
GAINING A COMPETITIVE ADVANTAGE BY INTEGRATION OF MARKETING AND LOGISTICS

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***Abstract:** In today's changing and highly competitive market environment, it is necessary to develop and implement processes that enable better demand fulfilment. Such circumstances dictate the requirements for more responsive way for satisfying the needs, which become crucial for achieving market success. The concepts of marketing and logistics are receiving increased attention as means for gaining competitive advantage. The two main areas of marketing and logistics are: demand creation (marketing) and demand fulfilment (logistics), which should be seen as complementary functions through supply chain management (SCM). The aim of this paper is to highlight the importance of a market-driven supply chain strategy whereby customer value is delivered in the most efficient way. The aim is also to highlight the Supply Chain Management and Customer Relationship Management concepts as key elements for gaining competitive advantage. The successful implementation of logistics principles is shown in the paper on the example of leading international retail company.*

***Keywords:** Competitive advantage; Supply Chain Management; Retail logistics; Marketing logistics; Marketing management.*

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1. INTRODUCTION

Today's market environment is much different in comparison to what it was just a few decades ago. Companies are today more than ever forced to struggle for their market position, not solely by increasing efficacy of business processes, but also in relationship with their customers.

Basic method for gaining the competitive advantage is by providing goods and services to the targeted customers better than the competition, but at the same time, providing increased value for the customers. As author Porter says competitive advantage fundamentally arises from the value that the company is able to provide to its customers. Simultaneously, such value must not exceed the costs of its own creation by the company, as it would not be profitable for the company [12].

Marketing concept, in its core, supports this kind of customer oriented philosophy by putting the customer in the centre of every business activity. What do matter for marketing are opinions and desires of analysed customer, as they have the leading impact on business process of one company.

Therefore, the value is what customers are willing to buy and in return give some amount of their money.

From all stated, it follows that competitive advantage could be achieved by offering goods and services at lower prices than the competitors', or by offering special conveniences for customers at the premium price.

Even though single companies are trying to acquire and keep satisfied customers in their portfolio, that is not sufficient in today's market. Huge supply chains are emerging in the market, which by its size and strength exceed output that single company can provide to the customers. Such supply chains are competing among each other, strengthening the links between members of the supply chain, and by that trying to achieve competitive advantage, increase loyalty of their customers and provide greater value than the competition. Described supply chains in general are constituted by following members: manufacturers, distributors, wholesale and retail and at the end the most important member, customer.

In such environment there are two major concepts that contribute to success and profitable managing of the supply chain and those are:

marketing and logistics. Earlier, the connection between those two has been weakly understood and recognized. Some authors say that the convergence of marketing and logistics is based upon simple model with three key areas that need to be connected. Those are the consumer franchise, customer value, and the supply chain [2]. Customers are becoming more and more demanding, and they expect higher level of delivered services, where the time as factor has become critical factor in the process of gaining competitive advantage.

Challenge for the organization that seeks to become the leader in providing services to its customers is to recognize requirements from different segments of customers and to restructure its logistics process around the achievement of those requirements. Differentiation through superior customer service offers an opportunity to avoid price competition, which eases the path to competitive advantage.

The aim of this paper is to show importance of a market driven supply chain in order to gain competitive strength. Also on the example of leading international retail company it will be shown how combination of marketing and logistics can lead to great market success.

2. MARKETING AND LOGISTICS

Many industries have arisen lately based on time compression, from over-night delivery to fast food. Technology additionally speeds up this process through innovations. Communication resources allow answering on customer demand faster and more convenient. That is the reason why logistics, as one of the functions that manages flow of goods and materials from production place to place of consumption [8], must not lose responsiveness in spite of heightened risk of both stock-outs and over-stocked situations [2].

Definition of logistics management as some author state is the process of planning, implementation and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to point of consumption [8]. Even more, logistics is not confined just to manufacturing operations, but is also very relevant to all enterprises, governments, hospitals, schools, and service organizations.

Marketing on the other side, in its core oriented toward the customer, tends to deliver increased value to its customers. In that direction increasingly are used tactics of relationship management (CRM), which guide companies toward long-term and profitable customer in the future. Nevertheless,

solely use of marketing tactics in building customer loyalty and brand awareness in the market, are becoming insufficient for achieving competitive advantage. Together, with synergetic effect of quality managed marketing and logistics, companies and supply chains can come to efficient, cost acceptable, and what is more important from customer point of view expected and satisfying service, better than competition.

As confirmation of previously stated fact, more and more present phenomena in retail stores is that even though brand is strongly developed in the mind of the customer (by marketing activities), if the product is not in the stock or on the shelves (logistics activities) and at the same time there is present a substitute brand, customers will in most cases turn to the other product. This indicates that logistics part of business achievement is greatly important in overall market performance. For that is credited qualitative supply chain, which implies that every member of chain adds something more to the value of the product or service, and contributes to the final satisfaction of customer.

Some of the factors that are key for the development of logistics are: 1) Development of information technologies; 2) Globalization of markets; 3) Fast development of global container network; 4) Development of free port and free trade zones; 5) Addition of value to the product through the global logistic network,... etc. [1].

3. SCM IN MARKETING LOGISTICS

The importance of marketing-oriented logistics can be found in the simple statement that the delivery is tailored to the requirements of not only the segment of customers, but also to individual customers. Integration of marketing and logistics in the supply chain management provides a comprehensive control of products and services flow through distribution channels.

Economic development and market changes create a number of new logistics concepts. As an instrument of retail marketing, logistics must be sufficiently flexible to be able to adapt to these changes, especially in those parts which were initiated and created by consumers' needs and desires.

"Management is on the verge of a major breakthrough in understanding how industrial company success depends on the interactions between the flows of information, materials, money, manpower, and capital equipment. The way these five flow systems interlock to amplify one another and to cause change and fluctuation will form the

basis for anticipating the effects of decisions, policies, organizational forms, and investment choices” [3]. Although this definition is about half a century old, it can be said that Forrester identified key factors of management dynamics that underlie today's concept of Supply Chain Management (SCM).

Summarizing many definitions from different authors, SCM can be defined as “a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer” [10].

Considering that there is no universal configuration of the supply chain and that there are countless alternatives, it is important to know that any organization can be a part of many supply chains. For example, *Tesco* may be part of the supply chain for confectionery products, for electronic devices, clothing and many other products. With regard to marketing-oriented logistics concept, the end consumer should be considered as a member of the supply chain. This is important because the retail chains are gaining in importance in the upstream and downstream flows that constitute the supply chain.

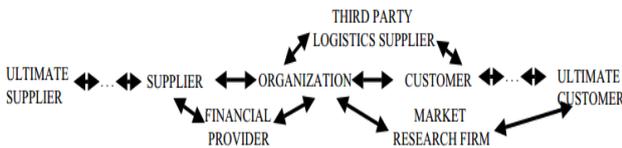


Figure 1. Ultimate supply chain* (*Source: adopted from Mentzer et al., 2001)

Supply chains can vary from simple and direct, with a single agent between suppliers and consumers, to highly complex and indirect, with a lot of participants in this process. Successful realization of flows from the suppliers through the customers (which is represented in Figure 1) involves the delivery of value and security of customer satisfaction, which can be achieved through traditional business functions (marketing, sales, research and development, forecasting, production, procurement, logistics, information technology, finance, and customer service). Also, the figure shows “the role of customer value and satisfaction to achieve competitive advantage and profitability for the individual companies in the supply chain, and the supply chain as a whole” [10].

The main reason for creating the supply chain is to increase the competitiveness of the supply chain [6][11]. Certain authors [4] argue that it is not common that all activities in the chain (inbound and

outbound logistics, operations, marketing, sales, and service) are run by one organization, in order to increase customer value. Therefore, forming strategic alliances and partnerships in the supply chain (between suppliers, customers or intermediaries) is more and more widespread and it provides a competitive advantage through customer value creation [9]. Competition is not only created among different companies, but among different supply chains and business cooperation.

Improving an organization's competitive advantage and profitability through SCM can be accomplished by enhancing overall customer satisfaction [5]. In this order, there is the opinion that “SCM aims at delivering enhanced customer service and economic value through synchronized management of the flow of physical goods and associated information from sourcing to consumption” [7]. According to Porter [13] “competitive advantage grows fundamentally out of the customer value a firm creates, and aims to establish a profitable and sustainable position against the forces that determine industry competition”. Therefore, the authors believe that implementation of SCM increases customer value and satisfaction, which results with increased competitive advantage (for the supply chain and all its members) and ultimately improves profitability (also of all supply chain members). In order to achieve customer satisfaction, and exceptional customer value delivery, it is very important to build healthy and lasting relationships with them, through quality implementation of Customer Relationship Management (CRM).

The author Ross states that the role of logistics spreads from warehousing and transportation to integrating the logistics operations of the entire supply chain [14]. The same author claims that SCM merges marketing and manufacturing with distribution functions in order to create new sources of competitive advantage. In that sense, customer value and satisfaction help a supply chain to improve competitive advantage and profitability, but that requires more than efficient movement and storage [5]; it requires integrated marketing and logistics management within the concept of SCM.

To summarize the importance of SCM concept in marketing-oriented logistics, we can say that:

- The SCM deals with **improving efficiency** (as reflected in the reduction of cost, time, etc..)
- and **effectiveness** (which refers to the quality of provided services)

- in a **strategic context** (which includes the creation of value and customer satisfaction),
- in order to achieve **competitive advantage** that brings **profitability**.

4. EXAMPLE OF INTEGRATION OF MARKETING, LOGISTICS AND INNOVATIONS AT “TESCO”

Tesco is one of the world largest retail companies which runs business in 12 markets and has more than 500.000 employees. In its market expansion Tesco’s management has decided to enter a South Korean market in 1999. Since then the company has emerged to second largest retailer in the market but with no perspective of becoming number one, because of smaller number of stores compared with the market leader. Due to the specific market conditions some adaptations had to be made. One of those was the name change from Tesco to “Home plus”.

In order to achieve further growth and to become market leader Tesco’s management set a goal to find the innovative solution which would increase the sales without opening new stores. After the conducted market research, gathered information and results were the following. Koreans are second most hard working people in the world, and what is more important, going into the shopping of daily necessities is a dreadful task for them. Hence, problems were in the lack of time for shopping and in the bad attitude of the customers.

Marketers in the company made an innovative solution. If the customers are not willing to go to the store, then the stores should be brought to them. That would ease the buying process and make happier and more loyal customers. In order to achieve the goal, marketers made virtual stores. At the beginning they were placed in the subway stations and later on in some other places where many people were during their working day. In subway stations vivid pictures that represented shelves with the products were placed on the walls and were almost exact imitation of the real store’s merchandising (this is shown in Figure 2). The only difference was that actually there were no products. Under picture of every product was printed a QR code by which the purchase could be made through the internet. In order to use QR code customers had to scan it from the wall picture with their smart phones, after which they could make orders via internet connection. There was no fear that some customers will be left out of possibility to buy in this way, because the vast majority was already in the possession of smart phones with an internet

connection. One of the major tasks that had to be executed by the “Home plus” was logistics and delivery of the products on time and in place specified by the customers. What they made, was home delivery without delays, and with the organized crew who did the job behind the scene.



Figure 2. “Home plus” subway virtual store

The results of innovative approach were the following. Customers could buy the products whenever they wanted, and basically from any place without the need to go to the real store. Efficacy of purchasing was increased for the customers because they had more leisure time to spend with their families or on their favourite activities after working hours. Also the wasted time spent in the public transport was reduced because now it could be used for the shopping of daily goods. After the campaign, on-line sales were increased by 130% from November 2010 until the January 2011, and “Home plus” became number one retailer on the virtual e-market. Furthermore, the main goal was almost achieved because company is now very close second on the South Korean market and is heading towards the leading position. For this campaign company won the “Golden Lion”, significant award at the Cannes International Festival of Creativity.

5. CONCLUSION

Market environment is highly saturated with competitors today, which means fast and accurate actions toward satisfying customers. The main goal is to become leader of the market, and to acquire and retain loyal, profitable customers. In order to achieve competitive advantage, companies have to provide to their customers increased value, and not just plain products.

Marketing has already put customer into the core of its focus, by which it can manage long-term customer relationship and fully satisfy customer. But in modern market, it is not sufficient to have only marketing, customer oriented business. It is now needed to have developed network of logistics activities, which combined with marketing activities provide maximum effect.

Until now the connection between marketing and logistics was not well understood and perceived. Supply chains have changed the view, and they are pushing the new kind of competitiveness – competitiveness among supply chains and not only single companies.

This paper has shown some basic characteristics of modern supply chain management, major correlation between marketing and logistics, and most importantly the success that can arise from synergetic combination of marketing and logistics. Also, on the example of *Tesco* (world's leading retail chain), paper has shown that for successful combination of marketing and logistics every company must implement process of innovations.

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