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## The Passage from a Transport Carrier into a Logistic Operator: A Brazilian Case

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### ABSTRACT

The paper aims to explore a leading logistics company of the region of Caxias do Sul (RS). It refers to its transformation and its business configuration, from a traditional carrier into a logistics operator. The case study explores the structure, the development and the evolution of this transformation process of company. The data collection included semi-structured in depth individual interviews, a documentary research and content analysis practices. The study provides empirical insights about the upgrading of the quality of its services, through long-term relationships with its customers, increased its competitiveness. It reflected in greater credibility and into an expansion of the range of its services, resulting in an increase of its revenues and profitability and an edge toward the competition. The paper includes implications for a transformation that has established a new partnership paradigm with long-term relationships, showing a clear path of value added to customers of the company.

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## INTRODUCTION

Facing market globalization and technological advances, and an increasing and fiercer competition, companies need to constantly seek better practices to develop better product and services, in order to ensure its survival and perpetuation, and value added for their customers and shareholders (Capacino and Britt, 1991; Semeijn, 1995; Langley *et al*, 2005; Soinio *et al*, 2012; Yoho *et al*, 2013). In a very dynamic market, client response velocity is a determining factor in the construction of potential competitive advantage. In this context, for Barad and Sapir (2003), the main goal of logistics is to establish the conditions of quick sustainable response for highly competitive environments; which represent the characteristics for changes and the incidence on uncertainty. Stock *et al* (1998) suggest that the concepts of velocity (decrease in activity timeframe) and reliability are important aspects of logistics. In this context, the companies which are looking to streamline the flow of their goods and services will have a direct impact on their costs and profits and their customer satisfaction (Manuj and Mentzer, 2008; Wagner and Bode, 2008; McGinnis and Kohn, 2002; Brimer, 1995).

The concept of service outsourcing, based on cost reduction and capital release, has a strategic role that improves the level of customer service and gives a greater flexibility in relation to their own requirements (Skjoett-Larsen, 2000; Cheong, 2004; Aktas and Ulengin, 2005). Since complex companies often seek external solutions to allow them to focus on their core competence (Sink and Langley, 1997; Brewer *et al*, 2013), such context places logistics operators as interesting business partners (Christopher and; Towill, 2001), which may contribute to improved customer satisfaction customer and company performance (Bask, 2001; Leuschner *et al* 2012; Brewer *et al*, 2013). Bhatnagar and Viswanathan (2000) and Wong *et al*. (2000) emphasize that the logistic providers can collaborate with other companies generating operational benefits such as reduction of inventory levels, cycle periods of orders, delivery times and improved customer service. Therefore, logistics operators play an increasingly important role in the world economy (Bot and Neumann, 2003). According to Neuschel and Russell (1998), the global transport industry has incorporated changes which have developed a more competitive environment. These changes favor the emergence of new and increasing demands for shippers, who are perceived as increased competition and a need for integration with other service provider modalities for cargo handling, more competitive pricing, reduction costs and improvements in service quality. It is from this market opportunity that companies began to offer more than just a transport service, by proposing and offering solutions that integrate other activities, and by generating logistics related processes and activities interconnected by technologies such as EDI – Electronic Data Interchange, and including outsourced services for cargo consolidation, warehousing, supply management and suppliers, among others (Murphy and Poist,

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2000). Some logistics experts pretend that through such other perspective, it is possible to reduce from 15% to only 20% in storage and transport costs (Bot and Neumann, 2003); meaning that the area of cargo handling has risen from a mere operational actor to an element that can provide a possible source of competitive advantage and service levels to most qualified customers (Stank and Goldsby, 2000; Bowersox *et al.*, 2003).

In Brazil, due to the growing importance of logistics and demand for higher levels of quality of service to customers, managers of companies are increasingly outsourcing their logistics services. From a strategic point of view, the quality presented by the services provided by logistics operators constitutes a competitive alternative where customers perceive such service as competitive (So *et al.*, 2006); and where companies must then organize themselves better and become more agile and flexible than its competitors, in line with the market in which they operate, and also emphasizing potential competitive advantages arising from management process and logistics activities (Flint *et al.*, 2005). Consequently, this study was developed in Irapuru Transportes Ltda., a leading logistics company of the region of Caxias do Sul (RS), Brazil. The case study refers to the transformation of its business configuration, from a traditional carrier into a logistics operator, which allowed value added in services and an extension its market competitiveness. Therefore, the research problem can be translated by the following central question: How did the process of transformation and the evolution of the company, a from a transport carrier to a logistics operator?

## MATERIALS AND METHODS

According to Rao and Swarup (2001), logistics began to gain importance in the industry with the disappearance of the paradigm of mass production, leading to the development of the production strategies of Just in Time (JIT) and lean manufacturing, as companies began to demand their needs of raw materials and delivery of final products on time and in smaller batches, making logistics a more complex activity, and requiring the managers to lead with it. Fuchs (2003) complements this idea by saying that the relationship with customers and flux of information together are considered critical success factors, while the interaction with customers, the ability and the velocity of the manufacturing process, the delivery of the product and its related information are seen as value drivers. A survey conducted in the United States, in 2004 by Bentz and Lieb (2005), shows that at least 80% of large manufacturing firms used the services of logistics service providers (PSLs). To enable a comparison, a previous survey, implemented in 1991, had demonstrated that only 38% of companies outsource logistics activities; indicating that the phenomenon of the globalization of markets has favored the expansion of logistics operators on a larger scale.

Considering that the flux of new product and market development is rising, it becomes difficult for companies to provide internally their logistical needs. For Coyle *et al.* (2003), a logistics operator is an outside sale unit, a service provider which performs some or all of the logistics functions in a company and that cover services such as transportation, warehousing and distribution. Those operators offer logistical services management and operation of transport, handling and storage of materials and relating to inventories. Since logistics providers work with many clients in different markets, they need to constantly upgrade and develop their infrastructure, human resources and relevant technologies; to have a greater knowledge and flexibility on customized logistics solutions for customers (Lynch, 2000). According to Lieb and Randall (1996), the terminology "logistics operator" appeared in the 80s in the U.S. and was mainly spread in European countries under the name "Third-Party Logistics Provider" (3PL)(Perçin, 2009). In Brazil, it services sources its definition from the concept of logistics services outsourcing (outsourcing) or logistics contract (contract logistics). Berglund *et al.* (1999) associate the term 3PL to companies which contractually offer service operations, management of transportation, handling and storage.

In the 80s, the trend of integration of logistics activities between two or more activities performed in a coordinated manner. It became more frequent; leading some authors to associate the term 3PL to companies capable of providing more than one type of service logistics in an integrated manner. So, for Van Laarhoven *et al.* (2000), a logistics operator encompasses all types of logistics activities, as simple as they may be, and do not necessarily reflect the technological and operational advances inherent to a supply chain. The logistic operator is defined as a company that leads the planning, the implementation and control, the efficiently and the material flow through the supply chain; as well as all the services and information associated with it from the point of origin to the point of consumption, satisfying the requirements of its customers (Africk and Calkins, 1994; Sink *et al.*, 1996; Razzaque and Sheng, 1998; Coyle *et al.*, 2003). In this context, Murphy and Poist (2000) consider that long term formal relationships among logistics operators and their customers will be increasingly important for companies to expand their level of competitiveness. Thus, the nature of the relationships between these business partners is the foundation upon which an effective supply chain can be built and solidified (Wathne and Heide, 2004).

On one hand, Gracht and Darkow (2010) state that the main factors that have pushed the logistics towards greater complexities are: product proliferation, shorter product life cycles, greater segmentation of markets/customers, globalization and increased demand for bundled services products. This contributes to the ability to adapt quickly to fluctuations in demand and prices and different market requirements. In this

perspective, the services provided by logistics operators differ from other services, as they help to develop a close relationship between “business to business” buyer (client) and the service provider (Andersson and Norrman, 2002; Soinio *et al.*, 2012). In a contemporary context, with the access to new technologies and innovative solutions, Bardi and Tracey (1991) emphasize that a logistic operator can offer many advantages related to cost reduction, such as the reduction of investments in assets (transforming fixed costs into variable costs) and also the maintenance costs of machinery and equipment. While attending many customers simultaneously, logistics operators are able to make better use of their skills, to gain economies of scale, with a more important number of clients (Van Damme and Ploss Van Amstel, 1996; Leuschner *et al.*, 2012).

On the other hand, disadvantages in the use of logistics operators can be identified in four main dimensions of analysis: (i) the loss or lack of access to key market information, where daily contact with suppliers and customers is critical to maintain company’s managers attuned to opportunities and market threats. By delegating certain functions, an organization develops the risk of losing sensitivity to identify, at the right time, changes in market trends; (ii) the lack of awareness by the logistics operator about the customer marketing contractor goals, where on a daily basis, organizations are forced to make choices (tradeoffs, prioritizations) among several objectives related to the business (costs, profit margins and profitability, flexibility, focus on certain markets and/or customers, etc.); and (iv) a dependence that may occur between the client with the logistics operator, where a change in logistics operator during an ongoing contract may cause disorders such as leaving assets in custody of third parties, information and expertise, which can cause an excessive increase in operating costs for the client (Dornier *et al.*, 1998). Although logistics operators can increase a possible flexibility in relation to the market (investments) and demand of goods (volume flexibility), a lack of responsiveness from their part to customer needs is cited as a possible problem (Van Damme and Ploss Van Amstel, 1996). Other problems refer to service interruption, the inflows, poor quality, loss of customer feedback and logistic operators’ inability to deal with special needs and product circumstantial emergencies (Cooper and Ellram, 1990; Sink and Langley, 1997; Van Laarhoven *et al.*, 2000; Cook and Gibson, 2001; Svensson, 2001). Finally, the use of logistics operators constitutes an important factor in the growth of a company because they do focus on the business, by improving its efficiency and resource utilization, incorporate value-added services, and increase its profitability (Liu and Wang, 2009; Soinio *et al.*, 2012).

The competition that exists among logistics operators is characterized as intense and their major challenges are to keep their customers with active contracts and to generate profits under competitive price conditions, in view of the negative effects of globalization, the deliveries in new regions and the emergence of fourth-party logistics (4PLs) (Vasiliauskas and Barysienė, 2008). Moreover, Rao and Young (1994) also describe the network complexity that operators are experiencing, referring to both geographical dispersion and the intensity of the operations of trading partners. Also, Cheong (2004) highlights the main challenges of logistics operators, which can be differentiated by the degree of tangibility of services, from the configuration of the logistics network (more tangible) to the relationship management process (less tangible). Such process refers to the four PLs as a new direction for outsourcing that makes the integration of the entire supply chain, where all resources capabilities and technologies are assembled and managed (Van Hoek and Chong, 2001). The managers, in their logistics network creation process, should be concerned in designing the most appropriate network in order to meet the requirements of the quality of services they want to contract at the lowest cost, which includes, for example, the optimal number of warehouses and their specific locations, the distribution centers, the delivery routes, among other things, as well as the flow of materials and information. The flow of material refers to the movement of various materials and products through the logistics operator. The flow of information usually follows the flow of materials as they both go together. It includes all the information on inventory data applications, from its origin and destination. Also, the relationship management process is still a key dimension to be managed by an organization, where it has to offer the necessary conditions to facilitate the partnership between the client and its logistics operator under a long-term perspective. Such relationship, perhaps, constitutes the greatest barrier in coordinating the inter-organizational processes and the operation itself, because there is a permanent need to share information and knowledge and to foster mutual trust (Cheong, 2004; Fischer, 2013). Therefore, the implementation of Information Technology (IT) and the adoption of effective communication schemes have become critical for operators in a logistics chain integration process (Evangelista and Sweeney, 2003; Fischer, 2013). The increasing spread and use of technology is causing the need to develop new techniques and other skills (Evangelista and Sweeney, 2009). Even for Alfredsson and Hertz (2003), one of the key challenges facing the logistics operators is to find a balance in their ability to enable themselves to adapt their services to customer needs and the organization and to develop their expertise and their ability to support a national and international expansion scheme of the logistics chain in which it is inserted (Bourlakis and Bourlakis, 2005).

Irapuru Transportes Ltda. was founded on January 2, 1970, as one of the Randon Group of companies, and was established in the city of Caxias do Sul, Brazil. However, in 1997, the Randon Group decided to sell the company to Pellenz Transporte Ltda., who adopted the Irapurú Transportes Ltda. as its new brand. Actually, the company is recognized for his role as a logistics operator, employs 1,433 employees and, is present in Mercosur and throughout Brazil. Itapurú Transportes Ltda. serves about 400 clients, which among them some automakers

and major industries. In 2011, its revenue reached about R\$ 230 million. The core competence and main services of the company refer to warehouses management and receiving, shipping, internal development and deployment of Kanban services, Just-In-Time, Milk Run, supply lines, assembly and packaging kits, equipment leasing, outsourcing labor, continuous flow of information, inventory control through WMS (Warehouse Management System), and TMS (Transportation Management System), programming control of shipments, communication systems and the development of Electronic Data Interchange (EDI) projects to meet the needs of its customers. Keen to provide a service of value to its customers and improve the efficiency of its operations, the company is certified ISO 9001 (International Organization for Standardization) – Version 2000 and SASSMAQ certification (Evaluation System for Safety, Health, Environment-environment and quality), highlighted in its quality policy.

The overall objective of the study is to analyze the process of transformation of a traditional carrier, Itapuru Transportes Ltda., into a logistics operator, in order to study the value added generated in the services provided by the company to its customers and the expansion of their level of competitiveness. More specifically, were established the following objectives: (i) to identify the motivations that led the company to become a logistics operator, (ii) to describe the stages of the business transformation, (iii) to analyze the new strategies and operational changes arising, and (vi) to review the results that impacted on the company's performance and its level of competitiveness.

This study can be characterized as an exploratory qualitative research, being implemented through a single case study (Yin, 2009; Remler and Van Ryzin, 2011; Scott and Garner, 2013). The data collection was realized through individual in-depth interviews, which were conducted in a semi-structured approach (Kvale and Brinkmann, 2009; King and Horrocks, 2010; Hennink *et al.*, 2011). To facilitate further analysis and interpretation of data, was used the technique of content analysis (Gibbs, 2008; Bernard and Ryan, 2010; Boeije, 2010; Schreier, 2012; Scott and Garner, 2013). The semi-structured interviews were administered to two groups of respondents. The first scheme of interviews was used to collect data with the professionals from Itapuru Transportes Ltda. (Respondents A to D), while the second scheme was directed to respondents from the Randon Holding (Respondents F to H). Such research strategy was used because of the past presence of the Randon Group in the Itapuru Transportes Ltda. between the years of 1960 to 1997; considering that most of the key managers hold data, information and experiences relevant to this case study.

In collaboration with the senior management of the Itapuru Transportes Ltda., were identified the following professionals (Figure 1):

Identification of Respondents	Position or Function of Respondents	Date of Interview	Experience in the Company
Respondent A	Owner	12/09/2011	14 years
Respondent B	Logistics Manager	04/09/2011	18 years
Respondent C	Administrative Manager	04/09/2011	8 years
Respondent D	Operational Manager	12/09/2011	15 years
Respondent E	Executive Manager (Jost, Randon Holding)	15/08/2011	23 years
Respondent F	Procurement and Logistics Manager (Master, Randon Holding)	09/08/2011	19 years
Respondent G	Customer Manager (Master, Randon Holding)	09/08/2011	40 years
Respondent H	Former Shareholder (Randon Cooperative)	02/08/2011	retired
Respondent I	Corporate Director (Randon Implements, Randon Holding)	11/08/2011	41 years

**Fig. 1:** Profile of respondents.

**Source:** Authors.

In addition, a secondary research was realized, where key data about the companies was collected (Gibbs, 2008; Remler and Van Ryzin, 2011; Schreier, 2012; Scott and Garner, 2013). For Yin (2009), the identification and analysis of documents serve to corroborate and enhance the evidence obtained by other research techniques in the case of in-depth individual interviews. Thus, did the company managers provide analyzed documents and these sources contributed to the collection and the deepening of the information obtained from the interviews. Those reports took their source from the Memorial Randon (1970-1997), the Customer Reports (2003-2011), the Billing Reports (2003-2011) and the Development Contract (relationship with customers, 2003-2011).

## RESULTS AND DISCUSSION

The company was acquired in 1997 and during the acquisition process; the managers were not realizing that there would be a major transformation within the company. It naturally happened and no resistance was noticed during the process of making it a logistics operator (Respondent A).

[...] from our clients were coming the requests, because they needed a differentiated level of service, but we did not had any internal resistance on new concept integration and its implications on the market – free translation from Portuguese (Respondent A).

To facilitate the understanding of such process, Figure 2 presents the incentives that led the company to become a logistics operator:

Incentives	Empirical evidence on the business transformation process
Change in business focus	A decision needed to be taken: [...] or we would become a logistics operator or we would maintain the company as a transport carrier and we would for another logistics operator. The company decided to become a logistics operator and entered into various segments: petrochemical, distribution and storage [that were not previously part of the core competence of the company, thus increasing the company's competitiveness] (Respondent H).
Market	This decision was mainly due to the nature of the market: [...] the market growth has opened a new service option for transport carriers and the customer base we work with, which has a very high level of demand, with a highly diversified line of products, and where every day, we have to present different solutions, both for transportation schemes and storage. Thus, the transformation [conceptual and operational business] was inevitable for us to maintain continuity [ability to compete in a future perspective], our activities and [enable consolidation] the growth of the company (Respondent B).
Customers' necessities	The main concern of the managers of the company meet their customers' expectations arises. This can be perceived by the comment of Respondent A: [...] Irapuru worked with multinational companies, whose its focus was facing their businesses. [...] Our clients have worked with logistics operators and they also wanted [now] to follow this line of business [type of care]. The company constantly seeks: [...] customer satisfaction by providing quality services and fair prices (Respondent C).
Competitive advantage	According to Respondent H, the company, from the beginning of its transformation process, began acting in various business segments such as petrochemical, storage and distribution depots among others, and its formula. [...] was its flexibility in working with a particular customer, adapting itself to the client logistics needs. In contrast, most competitors had adopted established business models (even "international competitors"), which facilitated the acceptance of our company on the market.  The Respondent A considers that the difference of Irapuru on the market lies on [...] to be a company that caters to any type of problem, anytime, with services 24 hours a day, and is well structured from collection to delivery; and finally, always available to meet possible contingencies of its customers.
Increase in business volume	Regarding the financial results, from the transformation of the business, specifically in relation to increased revenue of the company, the Respondent H mentioned that business [selling services] started happening one after another. To sell the transport carrier service, was sold a package of services (added value).  In turn, the Respondent A said that: [...] from the same business might have several different services [which stimulated the sale of more than a service, for example, in transport services, but the sale of a package or a set of services, complementary, value-added, which impacted on increasing the turnover of the company].

**Fig. 2:** Incentives for the transformation of the company.

**Source:** Authors.

The transformation of the transport carrier into a logistics operator has gone through three stages, chronologically established, and their due process detailed is shown in Figure 3:

Steps	Chronology	Main Processes Included in Each Step
Conceptual	1998-2000	To understand the concept and the applicability of the term "logistics operator" within the company, which, in Brazil, and the time was something new.
Organization	2001-2005	To plan, organize and initiate the implementation of the changes (strategic and operational) needed to transform the company into a logistics operator.
Consolidation	2006 until now	To qualify the company structure, to classify the services rendered and to consolidate the brand in its market.

**Fig. 3:** Steps of business transformation, chronology and main process involved.

**Source:** Prepared by the authors based on information collected.

The company sought to establish a sustainable foundation seeking knowledge about the concept and the applicability of the term "logistics operator". After this phase of maturation of this new understanding, the company came to a structuring period, in which it established and implemented this concept in an organized way, with a structured planning process and the steps required for the transition from a transport carrier company into a logistics operator, showing up in the implementation important aspects, such as asset investment, and professional and cultural change. Currently, the company lies in his market, seeking to consolidate its brand, working closely with its customers to solve problems and, in a customized manner, seeking to differentiate itself from their competitors and giving thus values relevant for building a favorable image next to your market.

In relation to that, the Respondent A mentions [...] the first step to be developed by Irapuru was to know and incorporate the concept of logistics operator, its applicability and implications. To this end, in 1998 the business owner enrolled in CICS – Chamber of Industry, Commerce and Services, which maintained a program of technical cooperation with the German government, in order to assist regional entrepreneurs in acquiring new concepts, whereby there was the possibility of bringing to Brazil retired executives Germans with extensive experience from certain areas, to provide consulting services to companies in the region. Through this program,

the interested companies would then pay only for the direct expenses of these people for their travel (round trip) and stay. In this regard, the Respondent A says:

[...] we received a professional from Germany, Mr. Werner Seyffer, which opened a window of opportunity; he opened my eyes [...]. He had ambition and wanted to grow. Thus, I followed this way, let things happen and not swam against the tide [...] he opened up a range of opportunities that would ultimately ensuring loyalty form customers, and if I wanted to grow had to follow this line [transform a transport carrier company into a logistics operator]. This person showed me the way and a different vision. [...] I traveled to Germany and visited nineteen companies, which work with logistics operators. That was a trend, however, if it was in Caxias do Sul, and things out there [outside, in this case Europe] happened and we could not see.

As a result of this knowledge from consulting and doing technical visits to companies in Germany, the company found the need to adjust some cultural and structural aspects to give support to this new business model that, in Brazil, was very recent. From there, there was a need for some strategic and operational changes. In this direction, the Respondent B points out what was required:

[...] the cultural change of the transport company toward logistics. And this culture change is crucial. We were used to a rhythm of work and it totally changed, including the involvement of people and their dedication [commitment]. Today, we have to work 24 hours a day and that requires a change of culture and attitude. And we come from adding value, serving the customer well, helping us [each other, and the customer of Irapuru]. Our "product" [understood here as an end result] is a service [quality, competitive] and if people help each other it is very important for the success of the operation.

In the case of Irapuru, its transformation process into a logistics operator involved the incidence of change, both strategic and operational, in each of the three stages identified in this process. Thus, according to Figure 4, was identified the major strategic and operational changes that have occurred in the company.

Steps	Strategic changes	Operational changes
Conceptual	Incorporation of the necessary knowledge about the concept of logistics operator and its implications.	Amendment of certain functions and behavior of professionals in relation to the new concept.
Organization	Adequacy of the organization to the new concept, and changing the organizational chart.	Increase (volume) and qualifying assets such as fleet vehicles, implements and CDs (physical area); increase in investment in new technologies (EDI, WMS and TMS); training of professional; implementation of quality tools; and structuring of management processes and operational part (shopping, customer care and services).
Consolidation	Qualification permanent services; focus on retention and, if possible, customer loyalty; and deepening of long-term partnerships (closer relationships with customers).	Continuous training for customer service and quality of operations; maintenance of standardization of operations; and adequacy of their services to clients' needs.

**Fig. 4:** Strategic and operational changes identified.

**Source:** Prepared by the authors based on information collected.

The transformation of Irapuru as a logistics operator enabled the company happened to be noticed in the Market:

In a business sense, it opened several doors [business opportunities] (Respondent A).

According to Interviewee C, the company sought:

[...] to develop contracts which have been improved in some cases. It was possible to offer more services to the same client, developing several customized projects to meet specific customer needs.

As a result, in order to develop customized projects, it became necessary to define some aspects on a case-by-case basis in relation to operations, namely:

[...] some definitions about: physical area, people, equipment and details on the full scope of [the project] and its implementation. It is very important to plan; if the case is not well planned, there is a chance to generate major problems (Respondent B).

In regard to the possibility of retaining, about customer loyalty, the Respondent D argues that Irapuru was:

[...] closer to its customers, working in partnership, seeking to resolve [the existing demands] and build the best result in the logistics chain. Another point is to be present on the daily basis [the client]. This allows us to suggest improvements and leverage new business, in terms of seeking the customer needs at the same speed [in emerging needs].

The company understood that it should fit:

[...] to the profile of the customer, without imposing inflexible conditions, many restrictions; by working 24 hours a day and seven days a week for customers who require our services (Respondent C).

This kind of commitment from the company makes the customer:

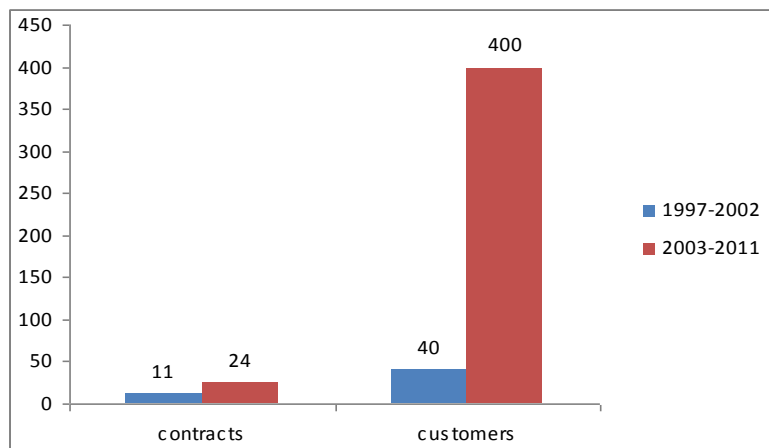
[...] is more involved with you. It makes it more difficult to change a logistics operator than a traditional carrier. A carrier [with service quality problems]...[the customer] changes with no pre-advice. Not with a

logistics operator. It is an advantage for the operator, since the relation is more complex. And this is a consequence of the level of service offered, for example: a programmed data collection (which reduces the stock of the client), the follow-up, the storage and the service in the Kanban system (Respondent A).

All this change in the form of acting also enabled the company to attract new customers and/or new business development. Moreover, the Respondent said, mainly because of the increase in the level of quality of services of the company, that attracting new customers was very quick. The interviewee G said that:

[...] the number of customers grew quite well in other markets, such as in the petrochemical and automakers industry, due to the good work, we [the Irapuru] were indicated by other companies, for example, Danna, among others.

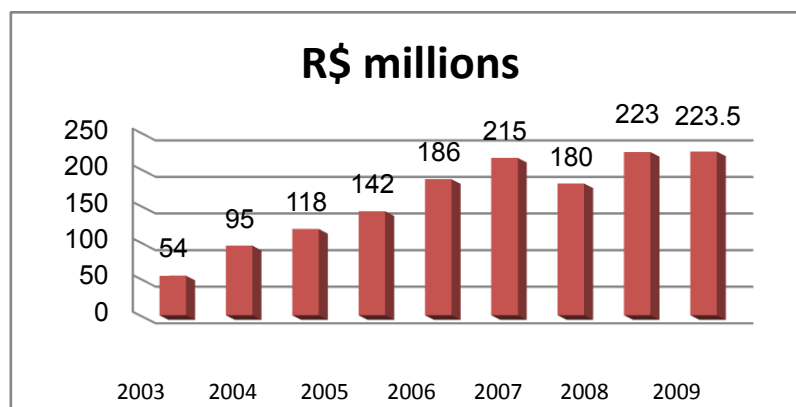
From the perspective of numbers, the Figure 5 shows the evolution of the number of contracts (customers serviced regularly) and the number of active customers of the company for the period of transition of the business transformation. It is worth noting that the average duration of contracts between the company and its business partners (customers) is seven years and four months.



**Fig. 5:** Evolution of the numbers (contracts and customers).

**Source:** Contracts and Customer Reports (1997-2011).

The increase in the number of contracts and active customer and consequently, the revenues of the company, had a positive effect on the financial results (Respondent A). It is worth mentioning that when Irapuru was acquired in 1997, it had average annual revenues of R\$ 860.000,00, which rose to R\$ 1.5 million in 2000. Such growth occurred during the time of the business transformation process. Between 2003 and 2009, the company experienced growth and declines in its revenues due to external factors of the company. But just to demonstrate the importance of the transformation, in 2011, the company reported revenues of R\$ 223.5 million, as shown Figure 6:



**Fig. 6:** Evolution of the numbers (contracts and customers).

**Source:** Billing Reports (1997-2011).

**Conclusion:**

As previously mentioned, due to the globalization and increased competition in the market, companies are largely outsourcing their logistics operations to focus more on their business. Such posture provides new business opportunities for logistics operators (Christopher and Towill, 2001). Through quality services guarantee, the companies seek to differentiate themselves from the competitors, enabling them to establish, maintain and develop lasting relationships with their customers, and to encourage customer retention and an increase in revenues (Morgan and Hunt, 1994).

In light of the market changes and the perception of the managers of Irapuru, they envisioned the change needs of their customers and sought to become, from a traditional carrier, an innovative logistics operator which meets the different demands of their clients, and thereby, to differentiate itself from its competitors and become a more competitive company. In accordance to Langley *et al.* (2005) and Soinio *et al.* (2012) view, Itapuru Transportes Ltda., through the incorporation of new activities required by the market, has changed its way to behave in the market over the years, showing greater maturity and performance. This change happened naturally, in an evolutionary way; where the company first sought to understand what would be, in fact, a logistics operator, considering that such business model as still incipient and recent in Brazil. One main aspect to note is the participation of a German consultant in the process, which consolidated the understanding and the trust of the Itapuru managers in the Project. Only after such an understanding, the managers initiated the first step of the transformation process of the company, with the goal to perform in both strategic and operational changes, to adequate itself to a new paradigm that would generate business performance and increase in revenues. Such case may serve any company that will go through a similar process, because it presents the necessary elements that will guarantee the success in the decision process. It will not give the certainty of success, because any other company will present a different business and corporate profile. But it will surely give a light on business and cultural aspects, such as: the adjustment the organizational chart, the roles of the professionals involved, the necessity of having training programs and development of personnel, the investment in the structure (physical area, fleet of vehicles and implements), IT resources and the deployment of quality tools.

During its learning process, the company presented operational difficulties due to the increase in the number of employees, in terms of professional qualification and the demand for new services by customers; but in a way, it also served as a learning experience for the company in relation to the coordination of activities, the management of the new concept (the transformation of the company into a logistics operator). Such posture generated the opportunity for the organization to re-structure itself, gain new market segments, such as petrochemical, steel and automakers segments. Therefore, it is relevant to mention, as Murphy and Poist (2000) argue that companies broaden their level of competitiveness through the development of formal relationships (the company towards its employees and the company towards its customers and suppliers), in the long run, and that collaboration is an essential element of the integration between the parties, facilitating cross-functional communication (Flynn *et al.*, 2010). In this sense, Alfredsson and Hertz (2003) and Fischer (2013) point out that trust and communication between the parties is vital to success.

Another aspect identified in the case study, and introduced by Langley *et al.* (2005), is that relationships will be strengthened only if customers perceive the existence of its benefits (in this case, differentiated and superior services compared to alternative suppliers). In that respect, costs differentiation, a fair price chart and quality services, mixed with a strategy that enhances business focus and a clear competitive positioning, are the main ways to improve the performance and profitability of a logistics operator (Panayides, 2004; Sum and Teo, 1999; Leuschner *et al.*, 2012; Brewer *et al.*, 2013). Companies often seek to consolidate their business agenda into a long-term perspective, adding value to customers through differentiated services. Such phenomenon was identified from the research, which is demonstrated by the strategy of Irapuru Transportes Ltda., in giving priority to flexibility in working with the particularities of each of its customers, presenting customized solutions that add value to the services provided, generating customer satisfaction. And also, it allows the opening of new business opportunities. The company, through its CEO, developed a different view about the market and its customers, offering logistics as a contingency element, providing a structure for such type of customer service, whenever necessary, during the 24 hours a day and seven days a week.

Finally, it can be demonstrated that the company, in seeking to meet the needs of each client, has established a new partnership paradigm with long-term relationships, expanding its mix of services, the number of contracts, its customer assets and its revenues, showing a clear and definite path of value added. This research takes its value in the accuracy, the relevance and the innovative conditions of the exploration of the case that was brought to light. In terms of transfer, it shows its limits, for being a case study but it gives a clue about the key elements that are essential to generate success, in a manager's perspective. It is recommended that more cases be studied and that, eventually, a mix of cases been realized to understand better this transformation process.



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