

An Examination of the Logistical Distribution of Final Bread Goods in the Industry from a Theoretical Perspective

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Abstract: *The distribution process is a crucial aspect of economic activities conducted by market participants. This process must be designed to maximize the value of each product, considering various aspects related to the function of distribution in each unit's activities, the fundamental components of this process, the distinct elements of diverse market structures, and a set of criteria that can serve as the foundation for organizing distribution relationships. The conceptual notion of distribution must be approached from two perspectives: the macroeconomic perspective and the microeconomic perspective. From a macroeconomic perspective, distribution is determined by the interplay between three key components of the market: production, consumption, and distribution. Distribution encompasses all the methods and processes that provide the accessibility of products and services generated by firms to the final customers. Hence, it is crucial to differentiate the notion of distribution from the act of transporting products. This paper examines the logistical distribution of final bread goods in the industry from a theoretical perspective.*

Keywords: *logistical distribution, final bread goods, industry, macroeconomic perspective, microeconomic perspective, accessibility*

1 INTRODUCTION

The distribution process is a crucial aspect of the economic activities conducted by market participants. Due to its significance, this process must be designed to meet the requirements of maximizing the value of each product, taking into account the unique circumstances of each company or commercial entity operating in the market, the level of competition, the sales infrastructure, and other situational factors relevant to each period.

Nevertheless, this orientation assumes that one has prior knowledge of various aspects related to the function of distribution in each unit's activities, the fundamental components of this process, the distinct elements of diverse market structures, and a set of criteria that can serve as the foundation for organizing distribution relationships.

The conceptual notion of distribution must be approached from two perspectives: the macroeconomic perspective, which considers the total economy, and the microeconomic perspective, which focuses on the individual firm (Ferreira, F. H., 2010).

From a macroeconomic perspective, distribution is determined by the interplay between three key components of the market:

- Production or the creation of goods.
- Consumption of goods to directly fulfill the final consumer's needs.
- Distribution, which involves the transfer of goods through commercial transactions from the producer to the consumer.

Distribution encompasses all the methods and processes that provide the accessibility of products and services generated by firms to the final customers (Putro, P. A. W., *et. all.*, 2022). Furthermore, it encompasses the procedure by which intermediaries or end customers are provided with products and services, guaranteeing them convenient access in terms of location, timing, quantity, etc., based on the demands they exhibit in the market.

The term "distribution" encompasses two main categories: "commercial distribution" and "physical distribution".

Commercial distribution is the transfer of ownership of a product from the manufacturer to the customer. Such distribution can be facilitated by distribution agents. They may consist of individuals, such as sales representatives employed by a corporation, or they may encompass wholesalers, mail order businesses, retail organizations, and so on.

Physical distribution is the process of ensuring that commodities and services are made physically accessible to customers by utilizing transportation and storage methods. Commercial logistics is the term commonly used in specialized literature to refer to physical distribution. (Rushton, A., *et. all.*, 2022)

In the contemporary economy, which relies on the unrestricted operation of the market mechanism, the distribution process is seen as a crucial factor in advancing overall economic development. Within this interpretive framework, distribution extends beyond the boundaries of a mere exchange of products, including a wide array of expanding services and exerting an active impact on production through a comprehensive understanding of customers.

Hence, it is crucial to differentiate the notion of distribution from the act of transporting products. commodities movement pertains to the actual transportation of commodities from production to consumption. On the other hand, distribution encompasses a wider process that starts when the product is prepared for release in the market and concludes with the sale to the ultimate customer.

During this period and location, various economic activities occur, including the delivery, transportation, storage, and preservation of goods, as well as wholesale and retail operations. These activities involve mobilizing the necessary material, financial, and human resources. Additionally, they require establishing methods for transferring property titles and ensuring

their practical implementation. Each of these endeavors is designed to meet customer demands and therefore boost the revenue generated by each corporation engaged in business operations.

Regarding the bread industry, the examination of the manufacturing and delivery of final goods may be assessed through many often-seen scenarios in the market, as depicted in figure 3.1.

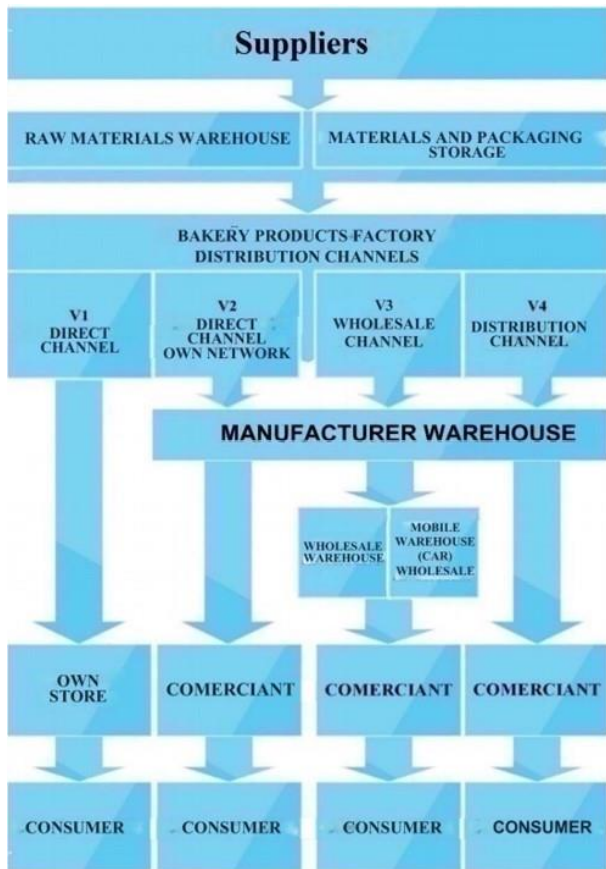


Fig. 1. The distribution chain. Distribution channels in the bakery industry

The distribution chain being analyzed consists of the following distribution channels:

V1: Direct distribution channel: Selling bread items directly at the location where they are produced.

V2: The company utilizes the direct channel by selling its products through its own network of stores.

V3: The indirect channel involves the distribution of bread products through specialized wholesalers.

V4: Daily delivery channel via pre-established routes.

To enhance physical production in the bakery industry, we have categorized the factors that affect the production and distribution of finished products into the following groups: supply, storage, production, production storage, consumers, marketing, maintenance, transportation, and human resources. This allows for a comprehensive analysis of all the influential factors.

2 SUPPLIES WITHIN THE BREAD INDUSTRY

Supply refers to the process of acquiring the necessary resources, such as raw materials, products, and services, to support production. The goal is to guarantee that the economic agent can operate with optimal profitability by obtaining the required volume and composition of resources. Supply channels can be categorized as either direct or indirect. Supply is intricately interconnected with the other constituents of a productive system, constituting a multifaceted procedure.

The primary phases of supply that are relevant in the baking business include:

1. Establishing the requisite
2. Creating requirements based on technical and economic considerations and determining consumption levels.
3. Identifying potential suppliers.
4. Assessing the suitability and quality of the supply source.
5. Engaging in contract negotiations with potential suppliers.
6. Assessment of negotiations
7. Finalization of the agreement
8. Creation of the contract

The key considerations for determining the need for supply are as follows:

- The organization's production and inventory management system
- The type of production, whether it is individual, series, or mass production
- The type of manufacturing structures, such as functional, cellular, or in-flow structures
- The type of management approach employed, whether it is cost-based or objective-based.
- The unique circumstances of each economic entity, such as the availability of storage facilities and financial resources.
- The economic context in which the entity works.

By examining the issues from the supply perspective, the organization may discover and engage consumers in a proactive manner. Understanding their demands will lead to increased productivity and profitability.

Based on the information provided, the supply can be categorized into the following scenarios: consistent consumption with constant demand and regular time intervals; temporary stock shortage with a fixed period and constant demand, which may result in stock depletion; variable demand at regular intervals; constant demand at irregular intervals; variable demand at irregular intervals.

3 WAREHOUSING - THE ACT OF STORING RAW MATERIALS AND ADDITIONAL GOODS.

Stocks refer to physical resources that are stored in warehouses and facilities of economic entities, in certain amounts and arrangements, for a defined

duration and purpose. (Rushton, A., *et. all.*, 2022) Practically, stocks are the outcome of the supply and sales transactions in commercial operations. Furthermore, the performance of stocks is contingent upon the inherent properties and attributes of materials and goods, as well as the terms and circumstances governing their supply. Additionally, factors such as transport insurance and the techniques employed in this regard also play a significant role.

At the economic level, the government maintains stocks of essential resources known as the national reserve. This is done to protect the national economy from unforeseen events such as earthquakes, floods, or economic crises that could lead to shortages or unfavorable conditions. Economic agents function as reservoirs for the ongoing provision of consumption units, catering to clients to maintain regular operations and accomplish their established goals.

Under some circumstances, there is a compelling need to establish present stocks that are essential for the creation of stocks in the form of a national reserve. Stocks are established to guarantee the regularity of production at suppliers and/or the regularity of transportation. The construction of safety stockpiles for customers is determined by potential abnormalities in deliveries from suppliers or in their manufacture (Van Kampen et al., 2010). The occurrence of natural circumstances, climate, or seasonal production patterns can lead to the disruption of production or transportation, resulting in the creation of seasonal inventories. Therefore, the stockpiles are generated during the peak of the season and are subsequently wasted amid the wheat harvesting season (Van Kampen et al., 2010).

Establishing preparation or conditioning stocks is necessary to ready or treat resources before their use (Rushton, A. et al., 2022).

To reduce the costs associated with stock creation, the firm conducts economic analyses and computations. Based on these findings, the company establishes its strategy and policy for stock formation.

- Identifying the categories of stocks;
- What are the benefits or drawbacks associated with choosing to invest in a specific stock;

An appropriate program should be implemented to achieve a harmonious equilibrium between the adverse and beneficial consequences of stock creation.

The composition of bakery stocks encompasses:

- fundamental primary resources;
- supplemental resources;
- Materials and spare parts for the maintenance and repair of machinery, structures, and installations;
- Energy sources, substances used to reduce friction, materials used for containing and protecting products, and materials used for administrative purposes.

4 PRODUCTION.

Along with production, five major focus areas of the distribution chain can be identified, as also highlighted in Figure 2.

Production pertains to the bakery's ability to manufacture and store goods. Production facilities refer to physical locations where manufacturing and storage activities take place, such as factories and warehouses. Factories are established to accommodate one of the following production methodologies:

- Emphasis on the product
- Emphasis on functionality

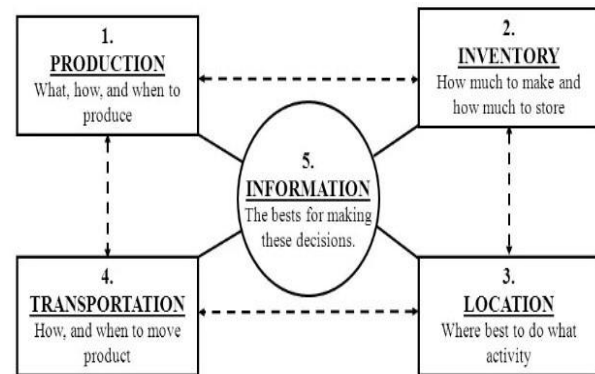


Fig. 2. The five major areas of interest of the distribution chain (Hugos, M. H., 2018)

A product-oriented organization engages in the production of individual product components as well as the integration of these components to create the final product (Weking, J. et al., 2018). A function-oriented organization focuses solely on certain processes involved in the creation of a product, such as manufacturing certain components or assembling pieces to create the final product. Within this category, we may examine a relatively recent notion in the bakery products industry: baked goods prepared on location using frozen dough that is manufactured at a separate facility.

Within the scope of this study, the four investigated options do not include bakery product manufacturers that either supply frozen semi-prepared items or just engage in baking. These factories will be subject to examination at a later stage.

The term "location" pertains to the specific geographical region where the facilities of the commercial organization are situated. This encompasses the determinations about the activities to be conducted within each of the facilities. When making decisions on where to locate facilities, managers must take into account many aspects such as facility costs, labor costs, workforce skills, infrastructural conditions, taxes and tariffs, and proximity to suppliers and customers.

5 PRODUCT DISTRIBUTION.

When the producer needs to determine the distribution policy, he is confronted with three primary options. The available options include a direct sale, a sale through intermediaries, or a "dual" strategy that combines both direct sale and sale through intermediaries (Tahirov, N., & Glock, C. H., 2022).

The pros and cons of these solutions can be stated as follows:

5.1. Selling products or services directly to consumers without the use of intermediaries

Direct selling has the primary benefit of enabling the seller to maintain complete control over the whole merchandising process (Rushton, A. et al., 2022). The usage of this product is preferred due to the presence of a small number of prospective consumers, a high level of geographic concentration among these buyers, a high level of technical complexity that necessitates service supply, and a high level of technological innovation.

Each of these considerations, when considered individually, is enough to justify the implementation of a direct selling approach. However, the interrelationship between some of these elements may lead to a different conclusion. For instance, a discrepancy between the number of purchasers and their distribution across different locations might render direct selling completely unviable from an economic standpoint.

5.2. Utilizing a middleman for sales.

Manufacturers often employ an intermediary when cost analysis discourages direct selling. This intermediary, representing multiple buyers and sellers, can perform the necessary functions more economically. For instance, the intermediary's required gross margin is lower than the indirect costs that the producer would incur by providing the same services (Hugos, M. H., 2018).

Using an intermediary offers several advantages, including cost reduction in areas such as sales organization, storage, stock finance, and minimizing losses from product obsolescence and bad debts. In addition to enabling the manufacturer to connect with all potential consumers, without incurring the fixed expenses associated with direct sales. Another benefit is that it guarantees the prompt availability of the goods, together with before and post-sale services tailored to local requirements, more effectively. Naturally, this technique also has drawbacks, and one difficulty of utilizing an intermediate is the relinquishment of control over the linkages that constitute the distribution route for its goods.

5.3. Dual distribution

Dual distribution refers to the practice of using two different channels or methods to distribute a product or service.

Many manufacturers have developed a compromise option, known as "dual" distribution, to resolve the contradiction between the benefits of direct contact and the cost savings afforded by selling through an intermediary (Tahirov, N., & Glock, C. H., 2022). In this option, the producer engages in direct sales for a portion of his items, while relying on an intermediary for the other portion of his sales. This strategy is supported by the presence of the "heavy half" phenomenon, where a small group of users represents the majority of the demand, while the remaining users are spread out among a larger number of smaller or occasional users.

The primary drawback of dual distribution is the inherent challenge of defining an equitable allocation of the market between the producer and the middleman.

6. BAKERY PRODUCTS TRANSPORTATION

This operation encompasses the processes involved in receiving orders and distributing items to clients. The procedures examined in this area include order entries, order fulfillment, and product delivery. The two processes mentioned are crucial for establishing a relationship between enterprises in a distribution/supply chain (Rushton, A. et al., 2022).

Another contemporary method of distribution is the total transfer of product distribution responsibilities from a corporation to one or more specialized commercial intermediaries, who will then become the exclusive providers. This type is utilized when the exclusive provider works in a market that it is familiar with and where the manufacturer faces challenges in entering due to high entry costs. Alternatively, it may be employed when the manufacturing unit is newly established, lacks expertise, and is not structured to directly distribute to consumers.

The exclusive supplier guarantees customers the following: • a range of orders and agreements • receipt and delivery of products to consumers • payment to the manufacturer for the value of the items acquired for sale • communication with producers on the performance of their made products.

The primary benefits of being a specialized transit company can be summarized as follows:

- it guarantees minimal storage space for finished products at the manufacturer's facility,
- relieves the manufacturer's management team from dealing with sales-related matters (as they only have a contract with a single supplier),
- safeguards the producer from incurring market entry expenses,
- enables access to multiple markets or all markets where the single supplier has established a presence.

Although the cost of freight transit for ordinary bakery items such as bread is not extremely expensive in the bakery business, the laws and procedures for transporting goods nevertheless apply to these phases.

7. CONCLUSIONS

In conclusion, the distribution process is a crucial aspect of economic activities conducted by market participants. It must be designed to maximize the value of each product, considering various aspects related to the function of distribution in each unit's activities, the fundamental components of this process, the distinct elements of diverse market structures, and a set of criteria that can serve as the foundation for organizing distribution relationships.

The conceptual notion of distribution must be approached from two perspectives: the macroeconomic perspective and the microeconomic perspective. From a macroeconomic perspective, distribution is determined by the interplay between three key components of the market: production, consumption, and distribution.

The paper has examined the logistical distribution of final bread goods in the industry from a theoretical perspective. It is hoped that this paper will contribute to the understanding of the distribution process and provide insights for future research in this area.

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