



## KEY DIFFERENCES AND COMMON ASPECTS OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

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### Abstract

*Supply chain management and logistics are two concepts between which there may be differences and common aspects. The purpose of this article is to describe the two concepts as well as a comparison between the common aspects and the differences between them. The term logistics is an older term and on the other hand the term of supply chain management refers to several processes. Logistics is an activity in supply chain management. There are many differences between them, but also many common aspects but both are inseparable. Therefore, they do not contradict each other, but complement each other. Supply chain management helps logistics to stay in touch with the transport, warehousing and distribution team.*

**Key words:** logistics, supply chain management, performance measurement, conceptual framework, company.

### 1. Introduction

All activities that are associated with supply chain, procurement and logistics refer to the supply chain management. Above all, it is about collaboration, coordination and with certain factors such as suppliers, intermediaries, distributors and customers. Logistics management represents a piece of the supply chain management that exercises efficient management of goods. Supply Chain is a broader term that refers to the connection, even from suppliers to the final consumer.

In practice, there is a major change in the way business has been conducted in the past compared to the present. Due to technological progress, which leads to the development of all key areas of the business,

supply chain management has also evolved as an improvement over logistics management in recent years. There are many common aspects that are referring to the supply chain management and also to the logistics, but there are also key differences between them.

In order to be aware of the role of each and the progress of companies to their policies, build a competitive advantage and improve customer service. The reason I did this research is to define, describe and highlight the key and concepts of supply chain management, logistics and also the key differences, common aspects and interdependencies between them.

## 2. Methodology

In order to reach the objective of the paper, we used a methodology based on the analysis and research of the literature, as well as a comparison between the two main terms that are the subject of this article. The methodology we used allowed a deepening to discover the key differences and the common aspects between supply chain management and logistics.

In order to complete our theoretical research we will try to clarify the concepts of logistics, supply chain and its management as well as common issues, differences and their common aspects.

### 2.1. Logistics and supply chain management-theoretical aspects

Since the early 1990s, the world has entered a new phase of globalization. The share of intermediate goods in world trade has risen sharply to two-thirds of the overall volume of trade. The growth of trade in these goods can be explained by the development of international value chains, i.e. production processes, which are expanding in several countries. Each production process is organized with a limited number of large companies, located in a small number of countries. These companies generally specialize in the production of an intermediate good and tend to produce it on time, and the coordination of the various stages of production is done through sophisticated supply chains [1].

The supply chain represents a whole in which companies, employees, processes take part in an operation in which a product reaches from the manufacturer to the final customer. The stages of the supply process start with the raw materials and reach the finished product which is finally distributed to the customer. The supply chain begins with the process of production and purchase of raw materials ending with the distribution of products, and it encompasses the entire process is responsible for the transformation of raw materials purchased from the supplier into finished products distributed to users [2].

The supply chain comprises the production activity together with purchasing raw materials and the distribution of finished products, encompassing the whole process that is part of the chain of transformation of raw materials purchased from the supplier to the final products distributed to end users [3].

In the present the global business environment is influenced by financial instability, mergers, new technologies, e-business, shorter market time, etc., thus forcing organizations to adopt new ways of doing business [4]. Companies that adopt an appropriate management system in terms of control of intra-enterprise activities and processes can gain an edge in terms of work capacity and the quality of services provided [5].

### 2.2. The concept of Supply Chain Management

Supply Chain Management is a series of interconnected activities related to the transformation and movement of raw material to the finished goods till it reaches to the end user. It is the outcome of the efforts of multiple organizations that helped in making this chain of activities successful (Fig. 1).

Recently, the Council of Professionals in Supply Chain Management, which is the main organization of supply chain, researchers and practitioners, has defined supply chain management as including planning and tracking all activities that are involved in purchasing, processing and management. At the same time, it is imperative to bring collaboration and coordination with business partners, who are distributors, intermediaries, third parties and end customers. In conclusion, Supply Chain Management includes the management of supply and demand between companies, information between the starting point and the end point to complete the needs of end users [6].

Supply chain management has the following definition: “the process of delivering goods from the producer to the distributor and the final consumer”. Thus, the emphasis is on the delivery of goods, but also on the actors involved in this flow [7].

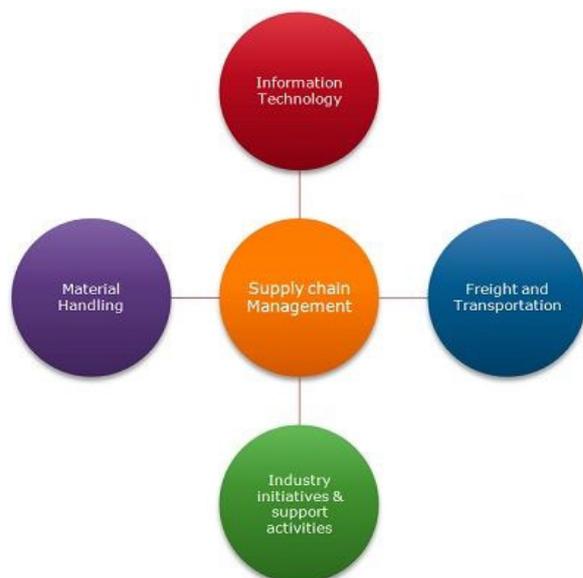


Fig. 1. Supply chain management (<https://www.researchgate.net>)

Instead, the supply management represents a set of activities through which the necessary elements for productive consumption are ensured, in the volume and structure determined by the development of the company's object of activity, in conditions of maximizing the economic-financial results [8]. In the literature there are some authors who in their work on logistics use the term of supply chain. Three representative authors have concluded that supply chain management is represented by the integration of essential business processes of the company, from subjects' premiums to end users [9].

### 2.3. The concept of logistics

The concept of logistics is a few different interpretations, starting with the simple reference to a multidisciplinary microeconomics and organization theory. The term logistics has its origins in the 1700s in France, where the term *loger* shows how to transport and buy certain conditions of a military army [10]. The term logistics is attested in English from 1846 and comes from French: *logistique*, where it was either invented or popularized by the French writer Antoine-Henri Jomini, who defined it in his book entitled "Summary of the Art of War". The term appears in the 1830 edition, and then entitled *Tableau Analytique*. Jomini explains that it is derived from French: *logis*, lit. Lodging (related to the English *lodge*), in French terms: *maréchal des logis*, lit. Marshall of lodging and French: *major-général des logis*, lit. Major General of Accommodation [11]. The concept of logistics comes from the Greek language where it represents understanding. Logistics represents in the army the implementation of production strategies, procurement, and also handling. In conclusion, we will be able to define logistics as all the activities that mean the purchase, storage and transport of final products to distributors and final customers [12]. For the first time in history the concept of logistics appeared in the military field [13]. When it started the twentieth century, logistics was considered the branch of the art of warfare, which dealt with the movement and supply of armies. The logistic models were used by the forces that participated in the Second World War in order to be able to transport and accommodate the participating troops together with the medicines used by them [14]. Finally, logistics can be defined as the totality of organizational, management and strategic activities that coexist within companies, the flow of material from their origin, through suppliers to the delivery of finished products to customers, and after-sales service [15].

### 2.4. The purpose of logistics

The use of the term logistics in companies is relatively recent. It was not until the 1960's that this term was taken over and used in companies with the meaning of activities and means of organizing the necessary materials in a company and this was done in the USA.

In Romania, the term has not yet been widely used by specialists or practitioners. The most common meaning of logistics is to make the seven matches: logistics aims to provide the right goods, in the quantities requested by the final customers, in their conditions, at the place established by the distributors, when they are requested [16]. Logistics is interpreted as follows: the concept that represents the most appropriate ways to buy and deliver to end users the raw materials transformed into the finished product through a management that offers us the lowest possible costs. As a science, logistics can be

interpreted in several ways: it is either a management discipline - thus emphasizing the improvement of the company's logistical performance, or an engineering discipline - engineering is mainly related to the problems of modeling the logistics system, the problems of means used in this system [17].

Supply chain logistics coordinates the storage and shipment of goods and services throughout the flow of this chain. The raw material is the first step of this process, it continues until production and distribution, and the completion of this extensive process materializes when the final customers take possession of the finished products they ordered from the initial producers and ends when a company delivers the finished good to the customer or when the products are returned to the final destination.

On the other hand, supply chains on the world market deliver and produce because they have to offer end users of the products they produce products in accordance with distributors' orders, only in this way they can remain active and competent on the world market, ensuring traceability as reorientative as possible of the products it sells. Logistics focuses on moving and storing items in the chain of supply.

Compared to logistics, supply chain management includes a much wider range of processes, thus comprising all partners who take part in these activities including supply, production, and transport, warehousing and sales (Fig. 2).



Fig. 2. Difference Between Logistics and Supply Chain Management (<https://www.sciencedirect.com>)

Logistics distributes the products to the elements that are part of the supply chain but on the other hand about the management of the supply chain we can say at the same time that it includes all the processes by which the goods are bought by the producers as raw

material and then from that raw material is produced. The finished product through the production process until the finished product is distributed to the end users who will consume it. It should be carried out in such a way that all parties are satisfied and a profit is obtained for each party and in this way all those who are part of this chain will benefit.

### **3. Results and discussions**

#### ***3.1. Logistics compared to Supply Chain Management***

Both the logistics process and the process of managing a supply chain include some common issues on the one hand and some smaller or larger differences. Logistics is an element that makes up the supply chain. Logistics includes the demand for materials. The process from the producer of the finished product to the producer of the raw material together with its transport between the two producers also includes the storage of the raw material but also the finished product to the producer until they are sent to distributors including the transport between them at the same time transport from distributors to end customers. All these activities represent the logistics, a process that refers to only one group of activities representing the processes that take part in the production, storage, handling and delivery to the final customers and in some cases the end customers can be themselves. The supply chain management has a much greater responsibility because it is responsible for the profit that will result for all companies that are part of this chain. If we use an analogy, Logistics is only one component of the supply chain. Taking the analogy further we can also say that the management of the supply chain if it is done in a competent and representative way by all the participants make sure that the logistics activities within the supply chain ultimately lead to profit because this is the key to which all those who participate in this process tend. An eloquent example of the proper and competent management of the supply chain we can see in the chemical industry and more precisely in an enterprise that produces chemical fertilizers where the producer buys the raw materials, which he later transforms into a finished product in the production process, which he also stores and handles, so that in the end he can deliver them to the final consumers through the transport companies he collaborates with. All these activities can be carried out in a way that leads to a certain profit only through a proper and efficient management of the supply chain that this company will do together with its collaborators so that all participants in this chain benefit from profit and collaboration between companies to be win-win for as long as possible. In conclusion, logistics manages the activities within a single company and supply chain management is a much larger scale process and much closer to the management process. When a company improves its logistics process then it implicitly adds value to the supply chain of which it is a part and this added value

has a positive impact on it. These elements are desirable because everyone that is participating in this chain to be satisfied and to have a permanent progress on the world trade market.

#### ***3.2. Common aspects of Logistics and Supply Chain Management***

Both logistics and supply chain management are mainly focused on making the following key activities as efficient as possible: the activity of storing goods in warehouses must involve as few costs as possible, and the activity of deliveries of finished products must be as much as possible on time, as well as the deliveries of raw materials from their producers to the producers of finished sheets. Both chains, logistics and supply have the same flow of goods from the producer of raw materials to the final customer through distributors. The finality of both concepts is represented by the fact that they tend to pursue the profit of the companies in the long run and the final clients to be satisfied from all points of view, both commercially and financially.

#### ***3.3. Differences between Logistics and Supply Chain Management***

Logistics focuses on getting the right products in the right place, at the right time and getting them there. Logistics and supply chain management have common goals but at the same time have some differences in many ways. Logistics is included in the supply chain management and its main purpose is to deliver the best possible products to the final customers. It also helps the final customers to fulfill their needs as well as possible. The logistics process wants the goods to circulate and reach as quickly as possible from the initial point to the final destination while the management of the supply chain focuses on the most efficient management and storage of products and at the same time with the most efficient tracking of production and transport of finished products. The process of supply chain management follows the entire process from the supply of raw materials to the distribution of the final product that reaches the market. A more efficient logistics process helps a lot for the supply chain management to generate as much success as possible.

### **4. Conclusion**

Logistics is a very old term, used primarily in the military, for the maintenance, storage, and transportation of military personnel and property. Nowadays, this term is used in many spheres, not specifically in the military after the evolution of the concept of supply chain management. It has also been said that supply chain management is an addition to logistics management, and supply chain management includes logistics. Both are inseparable. Therefore, they do not contradict each other, but complement each other. Supply chain management helps logistics to stay in touch with the transport, warehousing and

distribution team. The two processes represent two areas that often feel overlapped and consequently logistics and supply chain management can be two areas that are often considered to overlap.

As separate functions, both supply chain management and logistics are crucial aspects for any business. While supply chain management is an all-encompassing business framework, it can be improved through quality logistics management.

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