LOAD MASTER TRUCKING CORPORATION

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Executive Summary

Trucking service is a booming industry here in the Philippines. It is highly in demand because of the several products that are being distributed across the country which need trucking services for the supply-chain, from raw materials up to distribution. Load Master Trucking Corporation (LMTC) was established in year 2000, with the primary purpose of engaging in land transportation in conveying goods and merchandise to any place in the Philippines.

One major concern of LMTC is its 35 trucks, fully operational, and used in full capacity. The company can no longer meet the demands of its sister companies. In fact, it contributes only up to 52.39% of the combined trucking service payments of Premium Feeds and Feedmix Specialist.

Another main concern is that the company has been experiencing an increase in the cost of fuel as against the total cost of service component. It has no proper system to monitor the actual conveyance of goods. As revealed by the Value-Chain Analysis, the company is prone to higher cost due to top absence of this system.

The Internal-External Factor Evaluation showed that the company is performing above the average in its industry. In the course of the analysis, the researcher recommends that LMTC expand its operations by acquiring four additional units of trucks from year 2018 up to 2012. The company must also invest in putting up its exclusive diesel refilling station and in the use of Global Positioning System (GPS).

With the right planning and implementation of the proposed strategies, through hard work and dedication of the employees from the upper management down to the drivers and helpers, LMTC will be able to optimize its operations and eventually enjoy bigger returns for its shareholders' investments.

INDUSTRY ANALYSIS

Economic Characteristics of Logistics Industry in the Philippines

The Medium Term Development Plan 2011-2016 recognizes the need to address the Philippines' infrastructure backlog and cites as a priority the creation of an integrated and multimodal national transport and logistics system. For road transport, working towards a more efficient transport network would mean connecting underserved rural areas with markets in expanded logistics chains.

Internal logistics activity in the Philippines is considered to be relatively small compared to Association of Southeast Asian Nations (ASEAN), and the government sees this as an opportunity

to spur the growth of MSMEs (Micro, Small and Medium Enterprises) by linking them to global supply chains through better transportation and logistics infrastructure. There are plans to construct new railway lines and extend existing ones through public-private partnerships.

In 2014, the World Bank reported a lower logistics performance index (LPI) for the Philippines, 57th out of 160 countries, down from 44 out of 155 countries in 2010. The country trailed ASEAN nations such as Singapore, Malaysia, Thailand, Vietnam, and Indonesia in 2014.

The logistics sector – part of transportation and storage under the Philippine Standard Industrial Classification (PSIC) – contributed 6.1% to the country's total gross domestic product during the third quarter of 2014. The sector's impact on economic growth is certainly extensive considering logistics cost. According to the Department of Trade and Industry (DTI), this accounts for 24% to 53% of the wholesale price of goods in the country.

"A more efficient transport and logistics system can better serve the international market, raise the country's competitiveness, and enable local industries to take full advantage of a healthy economy," Department of Trade and Industry (DTI) Secretary Adrian S. Cristobal, Jr. said during a recent meeting with the major players of the transport industry. The meeting was attended by the members of the United Port Users Confederation of the Philippines, Inc. (UPC) and the Philippine International Sea freight Forwarders Association (PISFA).

In a study entitled "Philippines Transport and Logistics 2015," it was revealed that "if policy reforms were done to invite investments by manufacturers together with the support of more investments, especially from the private sector in infrastructure, there will be a rise in demand for contract logistics and forwarding " (Abad, 2015, p.1).

Logistics business may also be improved further by the free-trade options, as the economies of the 10 member-states of the Association of Southeast Asian Nations begin to integrate and current restrictions on trade and migration are removed or reduced (*BusinessMirror,* 2016).

Trucking Services in Luzon and NCR: The Market Field

Out of 23,807 units of registered "for-hire trucks" reported by LTO and LTFRB in 2015 for the entire Philippines, 12,759 units are accounted for Luzon and NCR. These areas of registration are the main source of raw materials for procurement and main destination for distribution of finished goods and other commodities.

Table 1 shows that NCR has the highest number of registered for-hire trucks probably because of the ease and accessibility of registration in Metro Manila, being the central office for LTO and LTFRB. On the other hand, Region 3 ranks second because it is in Luzon wherein production of raw materials for plants and distribution of finished goods to end users and distributors are highly abundant. Also, because it is highly accessible to all destinations, many businessmen are encouraged to put up a trucking company in the region.

Table 1

Breakdown of For-Hire Trucks per Region

NCR	CAR	Region 1	Region 2	Region 3	Region 4	Total
9,195	18	465	439	1,820	822	12,759

Analysis of the Industry Using Porter's Five Forces Model

Bargaining power of suppliers (high). The most important thing to consider in a logistics or trucking company is the movement of price of petroleum products especially the diesel, which is definitely volatile. Diesel, being the life blood of trucking operations and its major component of supply, must be well monitored and controlled by the management of the company. However, there are only three major suppliers of fuel here in the Philippines. These are Shell Petroleum Corporation, Petron Corporation, and Chevron Philippines, as against many trucking companies. This is why diesel prices are controlled by the fuel providers rather than bargained by the trucking firms.

Bargaining power of consumers (moderate). There are many manufacturing plants and agricultural cooperatives in Luzon that need third-party trucking services. In short, there is a great demand for trucking services in the region. Some of the industries that need third-party trucking services are rice and corn mills, animal feed mills, cement plants, livestock farms, steel suppliers, and so on. The Premium Feeds Corporation, Cargill Philippines (Purina), CJ Feeds, New Hope Agriculture, Hoc Po Feeds, Feedmix Specialist, Inc., Santeh Feeds, Steel Frame Corporation, Holcim, and Eagle Cement are some of the big companies in Region 3 engaged in trucking services outsourcing.

Potential entry of new competitors (high). Based on the researcher's interview with Mr. Alex Go (Operations Manager of Load Master Trucking Corporation), it was pointed out that putting a trucking company nowadays is somehow easy. Having the right capital requirement to purchase second-hand trucks amounting to Php500,000 or lease a brand new unit through financial institutions amounting to Php2.5M at the minimum is enough. Afterwards, the truck owner has to register it with LTO and secure a franchise from LTFRB. He/she has to apply to the Bureau of Internal Revenue (BIR) for permits and other local government business permits. Finally, contracts can be entered as trucking service provider.

Some small-scale truck owners in the local community may also increase the competition within the industry because of ease of establishing a trucking company. They can also offer lower prices due to limited regulatory requirements compared to big trucking companies. With these facts, the researcher can say that the potential entry of new competitors in logistics trucking services industry is *high.*

Potential development of substitute product (moderate). The development of substitute products in this industry can be attributed to the following:

The customers will switch into other modes of transportation such as rail and air transportation. The researcher believes that it is low because the market scope of trucking service providers is within Luzon where road transportation is more convenient and less costly compared to other means.

The customers will invest in their own delivery equipment. The researcher believes that the threat is moderate because some big manufacturing companies and other businesses can invest in their own in-house transport facility to take advantage of cost of distribution of products.

Rivalry among competing firms (high). Several big and small trucking companies are competing with each other in the region. Their head-to-head competition is brought about by advantages in pricing scheme, their ability to respond quickly to the need for service of the customer, the availability of truck units, the loading capacity of each truck, and the timeliness and accuracy of delivery of goods.

Pricing is one of the major factors in this industry because most of the customers are looking for low-cost service providers to increase their profit margin for a particular transaction.

The ability to respond quickly to the needs of customers, the availability of truck units, and the loading capacity of trucks are also highly valued in this industry because the demand for the delivery of different products is unpredictable, and such must be on-time.

Conclusion of Industry Analysis Based on Five Forces Model

After analyzing the logistics business specifically in the trucking services industry in Regions 3 and 4 using the Porter's Five Forces Model, the researcher can confidently say that the industry is quite encouraging to engage in. Even though the bargaining of suppliers is *high*, the bargaining power of consumers is *moderate*, the potential entry of new competitors is *high*, the potential development of substitute products is *moderate*, and the rivalry of competing forms is *high.* Businessmen are emboldened to enter the business because of the high demand for trucking services by manufacturing plants and agricultural cooperatives in the area. Given the fact that the competition is fairly high in this industry, businessmen may formulate strategies and techniques in order to establish competitive advantages over their competitors. To conclude, the researcher can positively say that the industry is quite attractive and it is a great avenue for operations and investments.

Opportunities and Threats

Opportunities

Possible production expansion of customers. It has been noted in the previous section that the products mainly transported by trucking service providers are rice, corn, livestock, animal feeds, cement, gas and oil, and other agricultural products. Evidently, those products are in high demand; that is why, many manufacturing firms are expanding their production of finished goods. One proof of said expansion is the increase in the production of Premium Feeds Corp. and Feedmix Specialist, Inc.

The expansion of PFC and FSI in the previous year's provides evidence that trucking services industry is quite appealing to invest in. In a broader point of view, the researcher can say that there is a parallel connection with regard to growth between the manufacturing companies and the trucking service providers in the region; thus, this study believes that there is an opportunity for growth in logistics trucking services brought by the expansion of their customers.

Borderless trade brought about by ASEAN integration. Another opportunity is the opening of the gates toward the borderless trade in the ASEAN nation. With this, trucking service providers are one of the main beneficiaries of the borderless trade because increase in sale transaction means also an escalation in the delivery and transportations of goods and merchandises especially in year 2020, wherein analysts foresee that there will be a boom in the logistics sector starting 2020.

Nearby towns with manufacturing plants (new customers). Along with the expansion of activities of customers, there are also on-going construction projects of manufacturing plants in Bulacan and in Pampanga. These are the expansion of New Hope Feeds Company in San Simon, Pampanga and also the construction of garments and sewing factory in Pulilan, Bulacan. The two factories may bring opportunity to trucking service providers to do business with them and it may add additional source of profits for the trucking service providers.

Increase in supply and demand for basic commodities that need trucking services (local cooperatives). Aside from manufacturing plants, another customer of trucking service providers are the cooperatives, farmers, and small and medium enterprises that hire third-party logistics companies to carry and deliver their crops and agricultural products to the market. Demand for agricultural products including lumber, coconut, sugarcane, rice, and corn are continuously increasing brought about by increasing consumer population in the Philippines. Based on Census 2015,

there was an increase of Php8M in population from 2010 to 2015, which is why demands for basic commodities and logistics trucking services for its delivery across the regions are also increasing (Philippine Statistics Authority, 2015).

Threats

Expansion activities of the direct competitors. On the previous section, we have discussed the opportunities and benefits of the activities for expansion of customers. On the other hand, there is also a threat in expansion activities of direct competitors. As mentioned earlier, trucking services business is quite appealing to businessmen because of its high demand. In fact many of them are encouraged to expand their business in order to generate additional revenues for their shareholders. With the additional capital requirement of Php500,000 to Php2.5 million, one can acquire an additional unit of truck for operations and may compete in the given industry.

To sum it up, this threat could happen but the role of LMTC management is to take necessary actions to become more competitive and maintain a better market position in this industry.

Review about phasing out of 15-year old trucks by LTFRB. On May 2015, LTFRB has issued a resolution implementing a policy for Non-Confirmation Year (NYC) to trucks with 15 years of age and above. Consequently, truck owners and operators made an appeal to abolish the said resolution because it greatly harmed their business dealings and compromised their source of income.

In the same month and year, LTFRB suspended the implementation of the resolution to phase out 15-year-old trucks and above. They issued a new policy to meet the demands for goods and merchandise in the region while still planning to manage the traffic congestion in the cities and the clogs in the sea ports. The new resolution states that trucks 26 years old would only be allowed to use their franchise for a year, 21-25 years old for 2 years, 16-20 years for 3 years, 11-15 years for 4 years and 10 years or less for 5 years. With this new resolution, the stress and anxiety of truck operators got lessened, and they are now able to renew their franchise and registration in the same year.

Proposed excise tax reform for automobiles and petroleum products by the government (House Bill 5636). In the previous meetings of Senate Committee on Ways and Means, there was a discussion about House Bill 5636 or the Tax Reform Acceleration and Inclusion (TRAIN). The meeting was attended by representatives from legislatures, Department of Finance, and various agencies.

Reforming the excise tax system aims to lower income taxes and make up for the consequent revenue losses by plugging tax leakages, limiting Value Added Tax (VAT) exemptions and adjusting excise taxes on fuel, among other measures (DOF, 2017).

Entrance of new trucking service providers in local communities. Same with the threats of expansion of direct competitors, individuals and proprietors in small-medium enterprises in local communities may easily move in to the trucking service industry. With one or two units of registered for-hire trucks, and bargaining in lower rates, they can now enter to the industry and get a market share against the existing trucking service provider of their target customers.

Table 2

External Factors Evaluation (EFE) Matrix

Key External Factors	Weight	Rating	Weighted Score
Opportunities			
Possible Production Expansion of Customers	0.140	4	0.560
Borderless Trade Brought About by ASEAN Integration	0.140	4	0.560
Nearby Towns With Manufacturing Plants (new market)	0.110	3	0.330
Increase in Supply and Demand for Basic Commodities	0.110	3	0.330
Threats			
Expansion Activities of the Direct Competitors	0.120	3	0.360
Review: Phasing out of 15-year Old Trucks by LTFRB	0.140	3	0.560
Proposed Excise Tax Reform: Diesel Prices	0.140	3	0.560
Entrance of New Trucking Service Providers (local)	0.100	3	0.300
Total	**1.000**		**3.560**

Conclusion of Industry Analysis Based on Opportunities, Threats, and EFE Matrix

After performing an industry analysis based on Opportunities and Threats, Load Master Trucking Corporation recorded a total weighted average of 3.56 on its External Factor Evaluation (EFE) matrix, which means that the company is doing well in response to its imminent opportunities and threats. This is also a good indication of flexibility in utilizing opportunities and an indication of resiliency when threats transpire. Moreover, even threats of expansion of direct competitors, the phasing out of aged units, the excise tax reforms, and the entrance of new competitors will be overpowered by the opportunities of expansion of customers. The borderless trade in ASEAN coalition, increase in supply and demand for basic commodities, and the on-going construction of manufacturing plants as new market for services will then be well-managed. To conclude, the researcher can say that LMTC is a great venture for doing business and may be considered as investment.

COMPANY ANALYSIS

Salient Features

Company profile. Load Master Trucking Corporation (LMTC) is a member of Uy's Group of Companies located at 798 Maharlika Hi-way, Dampol 2nd-A, Pulilan, Bulacan. It was established on July 26, 2000 with the primary purpose of engaging in land transportation in delivering and carrying passengers, goods, and merchandise within any place in the Philippines.

The management of Load Master Trucking Corporation is headed by one of the incorporators, Mr. Jerry J. Uy, the president and CEO of the company. The chain of command is followed by the line managers in different fields; followed by the supervisory

positions; and lastly, the front liners. The management of LMTC is quite simple compared to other companies, yet the expertise of employees in their areas of specialization has been observed. In addition, guidelines and policies on standard operating procedures of the company is strictly implemented by the management.

The marketing side of LMTC has not yet been given importance or applied because the only customers of LMTC are exclusively the members of Uy's group of companies.

In addition to the management framework, LMTC has also 35 direct-hired professional drivers and six well-trained automobile mechanics for its operations. On the other hand, 70 persons account for truck helpers – (pahinante) and are being outsourced from Top Link Manpower Agency in Pulilan, Bulacan (Load Master Trucking Corporation's Company, 2016).

Services offered. Presently, Load Master Trucking Corporation (LMTC) is engaged in trucking services for inbound logistics as support for procurement of raw materials such as bags of corn and wheat and outbound logistics for the distribution of finished goods such as different kinds of animal feeds products in any reachable area within Luzon.

The company has 35 units of for-hire trucks based in Dampol 2nd-A, Pulilan, Bulacan near animal feeds and food processing manufacturing plants, and also beside the entry and exit points of North Luzon Expressway. Due to LMTC's advantage on its geographic location, it has been noted that LMTC has its competitive advantage with regard to timely loading and unloading, receiving and dispatching, and also an advantage on cost of travel time and diesel products over its major competitors which are God's Favor Enterprise located in San Luis, Pampanga; Medsan Enterprises in Calumpit, Bulacan; and ER Logistics in San Rafael, Bulacan (Load Master Trucking Corporation's Company, 2016).

Current customers. Being a part of Uy's group of companies, Load Master Trucking Corporation's primary customers are its sister companies, namely:

Premium Feeds Corporation (PFC). It is a manufacturing corporation involved in the production and trading of animal feeds particularly for poultry and hog raisers. The commercial business of selling animal feed products is done within the areas of Luzon. PFC plant is located also in Dampol 2nd-A, Pulilan, Bulacan and is being serviced by 30 units of for-hire trucks of Load Master Trucking Corporation for its procurement and distribution.

Feedmix Specialist Incorporated (FSI). It is a manufacturing corporation engaged in the production and supply of aquatic animal feeds for fishery businesses. FSI is also located along Dampol 2nd-A, Pulilan, Bulacan and being serviced by five units of for-hire trucks of Load Master Trucking Corporation for its procurement and delivery of finished goods.

For South Luzon areas, it is clear that LMTC trucks have to pass through Metro Manila before reaching the specific destination of the shipments. However, to avoid heavy traffic congestion and truck ban on the said area, LMTC management schedules the delivery trips from 10:00 p.m. onwards to avoid such heavy traffic occurrence and expenses on penalties of truck ban.

There is a minimal price competition among major players in the trucking service industry in this area because manufacturing plants are bargaining with the trucking sector in order to have low-cost price on the delivery of their products. On the other hand, trucking service providers are competing as to bulk number of bags of goods, higher number of trips per destination point, the timely and responsiveness to the need of trucking services, and the scope of geographical areas covered by their operations.

Load Master Trucking Corporation's transport prices are partly based on the competition among the trucking service providers in the region. However, the exact transport prices of LMTC were established from the total cost of delivery analysis, expense ratio, allowances, and mark ups for profit margin.

Stages of Operations

Scheduling of trips/truck assignments. It is the first stage of operation of LMTC in which the Logistics Supervisor (LS) of the company communicates with the Customer Sales Distributor (CSD) of Premium Feeds Corporation and Feedmix Specialists Incorporated to know the names of the customers, their location, the name of the products, and quantity of goods to be transported. Afterwards, Logistics Supervisor assigns the appropriate truck for such specific customer demand, prepares the corresponding trip ticket, and advises the drivers and helpers with regard to the trip requirement. There is no cost incurred at this stage except for the salary of Logistics Supervisor.

Loading of products. After the trucks, drivers, and helpers have been designated in particular shipments, the driver must go to the load out zone of PFC and FSI for the proper loading and checking of products. There is a minimal cost of diesel as well as the labor for new drivers and helpers.

Delivery of products. This task entails the most costly travel since a high volume of diesel is consumed. Moreover, it includes toll fee expense payments, manpower labor cost, depreciation expenses on transportation equipment on hours of usage, and much travel time spent. Increase in cost at this stage is due to severe traffic congestion. Penalties, side trips of drivers and helpers, and other unnecessary actions or some unavoidable circumstances, like accidents, may happen during travel time.

Unloading products to the destination point. This is the fourth stage where goods and merchandise are distributed to the end users with proper receiving and documentation process. Same with the loading stage, the only cost here is the manpower labor cost.

Reverting back to the home base. Similar to the stage in the delivery of the product, this is another costly stage. Among the expenses incurred are high volume of diesel, toll fee payments, manpower labor cost, depreciation expenses on transportation equipment on hours of usage, and the travel time spent. Increase in cost at this stage is due to severe traffic congestion, side trips of drivers and helpers, and some unavoidable circumstances may happen during travel time.

Preventive and corrective maintenance. The last stage of the operation is the submission of reports by the drivers. This report includes any unusual experience or finding regarding the condition of the truck that he has currently driven in order for the mechanic to make the necessary repair or maintenance. Trucks that have not been used for delivery purposes are still given periodic preventive maintenance to avoid machine failures whenever they are needed. *Cost* refers to repairs and maintenance supply for spare parts and consumable items, the repairs and maintenance labor for other mechanic jobs that need specialization, and the manpower labor cost for the in-house mechanics (Load Master Trucking Corporation's Standard Operating Procedures, 2015).

Conclusion of Company Analysis Using Value Chain Analysis

After doing the Value Chain Analysis, the researcher can say that some stages in the operation of Load Master Trucking Corporation have weak points and are in need of keen monitoring in order to control their drivers and teach them to become more cost

effective and efficient. The said stages are the delivery of product stage and reverting back to the home base stage where the management has no control and proper monitoring of the trip route of the transportation. These stages give a chance to drivers and helpers to have side trips and other unnecessary actions done. Consequently, lack of proper monitoring during these stages may result in additional cost of diesel, toll fee expense, manpower labor cost, repairs and maintenance labor and supplies, and other consumable parts like tires. Also, aside from and increase in cost and expenses, the opportunity of having double trips in a day may be hindered by unnecessary and prohibited activities of the drivers and helpers.

Transportation Supplies Inventories

LMTC's Transportation Supplies Inventories (repairs and maintenance) posted an increase of 100% or Php10.5M and 69.51% or Php 7.3M during 2015 and 2016, respectively. This happened because in 2015, LMTC started to continuously expand its business operations in response to the increasing demands for animal feed products to Premium Feeds Corporation and Feedmix Specialist Incorporated. LMTC experienced heavy logistics operations during those years which caused most of the transportation equipment to encounter engine trouble. Since PFC and FSI rely heavily on the trucking services of LMTC, the management of said firms were able to avoid opportunity cost (loss on feeds sales -- PFC/FSI and loss on service revenue--LMTC) in their daily operations, such as when the said transportation equipment had been found defective. From there, LMTC's management established a supplies inventory system in which immediate rectification and corrective maintenance of defective trucks became available anytime.

Strengths and Weaknesses

Strengths

Affiliated to four big manufacturing companies in Pulilan, Bulacan. As mentioned earlier, LMTC is affiliated with Premium Feeds Corp.; Feedmix Specialists, Inc.; Foster Foods, Inc.; and Fisher Farms Corporation, which are operating near the home base of LMTC in Pulilan, Bulacan. With this affiliation, sister companies provide a sure market platform for trucking revenue for LMTC.

Highly accessible location near the customers and NLEX. As cited in this paper, LMTC has a competitive advantage over other trucking service providers because its home base is situated near different manufacturing plants. Moreover, the company is beside the entry and exit points of North Luzon Expressway (NLEX) which is the main route that interconnects different provinces in the region.

Increasing profitability rate and growth rate. Based on the financial statement analysis using financial ratio, LMTC posted an increase in profitability ratio with regard to gross profit margin which has a percentage of 3.49% and 5.15% in 2015 and 2016, respectively. Net profit margin also shows a slight but steady increase of percentage in 2015 and 2016. In addition, the company gained an increase in service revenue and net income in 2016. This is a good sign, which shows that the company is increasing in financial performance. This could result in attracting more investors/ investments and creditors toward future expansion.

Strong relation with banking institutions as supported by sister companies (BDO, China Bank, and Metrobank). Since LMTC has four big sister companies, financial institutions are not

too strict with the company regarding its loans for the acquisition of additional transportation equipment. Moreover, the strong financial relation to banks brings low interest rates on the amount borrowed.

Weaknesses

No system is used to monitor the actual conveyance of goods (GPS). Based on the value chain analysis, LMTC has no proper monitoring system such as Global Positioning System (GPS) during the actual conveyance of goods and in reverting back to the home-base stage. Without this system, the company might suffer incurred costs during a specific trip which could hinder double trips in a day. Thus, the application of GPS could incur additional cost to LMTC amounting to Php24,500 per month (35units x Php700), but installing and utilizing such system would be a great means of controlling major costs of the business.

Uncontrollable costs due to the attitude of drivers and helpers. In connection with the findings of Value Chain Analysis where no system is used to monitor the actual conveyance of goods, the root cause of the company's uncontrollable cost on diesel consumption, repairs and maintenance, and manpower labor cost is the attitude of drivers and helpers toward work. LMTC has a minimal requirement in the recruitment process of direct-hired drivers and agency provided helpers. These people have less commitment in the attainment of long-term goals of the company. This would be a disadvantage since the current measure of the conveyance of goods is the estimated travel time posted in the internet and/or the historical travel time based on the previous trip documents.

Incomplete administrative staff to manage the cost efficiency of trucks. The management also needs additional staff to monitor the cost effectiveness of each truck to ensure the profitability and appropriateness of registration of such unit. Since the current general accounting department is merely focused on billing, payables, spare parts inventories, and taxes of the company, it is imperative to hire additional staff for cost accounting.

Table 3

Internal Factors Evaluation (IFE) Matrix

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
Affiliated to 4 Big Nearby Manufacturing Companies	0.150	4	0.600
Highly Accessible Location near Customers and NLEX	0.130	4	0.520
Increasing Profitability and Growth Rate	0.130	3	0.390
Strong Relation with Banks as Supported by Affiliates	0.100	3	0.300
Weaknesses			
No System Used to Monitor the Conveyance of Goods	0.150	1	0.150
Uncontrollable Cost Due to Drivers and Helpers	0.120	2	0.240
Incomplete Staff to Monitor the Cost Efficiency	0.120	2	0.240
Lack of Promotional and Advertising Activities	0.100	2	0.200
Total Weighted Score			2.640

Lack of marketing strategies such as the use of printed materials and advertisements. Since LMTC is anchored on its sister companies, there is a sure market for the company. However, when LMTC aims to expand and cater to other customers and nearby

manufacturing plants, the company has to start from scratch with regard to marketing aspect of the business, because it has no current printed material to offer. Brochures, leaflets, and radio or TV advertisements could be of help. Thus, the company must have a strategic marketing plan in order to maintain its position on its industry.

Conclusion of Company Analysis Based on IFE Matrix

Based on the company analysis using the IFE Matrix, Load Master Trucking Corporation has a total weighted score of 2.64 or above average. This means that LMTC has an above average internal position with respect to its strengths and weaknesses. Moreover, since LMTC is capitalizing on its strengths due to its affiliations with four big manufacturing companies, its recorded increase in profitability and growth rates and its strong relation with the financial institution, the company may use these strengths in order to compensate for its lack of monitoring system in the conveyance of goods, its uncontrollable costs, incomplete staff for cost effectiveness monitoring, and its lack of marketing activities.

Strategic Issues Facing the Firm

Efficiency or cost minimization. This refers to major cost drivers such as diesel expenses, repairs and maintenance supplies and labor, toll fee expenses, and manpower labor costs in order to gain and to provide higher profits for the shareholders.

Expansion of operations. LMTC could cater to the increasing demands for trucking service demands of sister companies, namely, Premium Feeds Corporation and Feedmix Specialist Incorporated.

New market penetration. When the company wishes to expand its operation and extends its services to other companies, there is a need for competitive marketing strategies to be executed such as promotions and advertising.

STRATEGY FORMULATION

Vision and Mission

Currently, Load Master Trucking Corporation has no stipulated vision and mission statements because the LMTC management relies merely in the administration of Premium Feeds Corporation. This denotes that LMTC's management has only adapted the vision, mission, objectives, and core values of PFC for a long period of time.

Proposed Vision Statement

To be the preferred trucking service provider in Central Luzon in providing timely and accurate conveyance of goods at the most affordable cost.

With the proposed vision statement, the researcher believes that the long-term business objectives of LMTC would be realized.

Proposed Mission Statement

To promote and uplift Philippine agricultural industry through timely and accurate transport of raw materials and finished products to end users in any reachable area within Luzon using well-conditioned and innovative delivery equipment, as well as to be the employer of choice that values the society and the environment, passionate to provide equitable amount of proceeds to its

shareholders.

With the proposed mission statement, LMTC could now operate its business with purpose regarding its existence in the industry.

Table 4

Analysis for Mission Statement

Components	Alignment	Remarks
Customer	Y	Philippine Agricultural Industry
Product/ Services	Y	Transport of Raw Materials and Finished Products
Market	Y	Within Luzon
Technology	Y	Well-conditioned and Innovative Delivery Equipment
Profitability	Y	Passionate to Provide Equitable Amount of Proceeds to Its Shareholders
Philosophy	Y	To promote and Uplift Philippine Agricultural Industry
Self-concept	Y	Timely and Accurate Transport
Concern for Public Image	Y	Values the Society and Environment
Concern for Employees	Y	To Be the Employer of Choice

Objectives

1, To promote Philippine agricultural industry through accurate, on-time, and low-cost delivery of raw materials and finished goods to customers and consumers.

2. To cater to at least 80% demand on trucking services of Premium Feeds Corporation and Feedmix Specialist Incorporated in the next five years and increase LMTC's service revenue by at least 8% every year starting 2018 up to 2022.

3. To minimize the cost of fuel percentage on the gross service revenue down to 30% in the next five years.

4. To lessen the other cost of service components through the installation of Global Positioning System (GPS) and an increased number of trips due to monitored operations.

5. To increase employees' productivity thru rewards and benefits.

Strategic Choice and Generic Strategies

Strategic choice. From the previous SWOT matrix strategic options, the researcher proposes to focus on sustaining the growth of its captured market while minimizing the cost associated in the operations. Load Master Trucking Corporation contributes only up to 52.39% of the combined trucking services demanded by Premium Feeds Corporation and Feedmix Specialist Incorporated which means that additional services should be provided by LMTC to cater to the needs of its current customers. With regard to cost minimization, the company must improve its internal components in order to generate more profits for the company which can be used in expanding its business operations to cater fully to the demands of its sister companies.

Chosen strategy. S1 S3 O1. Among the strategies of LMTC are to execute aggressive plans to sustain growth and to take advantage of the increasing demands of the current customers/ affiliates. Another is to entice its shareholders to invest additional capital because of its increasing profitability and growth rate and to

invest in cost efficient measures such as capitalizing in diesel refilling stations, application of GPS, and acquiring additional units of trucks to generate more profits for the shareholders.

LMTC contributes only up to 52.39% of the total trucking service payment made by PFC and FSI for logistics. With this, it is evident that Load Master should focus primarily on catering to the demands of its current market segment.

In addition, LMTC has loop-holes in term of measures of cost efficiency as revealed by the value-chain analysis. This is in connection with the posted weaknesses of the company such as the lack of a system to monitor the actual conveyance of goods like GPS and the company's uncontrollable costs brought about by the attitude of drivers and helpers toward their work. This would eventually result in an increase in the largest component of cost of service -- the cost of diesel.

Fuel and oil have a great impact in maintaining profit. Large percentage of expense in fuel and oil in the report signifies that LMTC's management should focus primarily in controlling its cost of diesel prior to entering into new market platform and serving other customers. Moreover, in relation to the cost efficiency measures, LMTC should also invest in Global Positioning System (GPS) in order to monitor the actual conveyance of goods, as well as the routes, speed, and travel time of a particular trip. GPS provides proper monitoring on trucks' speed in order to avoid road accidents which would eventually lessen fines and penalties and also the repairs and maintenance costs of the trucks. The installation of the system will cost Php24,500/month for the 35 units; however, its benefits are highly favorable to the company.

Generic strategy. At present, Load Master Trucking Corporation is employing the *focused-low cost strategy* in which the current market segment of the company is the inbound and outbound logistics of its sister companies. LMTC also focuses on cost efficiency which helps to optimize the profitability of the business as well as provide proper basis in giving low pricing scheme of its service rates to obtain a competitive advantage.

Present Strategies

Load Master Trucking Corporation's present strategy comprises growth and profitability in a specific market segment. The company is exercising forward integration as evidenced by its strong link with its customers, particularly its sister companies, Premium Feeds Corporation and Feedmix Specialist Incorporated. Thus, LMTC is assured of a market. On the other hand, demands of PFC and FSI for trucking services cannot be fully accommodated by LMTC because it only has 35 units of trucks. In connection to LMTC's limited number of trucks, acquisition cannot be easily done because of the high cost of services particularly in diesel consumption. Thus, high operation cost could hinder the acquisition of delivery trucks. Moreover, LMTC's upper management is in the traditional logistics system in which no Global Positioning System (GPS) has been applied to monitor and control the timeliness, accuracy, and cost efficiency for every trip traveled by each truck.

To conclude, the researcher recommends that LMTC continue its current strategy of *forward integration* or the control over its customers through strong affiliation.

Proposed Strategies

Based on the above matrices and analyses, the researcher therefore proposes that, LMTC shall execute *backward integration* and other significant strategies in different functional areas of the management.

With the company's strengths in its affiliation with four big companies, increasing growth and profitability rate can be assured which entices the shareholders to invest more. With its strong links with the banking institutions as supported by sister companies, LMTC may capitalize on expansion to serve the increasing needs for trucking services of its customers, the PFC and the FSI. In addition, the company may invest in different cost efficiency techniques in order to increase the proceeds of the company.

Backward integration. LMTC should put up its private and exclusive diesel refilling station within the vicinity in order to take advantage of the lower prices offered by the direct suppliers of the said product. According to the interview with Mr. Carlo M. Pancho, part-owner of CMP Shell Station, putting up a Shell gasoline station requires Php10-20M capital depending on size. He also added that the gross profit margin per liter of their diesel product is Php2.85. From the given data, LMTC may gain an annual cost savings from fuel amounting to more or less Php1.8M (655,186.30 liters consumed in 2016 x Php2.85 GP margin). In addition, putting up LMTC's private and exclusive diesel refilling station may cost Php2-3M only, which can be easily recovered through its cost savings in one to two years' time.

After investing in the backward component of LMTC's trucking operations, the company should then expand its operations in order to fully cater to the trucking service needs of its sister companies. The former may acquire four additional units of trucks yearly in five years, which will help in the profit generation of the company. Also, similar to the backward integration, this proposal may become possible with the help of additional equity infusion of the shareholders of Uy's Group of Companies.

The researcher proposes that LMTC should invest in Global Positioning System (GPS) in order to manage the trip operations of the business as well as to monitor and control the timeliness, accuracy, and efficiency of the business. Using GPS can prevent road accidents and can lessen cost on fines, penalties, repairs, and maintenance of the trucks.

In addition, LMTC's management should hire one cost accounting staff who will focus on the cost effectiveness and cost efficiency of each truck. With the help of this employee, the upper management will be able to distinguish if a particular truck is still profitable or in need of replacement.

Moreover, LMTC should hire three standby reliever drivers in order to avoid opportunity cost when the driver of a truck is on day off.

Furthermore, LMTC's Human Resource Department should implement employee rewards system in order to boost employee motivation and promote positive attitudes toward work. Rewards such as incentive scheme, driver of the month award, and giving bonuses and other fringe benefits to top performing drivers of the month should be practiced. The drivers' productivity on having double trips would increase and the cost on unnecessary side trips would be prevented.

Conclusion to the Proposed Strategies

To conclude, the researcher attests that LMCT has several positive strategic options to enter into and has a wide market avenue to operate. For now, however, the company should focus mainly on its current market through catering to at least 80% of the needs of its sister companies, while also firmly controlling its operational cost in order to generate higher profits for its shareholders.

IMPLEMENTATION

McKinsey's 7S Framework

It is important to have a look at the 7-S framework to assess whether the seven elements are aligned and mutually reinforcing.

Hard Elements

Strategy. The current strategy of Load Master Trucking Corporation involves growth and profitability in a specific market segment. The company is presently expanding its operations through the acquisition of 10 additional delivery equipment trucks from 2015 and 2016 in order to cater to the high demands for trucking services of its customers. Also, the company is exercising *forward integration* in showing a strong relationship with its sister companies, Premium Feeds Corporation and Feedmix Specialist, Incorporated. With this affiliation, LMTC is assured of a market and can generate profits for its shareholders in a low market competition.

Structure. The corporate structure of LMTC is composed of a small level of hierarchy. It is headed by the President and CEO who is one of the incorporators, followed by the line managers, then the supervisors, and finally, the rank and file.

LMTC's management framework is divided into four functional areas such as logistics operations, human resource, finance, and marketing. It is affiliated with four big manufacturing companies with high trucking demands and which are near LMTC's home base. Hence, it is evident that LMTC has a wide market platform for its logistics services without utilizing its marketing department which is why the marketing side of the company has not yet been applied.

For decision making and control, LMTC exercises the centralized type of organizational structure where the guidelines, directions, and decisions are coming from the President and CEO including the shareholders.

In terms of lines of communication, LMTC's management is practicing explicit communication wherein collaboration and brainstorming for better operations and processes started. In addition, various departments coordinate its activities in an open and direct communication such that operations are smooth and unhampered.

Systems. For the financial aspect, LMTC is currently using systems application products (SAP) in data process and enterprise resource planning system which comprise a wide use of financial, operational, and other inter-departmental processes and purposes. To sum up, SAP system is very useful and helpful to LMTC's management in order to control its business operations.

For the HR system, LMTC's HR department is using electronic time monitoring system (ETMS) for timekeeping and attendance. On the other hand, there is no reward system pertaining to performance evaluation and/or productivity measures leading to merit increases. Thus, there is poor employee motivation specifically the drivers' commitment to attain the objectives of the company.

For operational systems, LMTC has no proper monitoring system such as the Global Positioning System (GPS) during the actual conveyance of goods and return to the home base. Without this system, operational cost increases and cannot be controlled since itineraries are not well-monitored.

Soft Elements

Shared Values. On profitability/concern for shareholders' value, an approach of returning the favor to shareholders is done by pursuing ways to minimize costs and working diligently to enhance their investments and wealth.

Honesty. It is an act of providing correct and factual information in all dealings and communications whether verbal or written.

Loyalty. It is a way of showing commitment and dedication to the noble goals of Load Master Trucking Corporation and its sister companies.

Responsible working. It is a description of trust and accountability in every position held wherein quality and reliability is more relevant than the quantity of time spent.

Teamwork. It is a collaboration of expertise in different fields, combining and working together in order to take advantage of the business opportunities and to prevent the threats in the business platform.

Style. For the leadership style, it is an autocratic leadership wherein the President and CEO has control over all decisions and a little input from the other employees seems best for the company. The researcher believes it is applicable and acceptable because LMTC's business operations is simple. In addition, LMTC's business expansion requires high amount of funds in which decisions should always be in the hands of the top management.

Moreover, even LMTC manifests the autocratic leadership; the head of the organization has the expertise and updated knowledge with regard to the given business industry.

Furthermore, the leader should be hands-on in the business operation, serves as a personal coach, and encourages every office employee to work effectively and efficiently. The personal coaching performed by the President and CEO to the subordinates motivates office employees to become more competitive, responsible, and productive in their specific jobs, making them major contributors for success.

Staff. For the office employees, LMTC has appropriate employees in each position in the organization. They have the expertise and specialization in their designated positions; thus, there had been no complaints received against the timeliness and accuracy of the conveyance of goods to its end users. However, giving consideration to the profitability, LMTC needs to hire additional office employees who will be designated as cost controller/cost accountant. His/her main duty is to monitor the cost effectiveness of *each* truck to ensure the profitability and appropriateness of the registration of the units, to sell/dispose the old ones, and/or to acquire new units.

Since LMTC's current general accounting department is merely focusing on billings, payables, spare parts inventories, and taxes of the company, it is imperative to hire additional staff for cost control who will help in decision making and in the preparation and submission of reports.

For the direct-hired drivers, LMTC should hire three standby reliever drivers to avoid opportunity cost on lost trips brought about by the absence of a particular truck driver during rest days, sickness, and sleeplessness due to long trips especially in Northern Luzon destinations.

Skills. The employees are experts in their own field. They are competent in their assigned jobs. The management should continue to develop and update their employees in order to become more competitive in the business. Moreover, the communication skill of the employees contributes to the harmonious working relationship of the workers within the company. Being open in their communication develops understanding and camaraderie.

Policies

Several policies have to be implemented in support of the given strategies of LMTC. These are the following:

1. Prioritize the scheduling and on-time delivery of animal feeds as required by the Premium Feeds Corp., Feedmix Specialist, Inc., and other customers.

2. Strictly monitor the actual conveyance of goods with respect to proper itineraries and travel time using Global Positioning System (GPS).

3. Practice swift but careful delivery of products in order to arrive early at the home base and be able to have second or third trips in a day.

4. Examine closely the costing of each trip, each truck, and the overall gross profit on a daily and monthly basis.

5. Seek alternative ways on how to minimize the major cost drivers such as gas and oil, repairs and maintenance supplies, as well as fines and penalties.

6. Observe proper procurement of necessary repairs and maintenance supplies.

7. Utilize the usage of SAP system such that all transactions are recorded and historical data will be used as bases for future expansion.

8. Recognize individual performance using reward system and give commendations to employees contributing to the overall success of the business.

9. Hire needed employees and allocate time for trainings and updates for office employees, drivers, and automobile mechanics.

10. Maximize the progression of shareholders' investments.

Attainment of the Objectives

1. LMTC continues its commitment and support to the Philippine agricultural industry through its timely, accurate, and reasonable supply of trucking services to its customers.

2. It will meet the increasing demands of Premiums Feeds Corporation and Feedmix Specialist, Inc. for its logistics section by 80% to 85% starting year 2020 up to year 2022.

3. Cost of diesel will be 29.53% of gross service revenue. The projected cost of diesel is based on the average consumption per truck multiplied by the number of trucks per year. The said component will also meet the maximum of 30% cost of diesel target of this study.

4. Other components of cost of service will decrease due to installation of Global Positioning System that could generate 3% additional service revenue as a result of proper monitoring of operations.

5. Employees' motivation, attitude toward work, and commitment to the achievement of LMTC's business goals will be attained through rewards system.

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