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Familiar and Entrepreneurial: A Third Party Provider Case With Portuguese Style

INTRODUCTION

GLS – Grupo Luís Simões – includes the biggest Portuguese road haulage operator, the TLS company – Transportes Luís Simões –, and two other companies considered to have a central activity in the Group, with a strong growth potential and both complementary to the initial core of the business, LSE – Luís Simões España – and DLS – Distribuição Luís Simões.

LSE operates a road haulage service to the Spanish market, while DLS is a logistical operator which, by means of an Iberian platform network and together with TLS and LSE, offers a daily distribution service throughout the peninsula. At a national level, it makes it possible to maintain an advanced stock for high rotation products, to serve as a cross-docking platform or to offer a service preparing orders, packaging and repackaging, labelling, pre-assembling parts, shrinking and creating promotional packs.

The GLS universe also includes TR – Transportes Reunidos – dedicated to road haulage and serving the intermediary channel, i.e., agents and operators, mainly through sub-contracting; RETA – Locação e Gestão de Frotas – essentially dedicated to renting self-drive heavy vehicles; SOCAR – Carroçarias de Carga – offering planing, building and repair services for the most different types of semi-trailers; LUSISEG – Mediadores de Seguros – offering insurance for heavy vehicles; finally, ILS – Imóveis Luís Simões – responsible for managing GLS property.

GLS organised an "open-door" meeting at a hotel near Lisbon to discuss the world and history of Luís Simões Group, the most important stages in its development; what is expected of it, its future potential and how the outside world sees it. Its customers and also its main competitors were invited to what was both a work session and a social occasion.

In the room at the hotel where the meeting was taking place, and with the documents that the executive chairman – José Luís Simões – had distributed, namely a recent case study of the Logistics of GLS, one could perceive two atmospheres. On one hand the customers' satisfaction at being called on to exchange ideas so freely about their business partner; on the other the uncomfortable look with which the competitors, also invited to join in, looked on, as so much positive and negative information was publicly revealed, no doubt feeling, deep down, that in doing this GLS was certainly taking a risk, but was also regarding the next few years with some serenity.

COMPANY BACKGROUND

In the thirties Fernando Luís Simões, still a teenager, used to transport vegetables and fruit in a cart, from the outskirts of the capital to the different Lisbon markets. It was in 1948 that Fernando Luís Simões bought his first truck. However, most of the time the vehicle was under-used or not used at all. On one hand, at the time, there was still the conflict of the transition from animal traction, normally owned by producers, to motor vehicles, usually rented. On the other hand the great shortage of fuel in the post-war period led to the use of other modes of transport, namely trains and carts.

Meanwhile, consecutive truck breakdowns and a bad agricultural year in 1956 almost caused Fernando Luís Simões to sell it in order to pay the debts he had accumulated in the meantime. Only the family's agricultural vocation made it possible to salvage the year and bring the budding entrepreneurial life back to normal, by selling a parsley field.

At the end of the fifties, some factors caused a change in transport business, including the building of the Hospital de Santa Maria in Lisbon and the Alvalade housing estate, also in the capital. These works, not only created the need for transports, but also generated migration from Alentejo to Lisbon in search of work.

When the first Queluz housing estate was built, on the outskirts of Lisbon, the construction company MN – Materiais Novobra – appeared in the path of the Luís Simões family. It would become an important driving force in the development of TLS.

It was now possible to put the first truck to full use and buy a second one. The business, until then with a local, agricultural vocation, now began to expand to the rest of the region and to transport building materials.

In the sixties, the business entered the grain market. With three markets – agricultural, building and bulk grain –, Fernando Luís Simões gathered his children and told them: «This is what I know how to do. More than this is too complicated for me. If you want to own more trucks its up to you. I will be in charge if we have three trucks. If you want more I will give you my support but I won't be in charge».

In November 1968 TLS was legally set up as a private limited company with a typical family structure.

Now run by the sons, Leonel Simões, the oldest, and José Luís, TLS began to go for a position based on a market logic and not on a truck logic. In this phase the youngest brother, Jorge Simões, was not yet called on to participate as he was too young.

Behind the change of focus was the idea of flexibility and the use of subcontracting. At that time, like today, they already had the idea that they needed a light structure that could adapt to market fluctuations.

In 1972, TLS transported goods outside Lisbon, to the Algarve, for example. MN was still the company's driving force.

In 1973, it bought 14 trucks at an auction, after a company went bankrupt. Four of the fourteen trucks were used for their fleet; the rest were sold for scrap. In the second half of the seventies, the company was definitely showing signs of growing.

Between 1976 and 1979 it successfully distributed products of Tupperware brand, in spite of the difficulties experienced due to the lack of experience and the extent of the operation. This work would wind up to be abandoned because of a difference regarding the price of the service.

In 1977, TLS acquired equipment for transporting indivisible loads, to keep up with MN, and it started to transport special loads and to obtain spot services from a number of companies.

With the building of the oil refinery in Sines, and the problem of transporting heavy parts weighing several tons, TLS, although lacking the financial resources to buy suitable equipment, got three other companies to make the investment on its behalf, while TLS managed the moving equipment. This operation allowed a moderation in the cost of transport which, due to lack of equipment, was being charged at really exorbitant prices.

Thus, at the end of the seventies, TLS diversified its activity and gained in size and prestige nation-wide. In 1978, the company opened its branch office in Oporto. In 1979, in a process of showing a vision of the future, TLS started to computerise the company.

However, if, on one hand, the expansion was obvious, on the other hand, and due to a growth strongly based on MN, TLS experienced its first great crisis at the end of the seventies. With the payment problems MN had been having, there was finally a break in their business association, and 80% of the TLS now stood idle. The rest of the fleet was operating mainly with special loads.

Its excessive dependence on a single customer showed TLS's first great weakness. However, and learning from its mistake, the company concentrated its efforts on diversification in order to achieve a natural limitation of its sales volume to no more than 10% per customer, which is the case today.

At the beginning of the eighties the company grew, dealing with special transports, extra large items and heavy prefabricated pieces and the road transportation of loading and unloading bulk grain ships. However, its expansion was almost out of control, and thus, in 1983, TLS once again went through a serious crisis. Without liquidity, without the capacity to borrow and without a large market. Sales dropped more than 4% and the fleet was neither expanded nor replaced.

That is, if the company had managed before to learn the lesson that excessive dependence on one single customer was disastrous, later, during the first years of the eighties it came to the conclusion that an operation strongly concentrated on one field, which was still that of building materials, should also be avoided. Today, for example, although there is a strong tendency to operate the fast moving consumer goods industry, the different fields do not normally exceed, individually, more than 20% of turnover. The different situations and the opportunities that arise are sometimes the reason why, in the dynamics of expansion, desired figures are not always achieved.

Nevertheless, and for the second time, the company began the process of beating the crisis. Without losing its market vision, the company sought, in its organic, internal work, to solve the lack of capability and flexibility that, to some extent, was being felt on the outside.

It started by professionalising management, by hiring staff, who would bring added value, by negotiating payment terms with its bankers, by freezing salaries and imbuing everybody with a company culture that would make them fight for a common purpose.

In addition, it later asked its suppliers to extend their payment times, negotiated bank loans to buy a new fleet and to sow the company's seed in the neighbouring market, i.e., in Spain.

Thus, in 84 it achieved a 63% sales increase. In 1985 it got off the red line and in 1986 and 1987, while keeping investments down, bet strongly on restructuring and change. Horizons got wired, the company consolidated its position in the home market and in 86, now more conscious, it entered the Spanish market. These were the first steps towards the creation of LSE – Luís Simões España.

As it was a historically difficult market that no one wanted, with great disturbances, it turned out to be a true opportunity, but not without some teething troubles. However, it was vital to take advantage of the Community winds brought by the European Union and, with vision, to have faith in the abolition of frontiers and geographical proximity.

Also in 86 when TLS saw a law passed regulating rent-a-cargo activity, it became the first company to rent self-drive vehicles. From that moment on, the roots of RETA – Locação e Gestão de Frotas – were laid.

In 87 the mission of TLS, the mother company, was already clear: to be the market leader in 1993. It was from then on that it began to recognise the value of training and human capital. At the beginning of the nineties it was the acclaimed leader of the Portuguese market.

The sustained expansion of TLS led to the creation of several companies and to the founding of GLS – Grupo Luís Simões. Today GLS is formed by two road haulage companies – TLS and LSE – two companies renting industrial and tourist vehicles – RETA and TR – and a distribution and logistics company – DLS. Supporting activities are provided by a company making freight bodies – SOCAR – an insurance company – ILS – and a real estate management company – ILS.

EXPLORING THE GROUP

TLS – TRANSPORTES LUÍS SIMÕES (LUÍS SIMÕES TRANSPORTS): THE GROUP'S ANCHOR

The central business of the group has always been road haulage.

TLS is the historical, technical, operational and cultural root of the Group. It was through TLS that the Group reached the position it occupies today.

TLS specialises in road haulage both in Portugal and abroad, and manages all customers located in Portugal.

The whole group seems to agree that TLS continues to be a valuable asset and confers outstanding prestige on the other companies in it. In return, they provide TLS with specific know-how on emerging strategic activities that can create synergies of value to customers. Even recalling the past, in its essence the message is still the same: «TLS provides transport services, it does not rent trucks».

And for the Group to provide transportation services means to correctly interpret the customers' needs, to design the right technical solutions, to make the necessary resources available, to monitor performance and to be able to maintain the expected high quality level. Only then does the price become a variable valued by the customer.

TLS operates, in the field, from branches which, in Portugal, are located in the regions of Lisbon, Oporto and Algarve. A portfolio of customers is assigned to each one of these branches, which they manage. They are also responsible for managing traffic, allocated vehicles and drivers.

It is also the job of TLS to manage all customers in Portugal and flows in Portugal and from Portugal to other countries. Obviously, in transport to other countries, there is constant articulation with LSE – Luís Simões España – to ensure optimal use of vehicles, i.e., the idea is to reduce empty journeys on the different routes.

The operational sites serve as cross-dock platforms, where load groups are formed to be later sent to their destinations in full truck loads. In Portugal there are platforms of this kind at each branch.

The services provided by TLS include planning and control of full loads casuistically, the management of the fleets dedicated to specific services and the planning and management of closed loop routes.

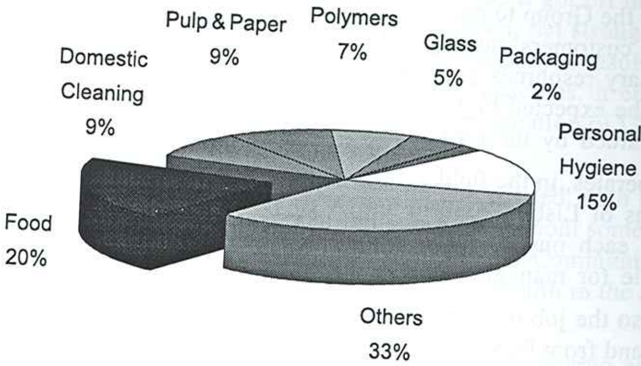
In addition there is the grouping of industrial lots, the planning and implementation of outsize load transports, the temporary storage of goods in transit, the tense flow supply to plants, following just-in-time philosophy, fleet transfers and outsourcing whenever capacity is not enough to respond to seasonal peaks.

In order to respond to this type of service, the TLS fleet has more than 1,000 vehicles, with advanced technologies and an average age of about 3 years. The diversification of the load capacity and size also contributes to the flexibility of the service. Thus, the TLS fleet includes isothermal, refrigerator and multi-temperature vehicles, double-decked box-trailers, city trailers and mega-trailers, as well as conventional and extendible platforms, specially adapted to the transport of indivisible outsize pieces.

TLS´s customers are essentially large national and multinational companies from different sectors, especially fast moving consumer goods, namely foodstuffs, drinks, hygiene and cleaning.

But there are also customers in the packaging, the automobile industry, pulp & paper, timber, metallomechanics and building materials. (see Figure 1).

Figure 1. TLS – Transportes Luís Simões Activity by Sector



TLS's sales volume has developed favourably. In 1996 turnover was 8,200 million escudos and 9,600 million escudos in 1997.

Although the importance of TLS's sales volume inside the group as a whole is significant, 56% in 1996 and about 50% in 1997, the increase in activity expected in Spain, through LSE, and the logistical activity through DLS, may cause this scene to change in the future.

TLS's human resources consist, today, of about 650 employees. While still focusing on the market, and due to it, one often hears the expression «people make the difference» as, both to TLS and the Group, the company's main assets are its human capital. A great investment has been made in developing a company and Group culture, and the investment in training, without recourse to any subsidies from EU, has been considerable even when compared with those of large multinational companies.

Right now TLS's most ambitious projects are focused on information systems, through the on-board communications and the systems to locating and pinpointing the position of vehicles.

Additionally, on-board information systems will also be important, as they will make it possible to manage the different performances: consumption, kilometres covered and times, load flow and driver productivity, among others.

Preliminary studies are also being made of EDI – Electronic Data Interchange – for communicating with customers about transport orders, confirmation of delivery and invoicing.

The company will also go on trying to expand by absorbing fleets owned by other companies and through the systematic use of outsourcing to increase the flexibility of services whenever advisable.

The company thus hopes to consolidate and enlarge its already clear leadership of the home market.

LSE – LUÍS SIMÕES ESPAÑA: THE INTERNATIONALIZATION OF THE GROUP

The most promising business in the field of road haulage is on LSE – Luís Simões España. For the Group, LSE is the expression of its growth, the flag of its internationalisation and the proof of its capability.

Although the company was only born, juridically, in 1990 and as a natural complement to TLS and the remaining companies, it was mainly because there was a clear need to improve performance for Spanish customers, as it was necessary to take advantage of geographical proximity and, later, of the abolition of frontiers.

In the flows of goods between Spain and Portugal, LSE is by far the leader. However, due to the fact that Spanish market is mostly formed by public fleets, frequently managed by atomised operators, LSE stands today among the ten largest Spanish operators.

The company has also become one of the few symbols representing what Portugal has managed to set up in Spain, and nowadays is a company widely respected in business circles.

On one hand, the success already achieved by LSE and, on the other hand, the idea that it is possible for LSE to aspire to leadership of the Spanish market, meant opening more and more branches. Madrid in 1990, Barcelona in 1993, Seville in 1995, Lugo, Vitória (Basque Country) and Valência (eastern Spain) in 1997. This is the consequence of the adhesion by national and international customers to the services policy developed by LSE. Operations are similar to the Portuguese ones, that is, a group of customers is assigned to each branch, which it is their job to manage, and they are also responsible for managing traffic, allocated vehicles and drivers.

The most urgent challenge is obviously centred on the Spanish market and on consolidating loads by grouping. Future fleet investments will certainly be channelled to the massive development of these business areas, which is vital to the strategic development of the Group in general and LSE in particular.

The option of overall cover all of territory is behind the efforts of each branch and attenuates some traffic imbalances frequent in some regions, and thus offers customers a global service.

It is thus LSE's responsibility to manage all customers in Spain, flows in Spain and from Spain. Flows from Spain have mostly been to Portugal (85%; the remaining 15% being to Italy, France, Benelux and Germany). Obviously in transport abroad, and as with TLS, in order to make greater use of vehicles, articulation with the Portuguese mother-company is permanent, i.e., the idea was to reduce empty journeys on the various routes.

The operational sites, now completely functional in Madrid and Barcelona, are being used as cross-dock platforms, where load groupings are done in order to be sent to their destinations in full truck loads.

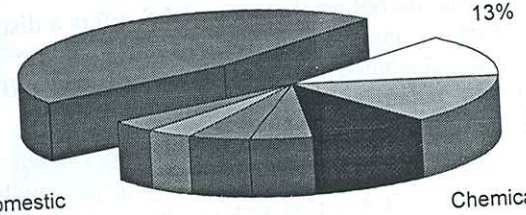
In order to be able to respond to these types of services, LSE's fleet has 40 lorries and 48 semi-trailers, with an average age of less than 2 years. Besides that, it has taken over the management of 250 vehicles of the Portuguese fleet, starting its facilities and with its destination Portugal.

In an attempt to meet the demands of the future, LSE together with the remaining companies of the Group, is restructuring all the information systems, incorporating new applications for commercial management, human resources and transportation, based on an Iberian network (intranet). All the branches are linked and the communications use X.25 lines.

LSE's customers are essentially large national and multinational companies from different sectors. Nowadays, the fast moving consumer goods industry, specifically hygiene and cleaning, food and drinks are more important. But there are also other customers, namely in the sector of tyres and domestic

appliances. No customer has more than 10% of the company's turnover.(see Figure 2).

Figure 2 – LSE – Luís Simões España Activity by Sector



LSE's sales volume has developed favourably. In 1996 turnover was 2,240 million escudos and in 1997 4,200 million escudos. The sales volume has grown 88% compared to the previous year and this is fundamentally due to the entry of new customers and also to the incorporation of the business generated by Vitória (Basque Country) and Valência (eastern Spain), which were being managed by TLS. That is, LSE's turnover already represents about 21% of the Group's turnover, with enormous growth potential.

The most ambitious projects, besides this restructuring, are also in the field of information systems, through the on-board communications and systems for locating and pinpointing the position of vehicles.

Additionally on-board computers will also be important, as they will make it possible to manage different performances of each vehicle: consumption, kilometres covered and times, loads flows and driver productivity, among others.

DLS – DISTRIBUIÇÃO LUÍS SIMÕES (LUÍS SIMÕES DISTRIBUTION):
THE GROUP'S LOGISTICS

DLS was established in March 1990. It had two main goals. On one hand this company was to complete the main activity of the Group, i.e., the road haulage, by providing integration services upstream and downstream from transport activity. On the other hand, it was necessary to enter the logistics market, or the integrated logistics market, which, in Europe, was already quite solid and had enormous growth potential.

With the company's evolution over this decade as a basis, and also the growing importance of logistical activity in the Portuguese market, DLS's evolution can be considered another bid for success by GLS.

DLS offers its customers four major types of services. A package of integrated logistics services (transportation, storage and delivery), distribution with cross-docking, a set of value added services (rework) and distribution throughout the Iberian peninsula.

The integrated logistics package includes primary transport, storage, inventory control, preparation of orders, physical distribution and delivery control.

To those customers who do not need storage, DLS offers a distribution service with cross-docking. Consignments for anywhere in the country are collected daily from the customer, and they are distributed and despatched from company facilities called logistical operations centres.

The value added services, commonly called reworking, include the reconfiguration of products and packages for despatch in the most suitable form for display at the point of sale. This set of services includes the operations of packaging, labelling, pre-assembling of parts, shrinking and creating promotional packs.

Finally, since 1996, through Iberian distribution DLS, together with LSE, provides a distribution service, in Portugal, of goods shipped daily from Spain. With this service it is possible to supply the Portuguese market, from Madrid, in 24 hours, and from Barcelona in 48 hours, thus eliminating the need to create inventories in Portugal.

These services are based at DLS logistical operations centres in Vila Nova de Gaia/Oporto and in Carregado/Lisbon, with an outside platform in Guia (Algarve).

The services that have customers have used most integrated logistics package and distribution with cross-docking.

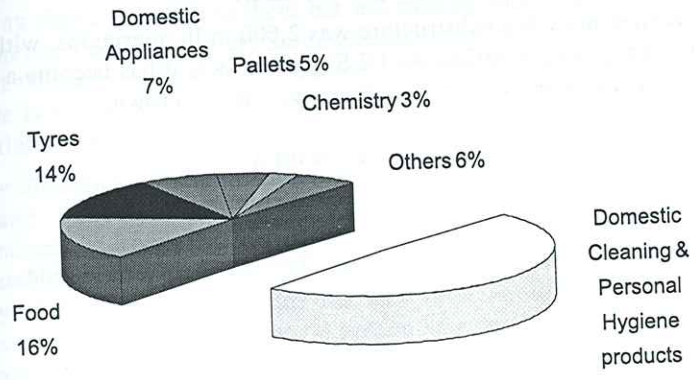
Its mission is to become the best and the most complete logistical operator in the country, by constantly innovating, by focusing on training and improving technology, to establish the best and most stable partnerships with its customers.

It stands out from its competitors thanks to investments made, allowing multi-customer and multi-product operations, from its own facilities with installed capacity and human resources that beat those of the remaining operators.

In all, the company has 45,000 pallet-slots at room temperature, 2,160 square meters at controlled temperature and 80 boarding docks.

DLS has more than 50 customers in a number of different sectors. The most significant one is hygiene and cleaning, followed by food, tyres and domestic appliances. For example, DLS provides services to Procter & Gamble, Colgate, Reckitt & Colman, Arbora, Ausónia, Gillette, Triunfo, Nacional, Compal, Danone, Lusitana, Vileda, Michelin, and Merloni among many others. (see Figure 3).

Figure 3. DLS – Distribuição Luís Simões Activity by Sector



In 1996 DLS's sales volume were 1,700 million escudos and in 1997 2,200 billion escudos, representing a 29% growth.

The consolidation of activities at the logistical operations centre at Carregado, which opened in 1997, as well as the consolidation of the centre at Gaia, which was expanded in 1997, are priorities for DLS.

DLS's most ambitious projects are logistical activities at the customer's facilities, the management of customer's inventory and the natural expansion of its activities to the Spanish market.

Today the company has 230 employees. The team is young and the average age is around 30.

However, the next big step will be in information systems, where it is necessary to integrate the two existing systems, each of them supporting different applications, and to make substantial investments in integrated technologies (hardware and software) able to communicate with customers via EDI.

For all intents and purposes, COL Carregado – Logistical Operations Centre at Carregado/ Lisbon – is DLS's visible face.

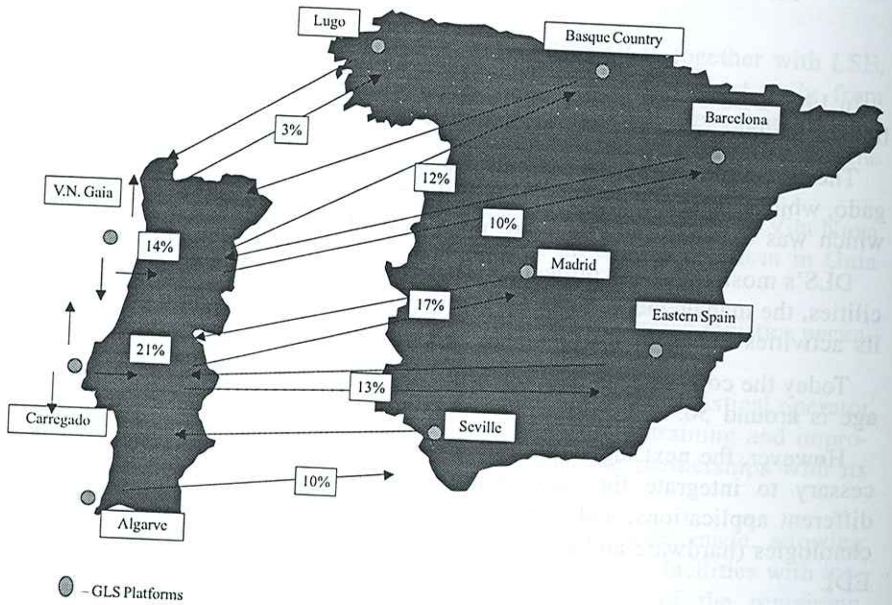
COL Carregado has a whole area of 30,000 square meters, with 26,000 pallet-slots (standard racks), 50 loading/unloading docks with levelling platforms, parking places for 100 heavy vehicles and 200 passenger vehicles, controlled temperature area (above freezing at +5°C to +15°C) with 2,160 square meters and 1,600 pallet slots (standard racks), as well as a rework area of 620 m^2.

COL Carregado is designed for products belonging to the field of fast moving consumer goods, namely food, hygiene and cleaning. One of the main vectors of the centre's logistical activity is the level and diversification of the services it can offer, in opposition to the philosophy of the service provider with operations dedicated to a single customer.

The investment in this substructure was 2,600 million escudos, with an expected 10 year payback period. As DLS' visible face, it has become a symbol of the Group itself and is, in fact, the jewel in the crown.

PHYSICAL FLOWS IN THE IBERIAN PENINSULA: APPROXIMATE SITUATION

Figure 4. GLS's Major Physical Flows in Iberian Peninsula



MARKETING: HOW TO SELL LOGISTICS?

Luís Simões Group employs around 800 people, its main asset. Every day it manages the movements of more than one thousand vehicles that yearly travel about 52 million kilometres, and 2 million tons a year.

The Group regards transports as perishable, i.e., as having a limited existence in time, as intangible, i.e., immaterial and ephemeral, not ownable, that is, using them, negotiating them but not owning them. With transports, production and consumption are simultaneous (servuction principle). People are part of the service. Quality is measured in real time, at the exact moment the service is being used. This means that the Luís Simões Group's marketing is essentially the marketing of services.

The differentiating factors, that the customer appreciates most, are the quality and frequency of the service, travel time, punctuality, regularity, information, the degree of service integration along with its flexibility, safety, cost and the reliability of the whole Luís Simões universe. These factors apply to any of the Group's companies that, as a whole, must know how to work towards satisfying each customer's particular needs, necessarily basing each approach on the difference that people make.

Thus, the marketing goals of the Group are based on a number of variables to be remembered.

First, integrated and reliable services, meeting deadlines, with high flexibility in relation to fluctuations in demand, based on fast-response information and telecommunication systems and high performance in reaction to stimulus.

Secondly, costs determined by activity and customer, while monitoring competitors' prices and positioning services in relation to the price variable, in terms of the casuistic value effectively added.

Thirdly, physical proximity to customers, to the market, for high coverage and fast response. The goal is the effective integration of physical and computerised flows towards high levels of service.

Fourthly, a brand, a name, a symbol, LS, high profile, with corporate identity, safe and omnipresent.

Last, but not least, people. Together and individually. With the purpose of gathering together a group of professionals imbued with the same culture, the same willingness to learn, the same humility and a spirit of a great solidarity and co-operation. Training plays, and will always play, a central role in this process.

ENTERING THE DYNAMICS OF STRATEGY-STRUCTURE

STREAMLINING AND RESTRUCTURING: THE FUTURE THAT HAS ALREADY STARTED

In November 1996, GLS created a holding company called LS Luís Simões SGPS, S.A., with an equity capital of 3,330 million escudos. The formal creation of LS Luís Simões SGPS, S.A., responds to the growing need to encourage synergy among the different companies of the Group, by creating a centre for the great strategic decisions and bringing the different common services together in one unit.

Savings in taxation, centralised management of shareholdings and the possibility of rendering integrated services to the participants, are the main reasons for the creation of LS Luís Simões SGPS, S.A.. It was a way to make this fast-growing Group more coherent, with centralised management, seeking potential economies of scale.

The reorganisation of the management also favoured a system that will multiply activities from below, to make growth more horizontal.

Thus, the Group appoints managing directors for each one of its companies, giving them more autonomy and capability to focus on the business and the market, releasing them from distinctly organisational functions like information systems, financial management, human resources or others, which were put under corporate departments. The conviction existed that a greater horizontal growth, in the current state of development of the Group, was only possible with a model of this type.

This was the second great restructuring of the Group, as the first one occurred at the end of the eighties, when the different activities of the TLS universe were juridically and executively individualised. It was then that LSE, DLS, SOCAR and LUSISEG were born. The first goal was the need to segment global activity in order to be able to evaluate the Group's businesses individually. At that time, for instance, the conclusion was soon reached, that fleet maintenance had too much weight and that it was not a suitable business for the Group. By adopting preventive fleet maintenance the average age of the fleet was gradually reduced, and it dropped from 8 to 3 years. But not without considerable investment which still goes on today.

The most recent reorganisation showed the Group that information systems would be the next big challenge. Or rather, the need for information systems also contributed to the reorganisation, meaning that the movement is circular and both aspects are linked. The substructures necessary to the growth of physical flows are there; right now information and telecommunication systems to support that growth and better control those flows are needed.

With this restructuring, there was now corporate responsibilities for the information systems started, at the level of the Group. This aspect led to greater homogenisation of all the systems and packages used. Today a route has been

taken in terms of information and telecommunication systems, going from more operational aspects, like cables, to forming an intranet within the Group.

The infrastructures of this movement have thus been laid, and for example the road haulage management tool – traffic management, maintenance and integrated commercial management – has been scheduled, as well as the need to develop telecommunications with vehicles. Today GSM is used internationally and the radiomobile/trunking is used in Portugal.

The road the company takes, whatever the specific solutions may be covered in search of solutions to integrate the movement of goods, regardless of the company processing them. In other words, looking for systems that, by means of bar codes can use optical scanning to indicate the different stages in the physical flow of goods until delivery is confirmed, in real time, by the consignee/customer.

Now, for example, it would be desirable for DLS to integrate the warehouse management package with the distribution package to maximise control of physical flows. On the other hand, with DLS already operating with variable costs per activity, it would be interesting to be able to advance to its more accurate imputation to the customer, in terms of invoicing. This aspect of fine-tuning lacks computerised support, a problem that still has to be solved.

We must say that though the future has already begun, there is still a long way to go. And the near future is focused on the challenge of information and telecommunications systems. An area where the next big investments will probably be made.

QUALITY AND PRODUCTIVITY: A ROUTE FOR GLS

In the hotel, where the «open door» meeting was such a success, one of the several operations of interest for the Group was debated. An example that affects the Group and its major companies. Where LSE, DLS and TLS compete in order to achieve a goal called Philips.

Everyday Philips Barcelona (Spain) receives a Luís Simões vehicle to load light bulbs. Sometimes also batteries. The daily consignment is not enough to bring a full HGV (33 Euro-pallets) to Portugal.

Thus, the grouping is done in Barcelona at LSE's operations platform and the load is divided into that going to North and South of Portugal. Together with other loads, in order to reduce empty journeys, two vehicles leave Barcelona around 19h00 on day i arriving in Lisbon and Oporto around 14-15h00 of day i+1. Each vehicle has two drivers. The first destination of both vehicles is COL Gaia or COL Carregado, where the goods arrive «in the rough».

Until 19-20h00 of day i+1 the picking of the goods per customer is carried out, whether it is a big hypermarket or a small lighting shop. The operation at DLS is typically done by cross-docking. On day i+2 the *goods are distributed to the customer. The lead-time for the physical flow is no more than 48 hours. A customer who sends his order to Philips Portugal on day i receives his merchandise on day i+2 anywhere on the coast (Nielsen zones I, II and III). Inland there are cases of reception on day i+3.*

After the participants had debated the example and gone into some of the details of the operation, they then discussed a possible exchange of ideas. They would naturally ask APLOG – Associação Portuguesa de Logística – for support in organising future meetings between third party providers, where they could share experiences. GLS set the example that day. This type of initiative, which is still very limited in the Portuguese market, should be used more often. The gauntlet has been thrown down.

Costa Faria, Director of the Group's New Processes, Products and Services Division, stressed that the Group is always ready to adopt new projects and does not balk at more daring initiatives, like a chain of refrigerated storage, extending DLS's activities to the Spanish market, studying more dedicated solutions implying volume, operations and management on customers' premises, or even, when the customer and the Group are ready, effective inventory management and not inventory control. «As for the competition, we will only fight them directly when it is in our own interest. When we are fighting for a good customer or a good project. But specially for a good project».

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