Business trends and logistics challenges in the Western European retail industry

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Abstract

The purpose of this article is to (1) summarise and structure recent literature about overall business trends in the retail industry, in particular those present in the Western European markets, and (2) outline the more specific logistics challenges that are related to these trends. The study is based on a literature review conducted during autumn 2009. As one of the dominating markets in Western Europe, special attention has been given to the German market and German literature in the area.

The results imply that the ongoing demographic and socioeconomic changes in the Western European markets accelerate the four overall business trends of retailers' geographical expansion into new countries and regions, increased share of private labelling, further specialisation of store concepts, and increased consolidation and vertical integration. From a logistics perspective it can be argued that these trends are related to several logistics challenges that must be handled by retail companies. The most important ones discussed in the literature reviewed include an extended domain of control and logistics responsibility in the supply chain, new requirements on logistics competence, the use of logistics related technology, and support for cost- and service efficient geographical expansion.

Although logistics has always been important for retail companies, the results from this study further reinforce the view of logistics as a strategically important capability for retail companies. Logistics performance may be seen as a strategic weapon that is decisive for future competition among retailers.

Introduction

Retail companies in the Western European markets are today facing a business climate characterised by declining growth figures of Gross Domestic Product, GDP, constantly high unemployment and stagnation of inflation-adjusted incomes. Together with demographic and socioeconomic changes such as older inhabitants and a multicultural society with diversified requirements, retail companies suffer from decreased profits and fierce price pressure. More than ever it is vital for retail companies to adapt to new situations, increase the pace of innovation and overcome challenges. Business trends influencing the retail industry must therefore be identified, understood and evaluated.

One area of increasing importance, and dependent on the overall business trends, is logistics. Logistics is typically defined as by the Council of Supply Chain Management Professionals as "the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements" (www.cscmp.org). The logistics function hence includes the physical flow of goods, surrounded by necessary information flow. As a key managerial task for logistics, functional barriers should be broken down in order to create effective and efficient materials flow. For retail companies, without unique production or lucrative patents, logistics may be an essential capability for a sustainable competitive advantage.

For retailers it is imperative to understand the logistics challenges that are originating from the overall business trends. The purpose of this article is to (1) summarise and structure recent literature about overall business trends in the retail industry, in particular those in the Western European markets, and (2) outline the more specific logistics challenges and practices that are related to these trends. The study is mainly based on a literature study conducted during autumn 2009. As a result of being one of the largest and most important retail markets in Europe, a special focus has in this report been given to the German market and German literature in the area.

The retail industry in Western Europe consists of several different sectors such as food, DIY, fashion, electronics, etc, that are all operating on partly different conditions, and it is therefore sometimes problematic to discuss trends for the retail industry that are equally valid for all sectors and regions (Lademann, 2004). The review is therefore aimed at giving a general view of the industry, and the business trends identified. From a logistics view there are also differences between sectors, and this research is therefore limited to focus on challenges and practices that are valid for retail companies in general.

The remainder of this report is organised as follows. After a brief discussion on methodology, four retail trends are presented. Thereafter follows a presentation of the logistics challenges they represent. Finally some general conclusions from the study are drawn.

Methodology

This research is based on a literature review to which literature has been accessed mainly in three ways:

1. Scholarly, peer-reviewed research articles have been searched for via the data base Business Source Premier. Typical search strings have been "retail + trends + logistics", "retail + distribution", etc, and has followed the guidelines of a systematic literature review process (Tranfield et al., 2003).
2. Google Scholar and Internet have been searched for academic articles, but above all consultancy reports from e.g. KPMG and Ernst & Young. This type of material often gives a good overview picture of the industry/sector and is also a valuable source for recently updated facts such as turnover, profit margins, etc.
3. To access German literature not present online, the BWL (Betriebswirtschaftlehre) library and its database at Darmstadt Institute of Technology have been searched for books. An additional source for literature has been German research colleagues.

The literature search has been conducted in two steps in which the first step identified overall business trends in the retail industry in the Western European markets. The identification of business trends has followed an iterative process in which different themes from different sources of literature have been combined, structured into tables and finally compiled into the end result of four larger trends that together comprise the findings from the literature. Although the identified business trends are general, the research has through the different research steps had a focus on logistics issues. Consequently, trends related to the physical handling of goods have got greater attention than for instance consumer behaviour and demands.

In a second step, literature on logistics-related topics and challenges in relation to the trends has been focused, for instance the use of RFID, transportation issues related to deliveries to new geographical areas, and logistics competence. In a similar way as for the general business trends, the logistics challenges have been structured and compiled into four overall challenges.

To further structure the results from the literature review an extensive research report was first produced. The results presented in this article are the main, aggregated results from that report. In order to verify the results and investigate the relevance, a workshop with practitioners has also been conducted.

Business trends for Western European retail companies

When it comes to trends for the retail sector there are external as well as internal factors affecting the retail companies (Kumar, 2008). The most discussed external ones are changed demographic and socioeconomic structures, including e.g. increased share of older people in most Western Europe countries, increased multicultural society with diversified requirements and a growing gap between rich and poor people (e.g. Kumar, 2008; Pfohl and Röth, 2008; Payton, 2008; Otto and Mensing, 2008; KPMG, 2006; Brown et al., 2005). These changes are in literature often discussed as a driver for the internal trends, of which the most important ones are presented in this section.

1. Geographical expansion

From being local in comparison to other industries the internationalisation of the retail industry has slowly started to accelerate (Lademann, 2004; Payton, 2008), and today some of the largest European retail companies have succeeded 50% of their turnover in foreign countries. The reasons behind this development are push- as well as pull-oriented (Pfohl and Röth, 2008). From a push perspective, the highly mature home markets with relatively low GDP growth means severe price competition, which in turn means low profit margins and a need for growth in order to increase profit. Geographical expansion here offers what at least seems to be a lucrative growth strategy. From a pull perspective, the new markets, for instance in Eastern Europe, have relatively high GDP-growth and offers less competition in comparison to the home-markets in Western Europe.
Several different models for roll-outs of geographical expansions can be identified among retail companies today, and there does not seem to be one model more successful than the others. In general, four different models are seen (exemplified companies might have conducted different models on different markets):

- The foundation of own subsidiaries on external markets (e.g. Aldi, H&M, Hornbach)
- The foundation of own subsidiaries under other names on external markets (e.g. Tesco)
- Acquisition of local retailers and stores (e.g. Wal-Mart)

- Implementing franchising or joint venture with local players (e.g. Metro, Obi)

Independent from type of expansion model, there are however many obstacles for companies that expand abroad. The well debated business case of Wal-Mart's entrance failure on the German market (Gereffi and Christian, 2009; Christopherson, 2007) shows that successful geographical expansion for a retailer does not mean standardised offerings to customers on different markets. In fact, requirements for customisation in terms of products, opening times, additional services, etc, are crucial for success on the new markets (Payton, 2008; Kumar, 2008; KPMG, 2006). This means that the business, including logistics, needs to be adapted to the local requirements without jeopardising the overall cost- and service efficiencies.

The reasons for the expansion can also sometimes be vague. In a report from KPMG (2006) it is stated that a common reason for companies to expand has been competitors that have been successful. Companies have tried to imitate their business concept, but the risk of failure of having such an imitation strategy is considerable (KPMG, 2006). Internal competencies might be very difficult to identify from outside and therefore many companies have failed to do a proper imitation and understand what is behind their competitors' success (KPMG, 2006).

From a German and Western Europe perspective, one area of particular interest has in recent years been Eastern Europe (Pfohl and Röth, 2008; KPMG, 2006). Retail companies prefer these markets for two reasons; (1) they are expected to be closer to Western European countries when it comes to culture and needs than other regions of the world, and (2) the relative short distance from the home markets are seen as a logistics advantage (KPMG, 2006). Indeed, the previously closed Eastern Europe markets offer interesting opportunities for retail companies with their relatively high GDP and increasing welfare. Other important factors that enable the internationalisation on these markets are the EU-entrances 2004-2007 and the simplified customs regulations with less bureaucracy and investment regulations (Lademann, 2004).

2. Private labelling

Traditionally, private labelling has been seen as a tool solely for cost minimisation (Huang and Huddleston, 2009). This view is however now changing, and the presence of high quality premium brands owned by the retailers have been recognised, especially in the grocery sector (Kumar, 2008). Private labels have become an important tool for keeping customers loyal to the store and the private label share of total sales for retail companies are increasing (Huang and Huddleston, 2009; Otto and Mensing, 2008; Juhl et al., 2006). In Europe, the sales of private labels accounted for 25% of the total sales in 2005 (Otto and Mensing, 2008). Worldwide, an increase of 5% yearly is expected and in the developing countries the increase is expected to be as much as 11% annually (Otto and Mensing, 2008). The difference between countries is however large and also the presence of private labels in different sectors varies (Juhl et al., 2006). For instance, in the grocery sector in the USA and UK the private labels accounted for 20% and 49% respectively (Huang and Huddleston, 2009). The increase of private labels is also assisted by the growing importance of the discount store concept (see below) (Deleersnyder et al., 2007), in which private labels offers an excellent opportunity for cost efficiency and control of assortment.

Huang and Huddleston (2009) identify three different types of retail-owned (private label) brands that all fulfil different requirements and have different aims; generic brands, mimic brands, and premium own-brands, see Figure 2.

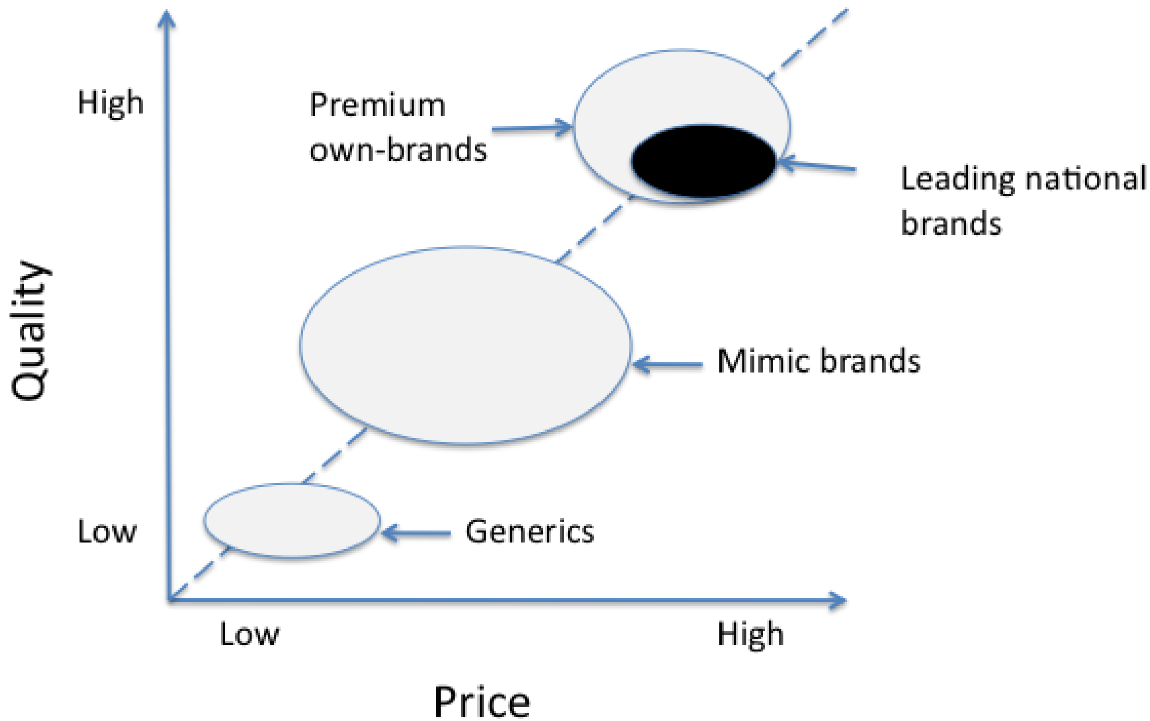

Figure 2: Positioning of different types of retail-owned brands (Source: Huang and Huddleston, 2009, p. 977)

The first type, generics, is known as the traditional retail-owned brand, aimed at providing customers with a lowest possible price alternative to the other brands. Often packed in simplest possible way and with relatively low quality, advertising, packaging and marketing is held to a minimum level. Products belonging to the middle group of retail-owned brands, referred to as mimic-brands, are directly competing with original brands by imitating them. These brands are supposed to offer the customers a "value-for-money" alternative to the original brands. Finally, the premium own-brands, which is the most recent generation of retail-owned brands, offer high value added products with innovative design with the same, or even higher, quality as the original, national brands. These retail-controlled premium brands, competing side by side in the store with original brands, means that retailers are now taking an active role in the supply chain when it comes to product development, innovative packaging, etc. This type of brands is also, as discussed above, an important tool for keeping customers loyal to the company's stores.

The increased sales of private label products, and the segmentation into different classes that covers the whole spectrum of products in terms of price and quality, changes the role of the suppliers (Otto and Mensing, 2008; Schäfer, 2008; Juhl et a., 2006). There is a need for adjustment of manufacturing strategies among suppliers to cope with the new situation, which is many times difficult since the own brands are directly competing on the store shelf with the retail-owned brands (KPMG, 2006; Juhl et al., 2006). Retailers have here an advantage in the form of access to data valuable for customer orientation (e.g. POS data), and will therefore be able to contribute to new, innovative products in terms of quality, design and packaging (Otto and Mensing, 2008). Overall, retailers are today facing the challenge of balancing a combined offering of traditional brands and retail-owned brands in the stores (Schäfer, 2008; Juhl et al., 2006).

3. Specialisation of different store concepts

Recent years there has been a trend towards more specific store concepts among retail companies as a means to position the own company against competitors (Lademann, 2004; Pietersen, 2004; Prumper et al., 2007; Sampson, 2008; KPMG, 2006). Retailers in the middle, without clear strategic direction and customer focus for their store concept, have lost considerably market shares to above all retailers with a "discount" or "category-killer" concept, but also to smaller convenience shops.

The discount concept, particularly well developed in Germany, with Aldi and Lidl as pioneers (Deleersnyder et al., 2007), is characterised as low-price stores with limited assortment but god quality that is offered to certain customer target groups (Pfohl and Röth, 2008; Pietersen, 2004; Prumper et al., 2007, Lademann, 2004; Turban and Wolf, 2008; Deleersnyder et al., 2007). Recent two decades, it has shown to be successful in many sectors such as home electronics, furniture, shoes, DIY, textiles, but above all it can be seen in the food industry (Prumper et al., 2007; Pietersen, 2004; Kreimer and Gerling, 2006). For instance, in the German food sector, the discounters' share of total sales has increased from 25.7% in 1992, to 36% in 2002, to 40% in 2005 (Prumper et al., 2007). During the same time, the number of discount stores in the food sector increased from 2700 to 9700 (Prumper et al., 2007). The limited assortment enables considerable cost improvements in logistics and supply chain operations and is hence the prerequisite and enabler for the low prices, which is the main competitive weapon for the concept.

Another successful store concept is the "category-killers" or "big-box retailers" (Sampson, 2008), where a very deep assortment of a product category is offered to the consumers together with knowledge and expertise about the products. So have specific warehouses for different sectors emerged, e.g. furniture, DIY, electronic equipment, etc. Also even more narrow, new sectors have emerged, such as baby-, car peripheral- and gardenstores (Lademann, 2004). Due to the assortment range, the stores are large-sized. Examples from the US market are Toys R Us and Home Depot (Sampson, 2008; Arnold and Luthra, 2000). The category killers have got large impact on a long row of different retail sectors and today no sector has been spared from their competition (Sampson, 2008; Lademann, 2004).

The concept of small "convenient shops" situated close to the customers and with generous open times, is another concept that has developed well in recent years (Pietersen, 2004; KPMG, 2006; Otto, 2009; Kreimer and Gerling, 2006). Here convenience stores in connection to e.g. gas stations, that satisfy other needs of the customer, might be an important competitive weapon (Lademann, 2004). In general, there can be seen a "convenience trend" in retail stores, above all in the food sector (Kreimer and Gerling, 2006). In Germany, but also valid in the rest of Europe, new fast food products have for instance been developed, suitable for the increased number of single households (KPMG, 2006; Kreimer and Gerling, 2006). The convenience trend also means that the location for the store is important. Traditional warehouses offering "everything under one roof" may sound convenient, but not if they are situated far out in a shopping mall or similar (KPMG, 2006).

4. Consolidation and vertical integration

The mature markets and fierce price competition on the Western European markets have put focus on increased turnover as a means to enhance profits. This has resulted in a development towards fewer, but larger, retail companies in most Western European countries where economies of scale are searched for (Otto and Mensing, 2008; Hernandez, 2003; Lademann, 2004). For instance, in the German grocery sector today the ten largest companies stands for more than 90% of the turnover, and the top five companies' share is expected to increase. In Switzerland the top 5 grocery retailers represents 92% of the market (Otto and Mensing, 2008). In the Swedish grocery industry, the development is similar; the top three companies ICA, Axfood and Coop represent over 90% of the market. ICA, the largest player, stands alone for more than 50% and their market share is increasing (Abrahamsson, 2008).

Except for the growth of the own company, mergers and acquisitions have further accelerated the consolidation. Recent examples of this from the German market are the merge between Praktiker and Max Bahr on the German DIY market, Kingfisher's 21% share in Hornbach, and Edeka's overtake of Spar and Netto and a large amount of Plus-stores.

Grounded in the same objectives as for consolidation, an increased amount of vertical integration can also be identified in the retail industry. Lademann (2004) identifies from a manufacturer's perspective a number of different types of vertical integration present on the German retail market:

- Complete overtake of the stores by the manufacturer. One example here is Inditex, who owns and controls the complete supply chain.
- Exclude the retailer function and sell directly from the manufacturer. The development of larger factory outlets is an example of this.
- Franchise systems, where the manufacturer has a collaborative approach towards the stores.
- A dual distribution chain, consisting of stores owned by the manufacturer as well as traditional, own retailers. An advantage hereof is the ability for the manufacturer to directly influence the end customers and to build brand loyalty.
- Different kinds of deeper collaboration between purchasing organisations of retailers and manufacturers.

Logistics challenges

The business trends outlined in the previous chapter are general and expected to have a profound impact on all retailer functions such as marketing, sales, purchasing, finance etc. Logistics is not an exception and below four logistics-related challenges are discussed more in detail.

1. Extended domain of control

Recent years retailers have extended their domain of control in the supply chain, i.e. they have started to look beyond their own company borders to evaluate and integrate resources of their suppliers with their own (Ganesan et al., 2009). In relation to the manufacturers, they have become more dynamic when it comes to distribution, storing, procurement as well as production-oriented activities (e.g. final configuration), see Figure 3 below.

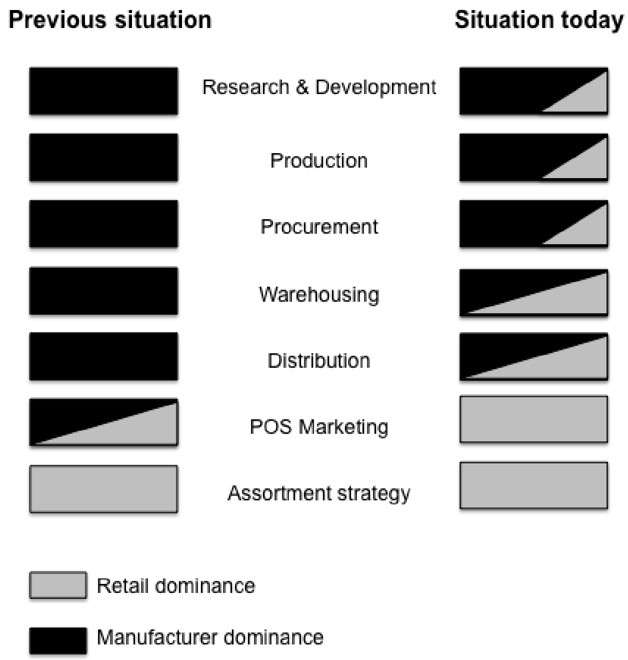

Fig.3: Manufacturers' and retailers' dominance of different activities previously and now (Source: Zentes and Schramm-Klein,2004,p. 1701)

At a general level, this development has been reinforced by the overall business trends such as the specialisation of store concepts, the increased share of private labels, and the increased consolidation. Together, these trends make the retailers' logistics operations more complex and the traditional situation where the retailer are considered as the manufacturer's external sales office is not valid anymore. In many supply chains it is now the retailers' responsibility to create efficient logistics operations that can handle a diverse range of goods to increasingly specialised stores, and issues concerning retail owned brands such as sourcing and product development cannot be trusted to suppliers anymore. As argued by Renko and Ficko (2010); "For retailers it is no longer a question of buying from companies or placing orders with shippers, it is rather a question of managing a process which covers everything from the sources to the delivery to the stores." (Renko and Ficko, 2010, p. 216)

The expanded domain of control potentials significant improvements in the logistics operations (Zentes, 2008; Prumper et al., 2007; Ganesan et al., 2009). Prumper et al. (2007) points out that it is not enough to rely on economies of scale in the purchasing function, but also to manage cost reductions in the logistics activities. In line with the concept of supply chain management it is argued that in order to secure the full potential of cost reduction it becomes necessary to consider operations throughout the whole supply chain (Prumper et al., 2007; Otto and Mensing, 2008; Otto, 2009; Ganesan et al., 2009; Brown et al., 2005). In particular, the potential of bundling of transports from the suppliers to retailers has a crucial impact on supply chain cost improvements, which has effected in increased initiatives from the retailers to manage the physical distribution from suppliers to the stores on their own (Prumper et al., 2007; Zentes, 2008). So have retailers started to build their own central warehouses as well as distribution centres (Zentes, 2008). By overtaking the task of distribution efficient bundling of products from different suppliers can be enabled. Except for improved economies of scale in transportation, this also results in better control and planning of the physical distribution and considerably less number of deliveries to the stores (Prumper et al., 2007). Cross-docking systems, often in close collaboration with logistics service providers, have become a common practice for many retail companies (Otto and Mensing, 2008; Otto, 2009).

2. New requirements on logistics competence

The extended domain of control in the supply chain and the increased focus on logistics issues as a key competitive capability however also put new requirements on logistics knowledge for the retail companies (Prumper et al., 2007; Otto and Mensing, 2008). In short, logistics has become a major competitive weapon, but only for those companies who can manage it. It is argued that the share of logistics related costs such as inventory carrying costs, transportation costs and IT costs in relation to total costs will increase significantly in the future which means that they have to be managed more carefully (Prumper et al., 2007; Schommer et al., 2005). This means in turn that the need for appropriate competence for buying logistics services from third party logistics providers increases (Otto and Mensing, 2008). In addition, the increased amount of globalised sourcing put further requirements on logistics competence (Ganesan et a., 2009).

The gaining of logistics competence has also started to be considered from a supply chain perspective. For instance, Ganesan et al. (2009) stress the importance of process innovation in the supply chain and cooperation with suppliers as a catalyst for development. Examples of important areas for collaborative learning and innovation for improved supply chain efficiency are sustainability, category management and vendor-managed inventory (Ganesan et a., 2009).

3. Use of technology

The use of technology have been discussed for a long time in retail literature, often related to business concepts such as Efficient Consumer Response, ECR, Collaborative Planning, Forecasting and Replenishment, CPFR, and Vendor Managed Inventory, VMI (Kumar, 2008). In particular ECR has had an enormous impact for the development of the grocery sector, and is expected to have it also in the future (Kumar, 2008).

Two different purposes for technology can be identified in literature. First, further cost improvements in terms of rationalisation and speed in operations are expected as a result of technology. For instance, Otto and Mensing (2008) discuss less paperwork and faster access to information. Second, technology is debated as an enabler for expansion and growth and operations that support customer loyalty and profiling – here technology is an important tool for further vertical integration where retailers can better connect their products and needs to the suppliers (KPMG, 2006).

The technology development has always been closely connected to the logistics operations in retail companies and technology has been an important driver for improved logistics performance (Kumar, 2008). Limitations in the technology were what previously hampered the logistics advancements. This has however changed and today there is a gap between the technology frontier and logistics operations; advanced technology is available on the market that (so far) is not asked for among companies (Otto and Mensing, 2008; Kempcke, 2006). A commonly discussed example of this is the business concept of CPFR, which to a large extent is based on technology. CPFR has despite several years of discussion only been implemented to a very limited extent and there are few companies that have managed to establish a successful business case (Skjoett-Larsen et al., 2003). Kempcke (2006) points towards a scepticism and a lack of commitment against too rigid technology-related solutions such as the use of automatic picking and packing and RFID, Radio Frequency Identification. It is argued that too high-tech inventories might not be flexible enough in terms of e.g. changed order structure or changed layout of the stores (Kempcke, 2006).

When it comes to RFID the literature shows a more balanced view on RFID in recent years. One reason might be a more mature view on the advantages with RFID – the more this technology is tested and used, the better understanding for its limitations can be seen (KPMG, 2006). Nevertheless, other authors are still expecting RFID and other technology to be considerably more important in the industry in a few years, e.g. Kumar (2008) and Otto and Mensing (2008). Kreimer and Gerling (2006) mean that in sectors with more expensive products, the RFID technology might be worth a try, whereas in sectors with cheaper products, such as the food industry, still experience too high costs for the new technology. For increased development of RFID speaks also a continued interest and implementation of ECR worldwide (Kumar, 2008), that drives the technology development further and provides good examples of how the technology can be used to attain logistics advantages.

4. Support of geographical expansion

The increased geographical expansion represents another area where retail companies are facing new logistics challenges. A suitable, well functioning logistics system, including e.g. cross-docking systems, warehouses and agreements with third party logistics providers, is decisive for a successful expansion. Proper logistics performance requires the ability to manage and coordinate an extended supply chain. Economies of scale in single functions are not enough anymore; the whole supply chain should be managed and controlled (Pfohl and Röth, 2008; Kempcke, 2006).

Of particular interest for Western European retailers as well as logistics service providers is the opening of the markets in Eastern Europe. However the expansion to these markets is also connected to many new challenges (Pfohl and Röth, 2008). These includes the logistics handling in the stores, which often performs poorly in Eastern Europe countries where knowledge and education level in logistics is low (Pfohl and Röth, 2008). A second challenge on the Eastern Europe markets is the alignment and understanding of local cultures (Pfohl and Röth, 2008). Still, according to Pfohl and Röth (2008), business life in these countries are influenced by a "planned economy"- thinking which makes it crucial to collaborate with governments and potential customers and adjust the business accordingly. A third challenge on the Eastern Europe markets is the limitations in infrastructure. The absence of proper infrastructure makes it difficult to have central warehouses which makes the distribution structure complicated to manage. The concept of cross-docking, used in Western Europe, also become more difficult due to poor infrastructure.

Discussion

This study has identified a number of business trends for the retail industry in the Western European countries. Although a trend will not continue forever, several things speak for a continuation of the trends the forthcoming years.

- Geographical expansion to above all Eastern European countries will continue as long as the growth of GDP are faster than in the Western European countries. In addition, several of the larger European retailers have just started to expand beyond the European borders. Here countries like India potential a further company growth.

- Private labelling has for long been a source for competition, but still several companies report goals of increased shares of own brands. As long as these goals are not met, and the cost- and value advantages of these brands continue to exist, the share of retail owned brands is likely to increase further.
- The specialisation of store concepts is expected to continue as a result of increased specialisation and specific requirements of the different sectors. This study shows for instance on a promising future for stores with a wellness profile in the food sector.
- When it comes to consolidation and vertical integration, several sectors are at the moment restructuring their supply chains. Although some sectors have reached a very high level of consolidation, a continued globalisation of supply speaks for more consolidation as well as vertical integration. The more internationalised supply chains, the more possibilities for economies of scale will become possible.

The overall business trends represent substantial logistics challenges that have been outlined in this research. The most important challenges discussed in the literature reviewed can be summarised to include the management of an extended domain of control in the supply chain for the retailers, improvement of the logistics competence, the use of logistics related technology, and support for cost- and service efficient geographical expansion. Although logistics has always been important for retailers, the identified trends in this study further reinforce the role of logistics, and as long as the overall trends will continue, focus and professional handling of logistics-related activities will be imperative and a source for retailers' competitive advantage (Ganesan et al., 2009). All in all, this brings a growing competitive and strategic interest for logistics (Renko and Ficko, 2010).

Theoretically, this research implies a continued interest for logistics issues in retailing. In particular, the intersection between logistics and marketing issues, such as assortment, including private labels, and store concepts, deserves further attention in future research.

From a managerial viewpoint, the study indicates a need for improved logistics competencies for top management and that logistics becomes a natural part of the top management's agenda. Organisationally, the traditional view of seeing the logistics as a supportive function subordinated to the marketing and purchasing functions may be a dangerous one in the future and should therefore be revisited.

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