs of enterprises in line with the available resources and the requirements of the market	Recognizing the potential technology in the enterprise and resources of knowledge	Method: Marketing audit, SWOT analysis, PESTE analysis, marketing research Tool: product	Recognition of the production capacity of the company and its market potential. Defining a resource gap. The ability to create a market strategy for a product or a service
	Defining logistics activities in processes	The analysis of the logistics process, defining the input and output vectors, defining the effectiveness of the process	BCG analysis, SWOT analysis Internal marketing study Tool: price as an element exerting an impact on customers	Setting standards and quality requirements of individual logistics processes. Determination of criteria for cost-effectiveness of processes Forecasting profits
	Selection of suppliers Searching for customers Analysis of competitors	Obtaining full knowledge about market stakeholders, suppliers and recipients	Marketing research Analysis of Porter's five competitive forces, Analysis of the key success factors, value-added analysis Analysis of distribution channels. Tool: distribution	Development of databases of potential suppliers and customers. Market segmentation Obtaining accurate data about the market

Processes of information flow	Selection of information flow channels	Development of a system of information flow in an enterprise and defining exchange of information with the environment	Marketing research The study of information flow channels in a given industry (marketing research) Tool: promotion	Faster flow of information in the enterprise, a system of information exchange with the environment
	Selection of technology and information techniques	An enterprise possessing state-of-the-art means of communication and information flow	Assessment of the current level of information technology and software available in the company (marketing study)	Obtaining knowledge about the current status and availability of information technology
	Launching state-of-the-art channels of information flow	Accelerating information flow in all logistics processes	Examination of the level and quality of information flow within the company and between the company and the environment (Marketing study)	Reducing the time of flow of information, increasing decision-making process, growth of competitiveness
Processes of logistics of customer service	Recognizing the needs of customers, Recognition of market trends	Customer segmentation Forecasting future needs of specific market segments	Market research: segmentation analysis, analysis of strategic groups in the sector Tool : 4P	Gaining knowledge of customer groups and their present and future needs
	Establishing relations with customers	Ensuring customer loyalty	Customer satisfaction survey, loyalty test, customer life cycle test Tool : 4P	Obtaining knowledge about the level of customer satisfaction and forecasted needs in the future Knowledge of the life cycle of the customer and a market segment
	Ensuring flexibility of supply	Defining the level of supply for specific market segments	Studying customers' needs, identification of future projected purchasing needs Tool : 4P	A possibility to plan logistics processes properly, increase of productivity and efficiency

Source: own study based on own researches.

The enterprises used a variety of logistics processes which can be classified in three categories: processes of physical movement of materials and products, processes of information flow and processes of customer service. Depending on the type of business and the range of products logistics processes were developed as well as and their importance was observed in the enterprise. 80% of the studied enterprises did not see the need to apply marketing in logistics processes, 10% used marketing support in logistics processes and in processes of logistic customer service and intended to expand the scope of marketing support in logistics processes in the future. Only 10% of studied companies saw the need to combine logistics processes with marketing activities, indicated the need to use marketing instruments in planning and implementation of logistics processes and gained measurable benefits by doing so.

Conclusion of the own researches

We can generally say (referring to the studied group) that in the studied group of companies, there is a possibility of applying marketing support for logistics processes and define beneficial effects of such support for companies.

Researches confirmed both of hypothesis. The marketing support is important to reach the better competitiveness position in branch. It is important that persons involved in the implementation of marketing and logistics concept of the business development referring to SMEs had the knowledge necessary to implement this concept. This knowledge includes: knowledge necessary to develop a marketing and logistics orientation of the company, know-how of the industry in which the company operates information about specificity of the company operation and skills of its employees, ability to study marketing environment, knowledge about possibilities of cooperation with customers and understanding their specific needs, ability to conduct marketing research and collect information necessary to make assumptions for the purpose of management decisions regarding logistics processes.

More detailed tasks of marketing and logistics should arise from the specific nature of the company operation and the market in which it operates. Consequently, the generally formulated tasks are as follows:

- participation in development of the company mission, vision and strategy for business development of SMEs, building its image;
- development of a marketing strategy that would prefer a modern approach to logistics processes, including logistics of customer service;
- customer segmentation, selecting strategic clients;
- development of customer loyalty programs, their improvement and evaluation;

- conducting marketing research, the basic goal of which should be recognition of basic customer needs and comparing them with logistics possibilities of a company;
- conducting marketing research, the aim should be to recognize the basic customer needs and referring them to the possibility of logistics companies
- creation of new needs arising from global industry development trends based on science and technology;
- monitoring and analysis of the marketing environment, identifying competitors and cooperating companies;
- development of marketing-mix tools suitable for logistics processes in a given enterprise and in line with customers' needs;
- organizing cooperation between the enterprise with its institutional environment, marketing departments of other companies with respect to formulation, execution and implementation of market activities;
- evaluation and control of marketing activities, their impact on the course and efficiency of logistics processes, and thus the success of the company.

The activity of marketing department (or marketing managers) in respect of their support for logistics processes in the enterprise is more complex than the marketing activity itself. It is based on marketing-mix tools and addressed to market recipients.

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