The Other Half of Marketing: Re-integrated?

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This paper explores and describes the close inter-relationship between marketing and logistics, i.e. the marketing and logistics activities in a marketing channel. The author concludes that marketing and logistics were united in the beginning of the 20th century, but the two disciplines have in part been separated from each other during the last century. The topic of the paper is about a business philosophy that may contribute to the re-integration of the two research disciplines. Usually, from a logistics perspective the disciplines are treated as quite separate from each other, while from a marketing perspective the other is often acknowledged. In the 1980s, the potential re-integration between the disciplines from a logistics perspective emerged through the business philosophy labeled as Supply Chain Management (SCM). Both scholars and practitioners in the field of logistics have popularized this business philosophy in recent years. The author argues that SCM contributes to the re-integration of marketing issues in the field of logistics theory and practice.

Logistics is usually concerned with the supply satisfaction of the customers' needs and wants in a marketing channel (or a distribution channel or a supply chain), while marketing usually focuses on the demand satisfaction of the customers' needs and wants in the same marketing channel. For example, a couple of the essential inbound and outbound contributions to the logistics activities in a marketing channel are the procurement of materials and components from the suppliers, and the physical distribution of finished goods to the customers. Other fundamental logistics activities are transportation, warehousing, inventory management, and material handling. In addition, marketing activities contribute to the promotion and the sales activities in a marketing channel. Other typical marketing activities are public relations, sales promotions, merchandising, pricing, communication, and financing incentives. Altogether, these marketing activities and these logistics activities may be seen as a chain of interdependent activities that complement each other in order to facilitate the exchange process between the buyers and sellers who are involved the upstream and downstream activities in a marketing channel. Accordingly, marketing and logistics comprise a sequence of activities such as procurement, promotion, sales, and distribution.

Traditionally, marketing consists of two separate but interconnected principal parts, namely demand stimulation and demand satisfaction. On the one hand, one principal part of the marketing activities strives to obtain a demand for something that is offered in the marketplace. On the other hand, the other principal part of the marketing activities strives to service or to match that demand in the marketplace. The relationship between logistics and marketing may be seen as mutual and strongly interdependent. For example, a marketing activity may be dependent upon the logistics activities in a marketing channel, and vice versa. The malfunctioning of one activity may affect the well functioning of other activities in a marketing channel. Therefore, both the supply satisfaction, and the demand satisfaction of customers' needs and wants, has to be coordinated and synchronized in a marketing channel in order to achieve a successful outcome.

OBJECTIVE

Although logistics activities and marketing activities are closely linked to each other in a marketing channel in the literature, and sometimes in practice, there is often an illogical and unhealthy distance between the two research disciplines. In some cases, these activities may be treated by scholars and by practitioners as though there were a sharp dividing line. Consequently, the marketing activities and the logistics activities are from time to time treated as separate, which means that one or the other perspective is often neglected. On the one hand, logistics has been considered as one of the key issues in the field of classical marketing theory (e.g. Shaw 1912: McCarthy 1964: Borden 1964). On the other hand, the marketing activities have not always been of great interest from a logistics perspective and its appertaining theories in the field of logistics (e.g. Culliton, Lewis and Steele 1956). However, there is a tendency in recent logistics literature and in recent logistics practice too, that the two research disciplines have become more closely associated with each other from a logistics point of view. The re-integration of marketing issues in logistics theory and logistics practice has potentially emerged through the appearance of the business philosophy entitled "Supply Chain Management" (e.g. Oliver and Webber 1982: Jones and Riley 1985 and 1987: Houlihan

1985 and 1987: Snowdon 1988). Therefore, the objective is to explore and describe the potential re-integration and re-establishment of the importance of marketing issues in logistics theory and logistics practice through Supply Chain Management (SCM).

THE OTHER HALF

Marketing is often regarded as an independent research discipline in relation to logistics. Likewise, logistics is often considered as a separate research discipline in relation to marketing. However, there is a difference between the two disciplines' perceptions of each other. The traditional marketing theories recognize the importance of logistics in a marketing context (e.g. Shaw 1912: McCarthy 1964), while the traditional logistics theories do not always acknowledge the importance of marketing in a logistics context (e.g. Culliton, Lewis and Steele 1956).

Origin of Marketing Activities and Logistics Activities

In past marketing and logistics literature, the concept of functions was used to illustrate the necessary activities to be performed in a marketing channel (see e.g. Shaw 1912). At the beginning of the 20th century, marketing and logistics were originally treated together in one of the classical schools of marketing namely the functional school. As the name implies the emphasis was on the functions (i.e. the activities) performed in the marketing channel. The concept of functions has been well documented in marketing literature since the beginning of the 20th century (e.g. Shaw 1912 and 1917: Weld 1917). Note that the concepts of function and activity are interpreted and treated as synonyms.

Initially the activities performed in a marketing channel were called "the functions of middlemen", but they were quite soon re-labeled as "the marketing functions". The change of words is, according to Weld (1917 p. 306), due to the following reasons: "*The services that must be performed in getting commodities from producer to consumer are usually called the 'functions of middlemen'... ...they are referred to as 'marketing functions' because they are not always performed by the middlemen, but often to a greater or less extent by the producers themselves... It should also be noted that the final consumer generally performs part of the marketing functions...*". This means that the marketing functions performed in a marketing channel are supposed to consider the marketing activities and the logistics activities.

Accordingly, at the time, scholars recognized the importance of marketing functions and logistics functions in a marketing channel context. Many scholars regard Shaw (1912) as the founder of the functional school of marketing. He writes an extensive article in which a minor part treated the issue of functions (i.e. "Analysis of the functions of the middlemen"). He writes (ibid., p. 731): "*To understand what seems to be a present tendency to go around the middleman, as well as to consider the problem of the merchant-producer with reference to the use of middlemen in distribution, it is necessary to analyze the functions performed by the middleman...*". Other scholars that early on produce lists of important marketing functions are Westerfield (1915), Weld (1917), Shaw (1917), Vanderblue (1921), Ryan (1935) and Fullbrook (1940), Alexander et al. (1940), and McGarry (1950). Several of these early scholars recognize the interdependence and the importance of considering both the marketing activities and the logistics activities in a marketing channel context.

However, criticism began to appear due to the separation of different activities from each other. Vanderblue (1921) argues that there is a great risk in regarding functions as isolated phenomena, because there is a strong interrelationship between various functions in a marketing channel. He writes: "*Sale is frequently dependent upon standardization; finance upon storing; risk upon selling and financing; and there is the close relationship of transporting, risking, storing, and financing, illustrated in the use of the order bill of lading and the warehouse's receipt as a collateral...*" (ibid., p. 683). Alexander et al. (1940, p. 89) comment on the vast number of existing functions in literature and the lack of accordance between them. "*Writers on the subject are by no means agreed as to the precise activities which belong to this category. The lists that have been suggested contain from as few as eight to as many as twenty or thirty such functions. There is no standard group of them.*" Anyhow, Agnew, Jenkins and Drury (1942, p. 47) put forward the importance of functions by saying that: "*...one of the most urgent needs of the present time is the accurate analysis and evaluation of different functions.*" This implies both the logistics functions and the marketing functions in a marketing channel. Consequently, the separation and the isolation the of necessary activities in a marketing channel has been recognized as not recommendable, since the outcome of the efforts accumulated in a marketing channel may be negatively affected by doing so. The overall performance of a marketing channel may also be less satisfactory.

Relationship between Marketing Activities and Logistics Activities

In the literature, there is an evident relationship pronounced between the marketing activities and the logistics activities in a marketing channel. In the beginning of the 20th century Shaw (1912) produces a generic list of functions all of which are essential in a marketing channel. He writes: "*...Roughly the general functions may be listed as follows: 1. Sharing the risk 2. Transporting the goods 3. Financing the operations 4. Selling (communication of ideas about the goods) 5. Assembling, assorting, and re-shipping...*" (ibid., p. 731). McGarry (1950, p. 269) presents another list of marketing functions: "*1. Contactual - the searching out of buyers and sellers; 2. Merchandising - the fitting of the goods to market requirements; 3. Pricing - the* *selection of a price high enough to make production possible and low enough to induce users to accept the goods; 4. Propaganda - the conditioning of the buyers or the sellers to a favourable attitude towards the product or its sponsor; 5. Physical distribution - the transporting and storing of the goods; 6. Termination - the consummation of the marketing process...*". He also realizes the relationship between the marketing activities and the logistics activities in a marketing channel. For example, his list of essential functions in a marketing channel context contains a combination of marketing activities and logistics activities, such as merchandising, propaganda, physical distribution (i.e. transports and storage), and termination of the marketing process. In addition, Borden (1964, p. 2) identifies twelve essential functions in a marketing channel context: "*1. Product Planning; 2. Pricing; 3. Branding; 4. Channels of Distribution; 5. Personal Selling; 6. Advertising; 7. Promotions; 8. Packaging; 9. Display; 10. Servicing; 11. Physical Handling; and 12. Fact Finding and Analysis...*". Borden (1964) incorporates marketing activities and logistics activities in his list of functions that complement each other for the ultimate outcome of the activities in a marketing channel. The list contains functions that deal with promotion, distribution, sales, and physical handling.

Consequently, from a marketing point of view, the importance of the logistics activities has been recognized for many decades in literature. The marketing mix, which structures and integrates the basic marketing activities, is well-known for the "Four P's". McCarthy (1960, 1964, p. 38), who is recognized as the founder of the "Four P's", writes: "*Bearing in mind the paramount importance of the customer and the fact that the target market must be selected first, we can reduce the number of variables in the marketing mix to four: Product; Place; Promotion; and Price. It may help to think of the four major ingredients of a marketing mix as the 'Four P's...*". His major contribution is that he makes the original twelve ingredients of the marketing mix, established by Borden (1964), pedagogical, comprehensible and easily communicated to students and practitioners, where each P represents an essential area for a firm's management of business activities. Accordingly, each P applies to different topics such as product, price, promotion, and place. The latter (i.e. the P for place) refers to the logistics activities in a marketing channel context. The similarities between McGarry's (1950) list and the "Four P's" introduced by McCarthy (1960 and 1964) are obvious, and comprise only minor modifications of the classification result of the "Four P's". Sheth, Gardner and Garrett (1988, p. 56) comment on this: "*...the Four P's of product, price, promotion and place are actually only derivatives from earlier classification systems presented by functional school theorists...*". The "Four P's" comprise typical marketing activities such as promotion, but they also include traditional logistics activities such as distribution (i.e. place).

Accordingly, the "Four P's" are often referred to as the marketing mix. Borden (1964) claims that the origin of the marketing mix concept came from Culliton (1948), who writes about a mix of ingredients. Culliton (1948, p. 6) writes: "*...the business executive is described in this book as a 'decider', an 'artist' - a 'mixer of ingredients' who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or develops ingredients no one else has yet tried. In this spirit, frequent use is made of such analogies as 'patterns of costs', 'recipe', 'mix', 'ingredient', and the like...*". However, Borden (1942) did have his thoughts developed previously, but the concept of marketing mix did not appear until Culliton (1948) inspired him. Borden (1942, p. 58) writes about the topic: "*...it should be recognized that advertising is not an operating method to be considered as something apart, as something whose profit value to the enterprise is to be judged alone. An able management does not ask, 'Shall we use or not use advertising?' without consideration of the product and the other management procedures to be employed. Rather the question is always one of finding a management formula giving advertising its due place in the combination of manufacturing methods, product form, pricing, promotion and selling methods; and distribution methods. As pointed out, different formulae i. e. different combinations of methods, may be profitably employed by competing manufacturers.*" According to him, the management formula is a combination of activities such as production, promotion, selling, and distribution. Accordingly, the relationship between marketing activities and logistics activities was at the time acknowledged amongst scholars.

Interrelationship between Marketing Activities and Logistics Activities

Thus, it is clear that the relationship between marketing and logistics has been acknowledged for almost a century. The idea that logistics is the other half of marketing has been stated before in literature. Converse (1954, p. 114) states: "*Physical handling and distribution in the marketing of goods create time and place utilities. The cost of creating these utilities is approximately one-half the total costs of marketing...*". Nowadays, the vertical logistics systems applied in many industries (e.g. in the vehicle industry and the retail industry) have gone through a major restructuring and improvements during the last decade (i.e. especially in the 1990s). Nevertheless, logistics is still an essential part of marketing. Speh and Hutt (1978, p. 332) write: "*Physical distribution activities have been generally considered as inherent functions of marketing. Current business practice suggests that physical distribution is in the process of becoming a major functional area of business in its own right...*". Their statement of the emerging importance of logistics has been confirmed by the recent trends in theory and in practice.

There have emerged other conceptualizations that emphasize the mutual importance of marketing and logistics in a marketing channel context. For example, Efficient Consumer Response (ECR) is a business philosophy that strives to improve the efficiency of firms' business activities. ECR was originally divided into four principal categories (Kurt Salmon Associates 1993, p. 4), into which executives were recommended to invest their main efforts: 1) *Efficient Store Assortments*, the objective of which was to optimize the productivity of inventories and store space at the consumer interface; 2) *Efficient Replenishment*, whose objective was to optimize time and cost in the replenishment system; 3) *Efficient Promotion*, whose objective was to maximize the total system efficiency of trade and consumer promotion; 4) *Efficient Product Introduction*, whose objective was to maximize the effectiveness of new product development and introduction activities.

ECR is primarily divided into two main parts (ECR Europe 1997, p. 2), namely a supply-side and a demand-side. The supply-side (i.e. the logistics activities) incorporates Efficient Replenishment, while the demand-side (i.e. the marketing activities) incorporates Efficient Store Assortments, Efficient Promotion, and Efficient Product Introduction. Accordingly, ECR incorporates both the marketing activities and the logistics activities in a marketing channel context.

Other recent business philosophies that indirectly emphasize the interrelationship between the marketing activities and the logistics activities are Just-In-Time (JIT) and Quick Response (QR). Christopher (1992) states that JIT is both a technique and a philosophy. He also writes: "*It is based upon the simple idea that wherever possible no activity should take place in a system until there is a demand for it. Thus no products should be made, no components ordered, until there is a downstream requirement...*" (ibid., p.153). Accordingly, the coordination and the synchronization of the demand satisfaction and the supply satisfaction are implicitly emphasized in JIT, i.e. the interrelationship between the marketing activities and the logistics activities. Another similar definition is collected from Ballou (1992, p. 153), who defines JIT as: "*A philosophy of scheduling where the entire supply channel is synchronized to respond to the requirements of operations or customer...*". A further development of the JIT-philosophy is QR, which is an approach that has its origin within the American textile industry. Stern, El-Ansary and Coughlan (1996, p. 176) define QR as: "*... the application of just-in-time concepts throughout the entire supply pipeline, from the manufacturer to the final consumer, provides the capability to reorder merchandise as it is sold. The data-collection and recording capabilities of bar-code technology and the ability to communicate those data throughout the supply pipeline via electronic data interchange are the tolls needed to build a Quick Response system...*". In part, JIT and QR appear to take into account the importance of upstream and downstream activities in a marketing channel context in terms of logistics and marketing.

Consequently, the marketing activities and the logistics activities in past literature have been regarded as closely interconnected in a marketing channel context, but gradually there emerged a separation between marketing and logistics from a primarily logistics point of view. However, in the 1980s an overall business philosophy emerged that may contribute to the potential reintegration of marketing issues in logistics. The business philosophy has gained worldwide acknowledgement amongst practitioners and scholars in logistics theory and practice, namely Supply Chain Management (SCM). The origin and the meaning of SCM is explored and described in the next paragraph.

SUPPLY CHAIN MANAGEMENT – THE RE-INTEGRATION

The significance of SCM has been of substantial importance since the early 1990s, although the approach, or rather the concept, was introduced in the early 1980s (i.e. by Oliver and Webber 1982). SCM is an influential ingredient in today's literature and thought in the field of logistics. In addition, some practitioners and their firms strive to implement the underlying ideas of the business philosophy.

Origin of SCM

In recent years, the concepts of supply chain and supply chain management have been widely used in the field of logistics theory and logistics practice. Nevertheless, the concepts have in fact been used for several decades. For example, Banbury (1975) uses the concept of supply chain in the title of his article named: "*Distribution - The final link in the electricity-supply chain*". He writes about the supply chain of electricity towards the ultimate consumer (ibid., Abstract): "*The distribution system is the final link in the chain of supply from generator to consumer, but while it may be the last link it is by no means the least important. An individual supply may be small and insignificant in cost itself, but to that consumer it is all important...*". A decade later, other scholars commenced to apply the concepts of supply chain and supply chain management (e.g. Oliver and Webber 1982: Jones and Riley 1985 and 1987: Houlihan 1985 and 1987: Snowdon 1988).

Oliver and Webber (1982) conclude, in their study of firms in the US, Japan and Western Europe, that traditional approaches to manage integrated distribution channels do not work satisfactorily: They state (ibid., p. 64): "*We needed a new perspective and, following from it, a new approach: supply-chain management...*". They argue that SCM differs from traditional material management and production management in four aspects (ibid., p. 66): "*... it views the supply chain as a single entity rather than relegating fragmented responsibility... ... It calls for - and in* *the end, depends upon - strategic making... ...provides a different perspective on inventories... ...management requires a new approach to systems: Integration, all simply interface, is the key...*". Stevens (1989) and Jones and Riley (1987) argue that the development of an integrated marketing channel requires that the management of business activities be viewed from three perspectives, namely strategic, tactical, and operational. This view, the development of an integrated marketing channel approach should be thought of as a three-phase process.

Consequently, the origin of SCM is usually accredited to the beginning of the eighties. However, some authors have noticed that its origin might be of older date. For example, Persson (1997, p. 3) writes that "*...it is interesting to note that at least some of the ideas of supply chain management seem to have been established before the concept was introduced...*". The novelty value of SCM might be doubtful, since Ford and Crowther (1923) argue for a similar approach at the beginning of the 20th century. Ford and Crowther (1923, p.143) writes: "*We have found in buying materials that it is not worth while to buy for other than immediate need. We buy only enough to fit into the plan of production, taking into consideration the state of transportation at the time. If transportation were perfect and an even flow of materials could be assured, it would not be necessary to carry any stock whatsoever. The carloads of raw materials would arrive on schedule and in the planned order and amounts, and go from the railway cars into production. That would save a great deal of money, for it would give a very rapid turnover and thus decrease the amount of money tied up in materials...*". Thus, Henry Ford pointed out some fundamental conditions required for the well functioning of the marketing channel. His thoughts almost a century ago are nowadays an essential part of SCM.

The underlying thoughts and principles of SCM have been mentioned by a number of other early scholars in literature. The ideas that firms should focus on the activities that are essential for the marketing channel, and the marketing channel as a single entity comprising the ultimate consumer, have been well known for almost a century. As a matter of fact, one of the classical schools of marketing, namely the institutional school of marketing, emphasizes the importance of the marketing channel as a single entity. Weld (1916, pp. 21-22) discusses the efficiency of the marketing channel as a single entity through integration and writes: "*...it may be possible to reduce the cost by combining the functions of two or more middlemen into the hands of one single middleman. The functions of marketing have to be performed, however many separate middlemen there are; the problem is to find the most economical combination of functions...*". Sheth, Gardner and Garrett (1988, p. 150) state: "*The institutional school utilized economic foundations to analyze how a distribution channel could be structured more efficiently for the eventual benefit of the ultimate consumer...*". At the time, others realize the importance of considering the totality of the marketing channel, such as Butler (1923), Breyer (1934), Converse and Huegy (1940), Duddy and Revzan (1947), Alderson (1954), and Lewis, Culliton and Steele (1956). For example, Lewis, Culliton and Steele (1956) introduce the "total cost concept", which has become a classical concept that illustrates the implications of the marketing channel efficiency and profitability. They conclude (ibid., pp. 64-65): "*Distributions costs, in total, are rather elusive things because they involve many order-getting costs (such as advertising and salesmen's salaries and commissions) which are difficult, if not impossible, to allocate to specific products or orders. On the other hand, the physical distribution function is much more tangible and would lend itself to the use of well-established cost accounting techniques. We feel, therefore, that the use of the 'total cost' concept as applied to the physical distribution function would have at least three advantages: (1) it would concentrate management attention on an area well worth the time and effort in potential savings; (2) it would furnish the data necessary to make sound judgement about alternative forms of transportation, warehousing, etc.; (3) it would be a very real start on getting facts on one portion of the total cost of distribution...*". The total cost concept is one of the central fundaments of today's SCM. In addition, the underlying principles of SCM are proposed to be substantially older than it is usually stated in literature.

Some Definitions and the Meaning of SCM

In literature, there are a large number of SCM-definitions. For example, Christopher (1992, p. 12) writes: "*The supply chain is the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer...*". Others use the word "pipeline" to describe the marketing channel. Coyle, Bardi and Langley (1996, p. 1) conclude that: "*...there is a recognition that companies are usually part of a 'pipeline' or supply chain that brings a product to the ultimate user. In its simplest context, the supply chain involves a company's vendors and direct customers. The supply chain perspective ultimately recognizes that all three parties are, in a sense, partners in bringing a product to market...*". Another definition of SCM is, according to Ellram and Cooper (1993, p. 1): "*An integrating philosophy to manage the total flow of a distribution channel from supplier to ultimate customer...*". Hence, SCM emphasizes the holistic approach in a marketing channel.

SCM has achieved the status of a generic term for various systematic processes that create competitive advantages for companies with the help of the suppliers in a marketing channel. Carter, Ferrin and Carter (1995) define SCM as a coordinated approach for managing the flow of goods from suppliers to ultimate consumers and that the goal is to meet customer service objectives while minimizing inventory and related costs. Cavinato (1992) presents a total cost-value model that provides a hierarchy of costs and other factors that build upward from raw materials through manufacturing, distribution, final marketing, and selection and use by the ultimate customer. Ritchie (1990) considers the marketing channel as a single entity and argues that the end performance of delivering satisfaction to customers will only be as good as the weakest link in the marketing channel. Norek (1997) notes that retailers are very often the drivers of change in a marketing channel, since the economic power has shifted to them. In fact, Davies (1993) discusses the concept of retailing and proposes a re-definition of the concept all of which is rather close to SCM: He writes (ibid., p. 6): "*The management of resources to supply the product and service needs of the end consumer, encompassing the supply chain of any physical products and the exchange processes involved...*". In addition, he concludes that the concept of retailing has changed more than once in the past, and will change in the future. The concept of retailing is not what many dictionaries say it is. These definitions are a mirror of historical concepts that emphasize a single activity rather than the process it usually represents, i.e. "*...retailing is about managing all the resources to meet the needs of the consumer...*" (ibid., p. 6). Others also argue for a more customer-driven marketing channel. For example, Vlist, Hoppenbrouwers and Hegge (1997) state that the demand for flexibility requires larger parts of the marketing channel to become customer-driven. Towill (1997) emphasizes the importance of re-engineering the entire marketing channel so as to satisfy end-consumer needs. Morash, Droge and Vickery (1996) conclude that demand-oriented marketing channel capabilities have a greater impact on firms' profitability. Evidently, SCM also has an emphasis on the downstream issues in a marketing channel.

SCM regards the marketing channel as a single entity that aims at satisfying the needs and wants of the customer, and eventually the ultimate consumer (Lambert, 1992). Houlihan (1987) states that SCM strives to balance conflicting activities such as promotion, sales, distribution and production. Thus, SCM might be seen as a business philosophy that strives to integrate the different activities of firms in a marketing channel, i.e. both the logistics activities and the marketing activities.

Theoretical Approach of SCM

SCM has a vertical emphasis, i.e. it refers to consecutive dyadic relationships and activities between buyers and sellers in a marketing channel. It does not normally comprise horizontal matters. Therefore, the theoretical perspective of SCM is mainly supported by and limited to the channel theory (e.g. Weld 1916: Bucklin 1966). In the channel theory, the marketing channel is regarded as a single entity (Alderson 1965), a super-organization (Stern, El-Ansary and Coughlan 1996) or a social system (Balderston 1964) that consists of a number of interdependent firms that are involved in the task of the distribution of products to the ultimate consumer. However, the problem is not to design a marketing channel in theory, but to make it work in practice. Stern, El-Ansary and Coughlan (1996, p. 281) state that: "*... the job of a channel manager is not done when that optimal channel is designed; the manager now has to make that channel work! There is no guarantee that the optimally designed channel will actually operate successfully...*". The selection of an appropriate distribution channel becomes of vital importance for the effectiveness of the underlying principle of SCM (Magee 1960). To put the matter in a nutshell, as Coleman and Jennings (1988, p. 63) conclude: "*... management is only as strong as the weakest link...*".

Different principles may dominate activities performed in a marketing channel. For example, there is the principle of postponement (e.g. Alderson 1950), and the principle of speculation (e.g. Bucklin 1965). However, the holistic approach of the marketing channel is of major interest in today's competitive marketplace in many industries. Traditionally, channel theory has concentrated on vertical dependencies between firms (e.g. Culliton, Lewis and Steele 1956: Brewer and Rosenzweig 1961). A marketing channel consists of a number of actors or intermediaries who take part in the exchange processes, since they together may improve the efficiency of the channel (e.g. Alderson 1954). The point of departure may also be what creates independence for firms in a marketing channel (e.g. Blau 1964). In a marketing channel, activities are specialized and there is a functional distribution between firms (e.g. Bucklin 1966: Alderson 1954). The division of labor may explain the dependence between firms (e.g. Stigler 1951: Stern and El-Ansary 1992). Firms in a marketing channel strive to satisfy the ultimate consumer. Generally, there is a mutual dependence between firms in a marketing channel (e.g. Alderson 1957 and 1965: McCammon and Little 1965: Stern 1969). Existing interdependencies create a necessity for coordination, synchronization, cooperation and integration between firms; i.e. the upstream and downstream activities in the marketing channel, in order to achieve individual and sometimes mutual goals.

The dependence that exists between firms in a marketing channel influence the field of SCM, because it is not sufficient in itself to satisfy the customer's needs and wants. One must also pay attention to the needs and wants of the customer's customer and eventually of the ultimate consumer in the marketing channel. Marketing channel activities are supposed to a great extent to be performed taking into account the expected response of the final consumer market in many industries. In the 1990s, customer-driven marketing channels have been implemented to better satisfy the customer and the ultimate consumer. Or as Steudel and Desruelle (1992, p. 2) express it: "*In essence, being world-class means being capable of bringing products to the marketplace that offer better value than the competition...*". The creation of this satisfaction value in a marketing channel is often expressed as a successive or stepwise process in which value increases along a value chain or a value system (Porter 1985). Already at the beginning of the 20th century, the idea of the value-added process was recognized. Weld (1916, p. 6) writes: "*At each step an increment of value is added by those who handle or transform the product...*". It starts, for example, with the manufacturers, and thence to other firms (middlemen) all the way to the ultimate consumer. Often it is argued that each step or actor in this process exists because it provides or improves the value or adds value to the product in the marketing channel, and attributes a satisfactory value to the ultimate consumer. For example, Weld (1916, p. 4) states: "*Production is often defined as the creation of utilities; i. e. any process that makes a thing more useful, - either by molding it into a more desirable form in the factory, or by transporting it from one place where it is less needed to another place where it is more needed, or by storing it from one season of the year when it is less needed until another season when it is more needed, - is a productive process...*". There is also an upstream dependence between firms in a marketing channel, since the marketing channel is regarded as a single entity. This signifies that it is not sufficient to solely focus on the suppliers, but also the suppliers' suppliers, and eventually the initial supplier of the marketing channel. Consequently, there is an overall dependence between firms in general in a marketing channel. In addition, there is dependence between marketing activities and logistics activities in a marketing channel.

CONCLUSIONS

SCM recognizes the dependence between firms and firms' activities in a marketing channel and acknowledges the upstream and downstream dependencies between the activities from the raw material to the ultimate consumer. SCM also comprises conflicting business activities such as the procurement of materials and components, the production, the marketing of products, the sales function, and the distribution of products to the customer or the market from a logistics point of view. In addition, SCM appears to be a business philosophy and a phenomenon that may contribute to the re-integration and the re-establishment of marketing issues in logistics theory and logistics practice. Metaphorically speaking, the other half of logistics is therefore proposed to be marketing!

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