

## ***Distribution, a Managerial Activity at OMV Petrom Company in Romania***

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**Abstract:** Defining distribution management as an activity one envisages an approach in terms of microeconomic analysis, namely that of the enterprise. The distribution activity at company level is a managerial activity consisting in the management of trade relations within the organization as by making available the right product, in quantity and desired quality, at the right place, at the best price, using promotional activities to stimulate demand and to meet the objectives of the enterprise.

**Keywords:** distribution, intermediaries, distribution chain, Managerial Perspective

### **Introduction**

The conceptual definition of the distribution must be made from two points of view: the economy as a whole, on the one hand, the company, on the other hand. Each point of view contributes to describe and explain a fact particular distribution should be noted however that content understanding complex distribution is only possible if the two points of approach are considered together in a logical approach of addressing macroeconomics that amount hundreds of thousands of organized markets on microeconomic principles in each company.

In a general sense, in terms of macroeconomic definition distribution is based on the system of relations between the three major areas that structure the market, namely:

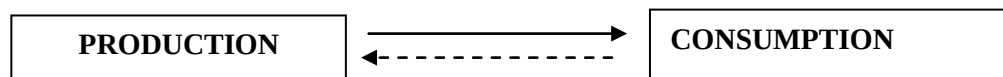
- Namely the production of goods production;
- Transmitting respective distribution of goods through commercial transactions from the producer to the consumer;
- Consumption of goods to meet the immediate needs of the end user.

From the point of view of the concept distribution covers all activities that permit the passage of tangible and intangible assets from an economic producer, the other business users or to the final consumer.

This approach highlights the roles distribution and assumed, namely:

- to regulate the movement of goods and services between production and consumption;
- inform manufacturer on customer needs and desires;
- to satisfy customers by providing them a number of products and services.

Otherwise, the distribution of goods is a double flow (Figure no. 1)



**Figure no. 1 Distribution flows**

**Flow 1**, from producer to consumer oriented services of distribution is to bring goods and services to the end user.

**Flow 2**, oriented from manufacturer to consumer is a current psychological desire to transmit consumer needs and sometimes its dissatisfaction. This current allows the manufacturer to respond to questions FOLLOWS: Why? (What the customer wants); how? (in what amounts); Who? (who consume their products); how? (in what manner sell their own production).

In particular meaning at a company level, the distribution process must include specific marketing activities related to the transfer of goods in both streams.

### 1. Distribution Functions

The necessity and opportunity of the presence of intermediaries in the distribution chain are justified through the functions they fulfil. By a maximum generalization, specific distribution functions can be reduced to [1, 126]:

- *The function of availability*, namely the creation utilities of time, space and possession, in other words bringing the product in front of consumers, when it needs it, in places accessible in a way that would allow entry into possession his;
- *The information function*, carried by the flow of information the company in two ways: from producer to consumer (redundancy features of related products) and from consumer to producer (potential new markets, current issues of marketing, competitive market);
- *The function of creation of demand*, sustained by ensuring an adequate level of service to customers, the methods of persuasion, meaning purchasing company.

The starting point in describing the distribution functions defined in macroeconomic sense of overall economy, is the premise of the occurrence of failures (voltage) when production and consumption have no place in the same economic unit. Therefore, the distribution of certain features can eliminate these tensions. [3, 11]

#### *Obligatory functions:*

- Ensuring supply in terms of quantity, quality and structure;
- Market investigation in order to find business partners both between producers and traders and between traders and consumers;
- Identifying and selecting business partners.

#### *Complementary functions (secondary)*

- Maintenance deposits as part of the basic functions;
- Transfer as a function of transport that takes a specialized carrier;
- Credit insurance, function that can be taken over by some non-commercial enterprises (banks).

Based on these macroeconomic features of the distribution grid can establish a distribution of functions aimed at micro concerned at company level:

- preparing the sale by establishing market, the capitalization of selling experience and sales planning;
- boosting sales through advertising and promotion and submission of the supply, maintaining stocks for sale by holding deposits in the enterprise;
- sales achievement embodied in the underlying of the commercial transaction and completion of the sale by taking the order, packing, shipping and delivery;
- financial progress of the sale;
- relationships with clients obtained through the provision of services.

### 2. Choosing and Administrating the Distribution Channels

In the current economy, most manufacturers do not sell goods directly to end users, each with different names. There are many intermediaries that fulfil different functions. Some of them are the wholesalers and retailers, buying, acquiring and reselling their merchandise. They are called **traders**. Others, such as commissioners, representatives of producers and salespeople, look for customers, can negotiate for the benefit of the manufacturer, but without appropriating goods subject to negotiations. They are called generically as **agents**. Still others, such as transport companies, independent wholesalers, banks and advertising agencies, participating in free distribution to acquire goods or negotiate the purchase or sale of them, they are called **mediators**.

Decisions on choosing a distribution channel are one of the most important categories of decisions within the management process. They directly influence all other marketing decisions. The price charged by a firm depends on size, that it calls either to large commercial or small stores that sell items of superior quality. Decisions about advertising activity and the sales forces rely on training and motivation intermediaries. In addition, decisions on the distribution of products involve summing over

other firms of long-term obligations. When an automobile manufacturer calls for their sale to a number of independent distributors, they will not be able to replace them the next day with their own outlets. [4, 48-51]

When a drug manufacturer sells their products through independent pharmacies, they must take into account their objections when they want to appeal to major distributors of drugs.

Distribution channels are characterized by certain inertia. That is why, when they elect a channel, the management of any company must take into account both the current situation and future market situation.

In order to sell their products to market, most manufacturers turn to intermediaries. They form a distribution channel known as channel marketing or of goods circulation.

Distribution channels are groups of independent organizations involved in making a product or service available for use or consumption.

### **3. Distribution at OMV Romania**

The OMV Petrom Marketing slogan is **“We believe that next year we will have the ideal distribution network!”**. [5]

Defining distribution management as an activity one envisages an approach in terms of microeconomic analysis, namely that of the enterprise. From this viewpoint, the distribution activity at company level is a managerial activity consisting in the management of trade relations within the organization as by making available the right product, in quantity and desired quality, at the right place, at the best price, using promotional activities to stimulate demand and to meet the objectives of the enterprise.

Managerial Perspective is treated as a variable of distribution of the marketing mix, which in relations with the other components of the inter-conditionality: product price and promotion. In essence, the undertaking is to take a number of decisions related to:

- Type of circuit distribution: direct or indirect;
- Type of intermediary: if an indirect circuit, type of intermediaries - wholesalers or retailers;
- The number of intermediaries at every level of the supply chain: the covering strategy concerning the consume market will ultimately influence the intensity of the effort made for distribution;
- Manner of influence or control or marketing of the product: to influence or control various intermediaries who are parts of the distribution network.

From the point of view of a manufacturer can distinguish FOLLOWS six main objectives of management of the distribution [2, 86]:

1. Analysis of the existing situation and forecast of the development forecast of the activity in relation to existing distribution channels;
2. Existing situation analysis and forecast of the development of distribution in terms of opportunities and risks as well as the strengths and weaknesses of the enterprise;
3. Distribution strategy setting goals, taking into account its integration into the enterprise marketing mix;
4. Distribution system design in the enterprise and beyond;
5. Planning, coordination and control of distribution activities;
6. Institutional leadership and motivation of the various components of the distribution channel.

OMV filling stations are planned at the moment as centres for services. Lately, it the trend in fuel and energy has been followed the minimum energetic consumption and in compliance with the environment. Thus, the options for the future cannot be other but:

- branded products;
- active orientation towards the environment;
- initiating additional services in the petrol station.

Starting from these premises, OMV has developed a new concept for filling stations. OMV filling stations are designed as true centres for services where besides marketing of specific products of the highest quality, customers can benefit from additional services both for themselves and for their car. Vienna Cafe & Snack, customers can enjoy a coffee and one of the well-known Viennese specialties and excellent sandwiches.

Now customers can choose from the variety of dishes cooked and served promptly employees. Every gas station OMV Viva there and one store, where customers can make their purchases they need. Wide range of products offered includes food, toys, car accessories or cosmetics.

OMV completes the range of services offered adding car washes Top Wash, built to Austrian standards. Quality products used here are really on top: cleaning solutions contain the most modern detergent mixed with protective substances range Tegee Glanzwax. These, in addition to efficiently clean of the car body also provide paint protection.

OMV Petrom started to implement a new business model in Petrom filling stations network, which aims to diversify the range of products and services available to customers. Thus it was opened the first restaurant operated by an international brand, operating within a fuel distribution stations. It is about the Subway restaurant, inaugurated at the Petrom station at the entrance in Sibiu city. OMV Petrom, the largest local oil company, characterizes the number of stations that currently has **its own distribution network** as optimal, even though last year the company was seeking buyers for a batch of about 100 filling stations.

Regarding fuel distribution, Petrom has the advantage of the largest networks of gas stations, which is doubled by the new system replacing the old system Full Agency COCO (Company Owned, Company Operated – owned by the company, operated by the company). Under the new concept, the filling stations are managed by a dealer selected by Petrom, against a commission from sales. This operating style aims at increasing the efficiency per unit of distribution while increasing the quality of services offered to consumers.

In order to attract corporate clients, it was successfully launched and used the new *system Petrom Card* which offers an effective tool to control and monitor their consumption. To meet customer demands, it has established management system recording large consumers.

With increasing competition, company reputation and the market share can be maintained or improved only by constantly adapting to new conditions and meeting the challenges that arise within the direction of raising the bar of performance and orientation towards achieving business excellence.

In order to improve the image, the OMV Pertom Company there would be useful to have the national economy support of ecological type / sustainable development that can create for the Romanian consumers' mind the image of a company that is concerned with real environmental problem.

Because of the general conditions where natural resources are scarce, there should be developed a strategy on medium and long term in terms of OMV capacity in order to face the energy challenges caused by the impending oil crisis, crisis that will affect all oil companies in the world and all sectors of the global economy. In this respect, the creation of departments for research and development of new technologies and products and the rational use of oil and gas resources should seriously be considered and replaced.

### Conclusions

In order to have ensured market distribution of their finished products, Petrom Company should aim to provide the best quality services to final customers through both filling stations and through deposits (wholesale sales). The effect of consumer satisfaction means the increase in the volume of revenues from sales of petroleum products, especially fuel sales. The diversification of petroleum products is also necessary, according to European quality standards, while intensifying concerns to promote quality fuel sold through filling stations leads to an increase in the consumer satisfaction and positive perception of the company.

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