

# Crafting Strategy for Butane Run Int'l Transport and Logistics Company by Practicing SORF<sup>©</sup> Analysis Model

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## **Abstract**

Located in the West Asia and borders of the Gulf of Oman, Persian Gulf, and Caspian Sea, Iran positioned half way on the trade between Asia and Europe, offers sea ports, railroad services and land connections between two continents. Aided by this strategic location; in the coming years; road and rail freight will become increasingly important to Iran as source of foreign income. Therefore, many logistics and transportation companies have started to study the market in order to understand the challenges and prepare for new upcoming changes. For the same purpose; Butane Run as one of leading liquid transporters commissioned a comprehensive 360° market study to Emrooz Marketing Research Company. Desk research, survey on trading companies and truck drivers, study business model and marketing approach of two foreign full-transport service companies as well as in-depth interviews and focus group discussions have been conducted in order to map the Iran's transportation market, draw lessons on how modern transport companies operate and what are the drivers' expectations. First time in this industry, SORF<sup>©</sup> analysis model also has been used in order to puts all

available cards on the table and gives much broaden outlook to the company senior management on the targeted market. Consequently new strategy for Butane Run crafted to further develop its business, operate on transportation of trading goods, invest in upgrading its fleet, infrastructures, software, etc; pushed its T/O and gained massive market share.

**Keywords:** SORF<sup>®</sup> Analysis, Crafting Strategy, Logistic, Transportation Market, Iran

## 1. Introduction

Since first century AD when “Silk Road” was the main vein of substantial wealth and fortune to the Middle East and Iran, the fundamental drivers and long-time source of development in this region always been logistics and transportation. Sometimes in 425 BC, the “Royal Road” of the “Persian Empire” ran some 2,857 km from the city of “Susa” on the “Karun River” (250 km east of the Tigris and close to today Ahwaz city in Iran) to the port of “Smyrna” (modern İzmir in Turkey) on the “Aegean Sea”. The roads had postal stations and relays at regular intervals to carry messages the entire distance in only nine days, while for normal travelers might take about three months [1]. Still located in West Asia and borders of the Gulf of Oman, Persian Gulf, and Caspian Sea, Iran geography has helped to shape both the political and the economic history of the country for several centuries. Positioned half way on the trade between Asia and Europe, Iran offers sea ports, railroad services and land connections between two continents. The country also has recently joint to TRACECA (2009), an ambitious interstate program aimed at supporting the political and economic development in Black Sea Region, Caucasus and Central Asia by means of improvement of the international transport. However, as the country's real GDP endure a second consecutive year of contraction in 2012 due to international sanctions, many like Business Monitor International (BMI) envisage road and rail freight volumes remaining positive, aided by Iran's transit role between East and West [2]. Furthermore, BMI believes that transit trade and port development will become increasingly important to Iran as a source of foreign income in the coming years, given the increasingly stringent sanctions being placed upon the country. Therefore, many Iranian freight forwarders, transportation and logistics companies have already begun to adapt strategies and tactics to focus on more innovative business models that could help them succeed in this new challenging environment, yet promising market!

At the edge of this trend in 2010 and by understanding its need to develop totally new strategy, redesigning the business model and improve their operation efficiency to meet new challenges, *Butane Run Int'l Transportation Company (PJSC)*, as one of leading liquid transporter and major service provider in this category decided to commission a 360° comprehensive market study to *Emrooz Marketing Research Company (EMRC)* in order to understand domestic market dynamics in trading goods, map the major transport hubs in the Iran, identify and study key successful market players and estimate the total market volume. The ultimate goal was to formulate new strategy for the Butane Run to face the new upcoming challenged in the industry for 2013 – 2016. First time in this industry, SORF<sup>®</sup> analysis model has been used in order to puts all available cards on the table and gives broaden outlook to the company senior management on the targeted market [3]. The application of **Strengths, Opportunities, Realities and Facts (SORF<sup>®</sup>)** addresses key issues in developing and framing strategy. Basically, SORF<sup>®</sup> looks for what is already available around the topic; at edge of the targeted market boundaries (figure 1). It *surf* the general surrounding atmosphere and simply looks into **Strengths** and **Opportunities**, and at the same time, instead of having superiors sense of danger, negatively and anxiously look for **Threats** and **Weaknesses**; it opens eyes on **Realities** and **Facts** that exist. The later concepts are “neutral” to any situation and are including whatever is available, can be seen and exist at

time of investigation, related directly and indirectly to the studied topic. By conducting SORF<sup>®</sup> analysis, gathering all necessary *facts* that need to strategically analyzing the situation, is guaranteed. As part of the model; *Realities* also have been studied; and therefore the outcome strategy tend to be much more realistic. In addition, since the formulated strategy is based on *strengths* of Butane Run; consequently the solutions are practical and robust. *Opportunities* of the market also were identified in order to allocate available resources more effectively.

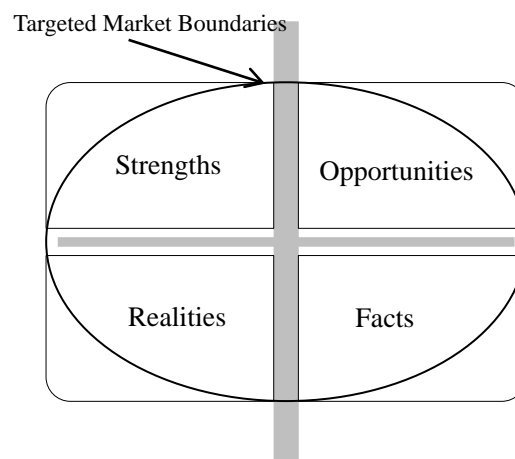


Figure 1. SORF<sup>®</sup> Analysis Model

## 2. Methodology

The study has used different techniques and tools in order to collect as much as possible accurate data and feed strategy formulating. Initially, desk research performed in order to gather all available data, review previous and possible similar studies. Therefore, *National Library of Iran*, *Statistical Centre of Iran* and *Road Maintenance and Transportation Organization* (RMTO) databases have been investigated to find any similar publications and all published findings have been reviewed and analyzed. The study also set to perform In-Depth Discussions Interviews (IDI) with 14 selected truck drivers and 21 CEOs of trading companies. The main goal of IDI was to list their opinions about the main challenges that industry were facing and key issues that would help to design better service packages in non-liquid goods transportation. The result of this phase led to design two different versions of questionnaires for both drivers and clients in order to survey both groups. After randomly selecting 430 truck drivers (N=4,605) and 401 Chief Executive Officers of trading companies (N=4,407) in various business sectors across the country; survey study also has performed. One of the major *Butane Run* will was to provide a “wish list” of all truck driver’s needs, desired services and expectations that would make a transportation company stand out. To this end, five Focus Groups Discussion (FGD) sessions also have been conducted at *EMRC* headquarters in order to have deep-dive sessions and understand drivers’ mind-set, behaviors, expectations, major challenges and concerns. To benchmark successful business models as well, *Butane Run* has been asked for full report on at least two successful logistics and

transportation companies in abroad. By doing some online researches, the project team came across two names in order to study their strategy, business model and infrastructures:

- Expedited Logistics and Freight Services, Ltd (ELFS) – USA  
www.elfsfreight.com
- Cargo Transportation Services(CTS) – USA  
www.smith-cargo.com

By using SORF<sup>©</sup> model, weaknesses, opportunities, facts and realities of Iran general business atmosphere, domestic and international transportation market have been listed as well. The SORF<sup>©</sup> model helped to have better understanding on the overall situation of the industry and provided the foundation for crafting a strategy that capitalizes on the company strengths, aims at capturing opportunities that market has to offer and sizing up all facts and realities that *Butane Run* has to mind and face; if willing to cash into the new category of the market!

### 3. Results

#### 3.1 Market Mapping

According to the desk research findings four primary criteria has been identified (table 1) to generally categorize the trade goods logistics and transportation market in Iran. Therefore, the market has been sub-categorized into nine individual and independent categories (table 2).

Table 1. Criteria of Market Segmentation

Ref	Criteria
1	Geographical Coverage/Territory
2	Type of Cargo
3	Type of Vehicle
4	Inner-Sate or Out-State Consignments

Table 2. Sub-Categories of Iran Logistics and Transport Market

Ref	Sub-Categories	Share (%)
1	Oil and Petrochemical	15.2
2	Cement	14.4
3	Construction Materials	14.4
4	Metals	12.2
5	Agricultural Products	7.5
6	Food Stuffs	7.3
7	Mineral Materials	6.3
8	Farm and Domestic Animals (Livestock)	4.4
9	Others	18.3

**Table 3. Major Domestic Logistics Hubs in Iran**

Ref	City	Province	Share of Total Consignments in 2009 (%)
1	Isfahan	Isfahan	12.9
2	Ahwaz	Khuzestan	9.9
3	Tehran	Tehran	9.6
4	Shiraz	Fars	6.6
5	Bandar Abbass	Hormozgan	6.3
6	Mashhad	Khorasan Razavi	6.0
7	Sari	Mazandaran	4.8
8	Tabriz	East Azerbaijan	4.5
9	Arak	Markazi	4.5
10	Others		34.9

**Table 4. Iran Fleet by End of 2009**

Ref	Type of Trucks	Number of Active Registered
1	Heavy Duty Trucks	88,976
2	Old Woody Trailers	34,627
3	Closed-Top Truck	25,718
4	Dump Truck (6 wheels)	22,413
5	Loading Truck (6 wheels)	21,350
6	Dump Truck (10 wheels)	14,415
7	Loading Truck (10 wheels)	11,303
8	Flat-bed Trailers	8,456
9	Closed-Top Trailers	5,743
10	Lorry & Vans	4,877
11	Semi-Tent Trailers	3,954
12	Fridge Container (6 wheels)	3,294
13	Tank Trucks (10 wheels)	1,442
14	Tank Trailers	1,288
15	Semi-Tent Containers	1,312
16	Others	4,180
Total		230,957

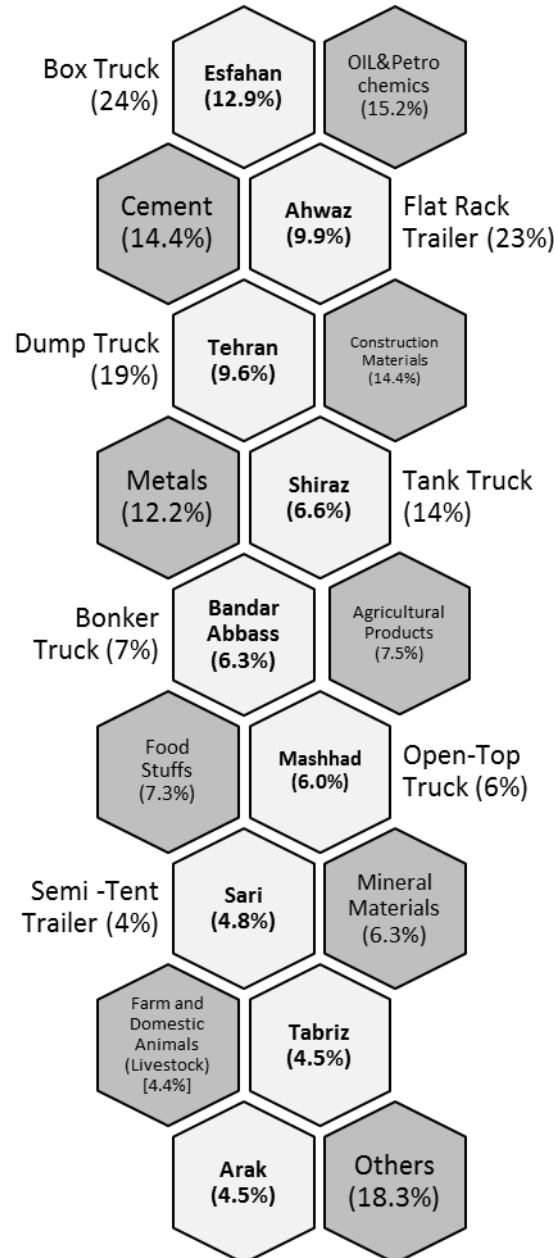


Figure 2. Iran Logistics Map

The survey also showed that total market volume; measured in terms of total weights of logged Bill of Loadings in 2010 was 515.7 MT which more than 67% have been out-state consignments whereas only 33% of total consignments have been inner-state deliveries. Major domestic logistics hubs in the country also have been identified (table 3). According to this map, Isfahan is the busiest logistic hub in the country by more than 43 MT inner and outbound consignments. Surprisingly, Ahwaz (9.9%) and Tehran (9.6) are the other busiest hubs in the rank. Looking at the type of the fleet in the country reveals that Box Trucks (24%) is the main loading wagon in Iran. It is interesting to know hardly any domestic deliveries are by full-container-load (FCL) [only 3%] and majority of loading is by Flat Rack Trailers (24%). Figure 2 summarizes Iran logistics and transportation market according to aforesaid criteria.

According to Road Maintenance and Transportation Organization (RMTO) by end of 2009, more than 230,000 trucks have been registered as ‘active’ in Iran (table 4). RMTO had been done a census on truck drivers in 2010 to complete its data base. Some of the findings of this study are listed in figure 3.

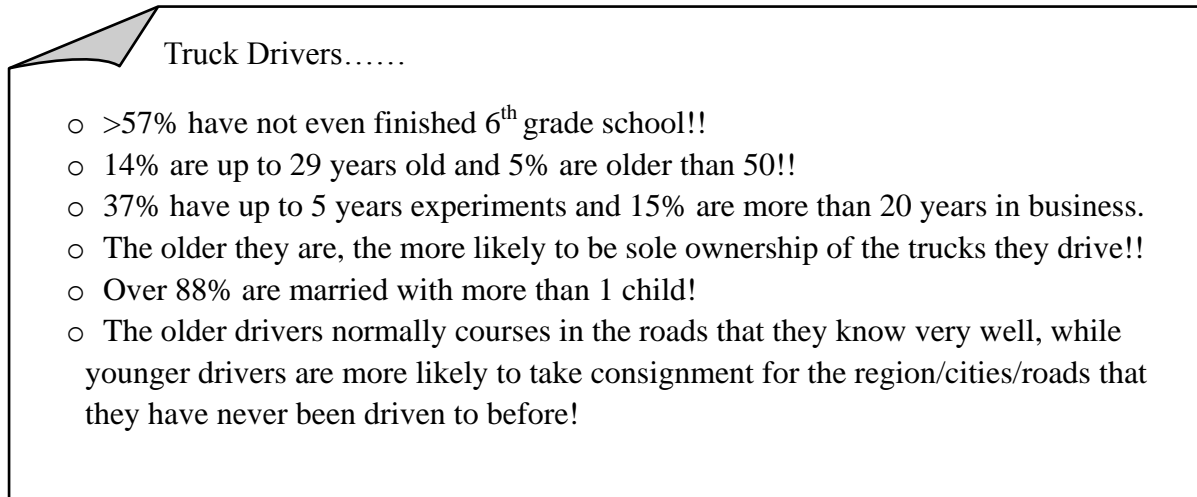


Figure 3. Summary of RMTO Census on Truck Drivers

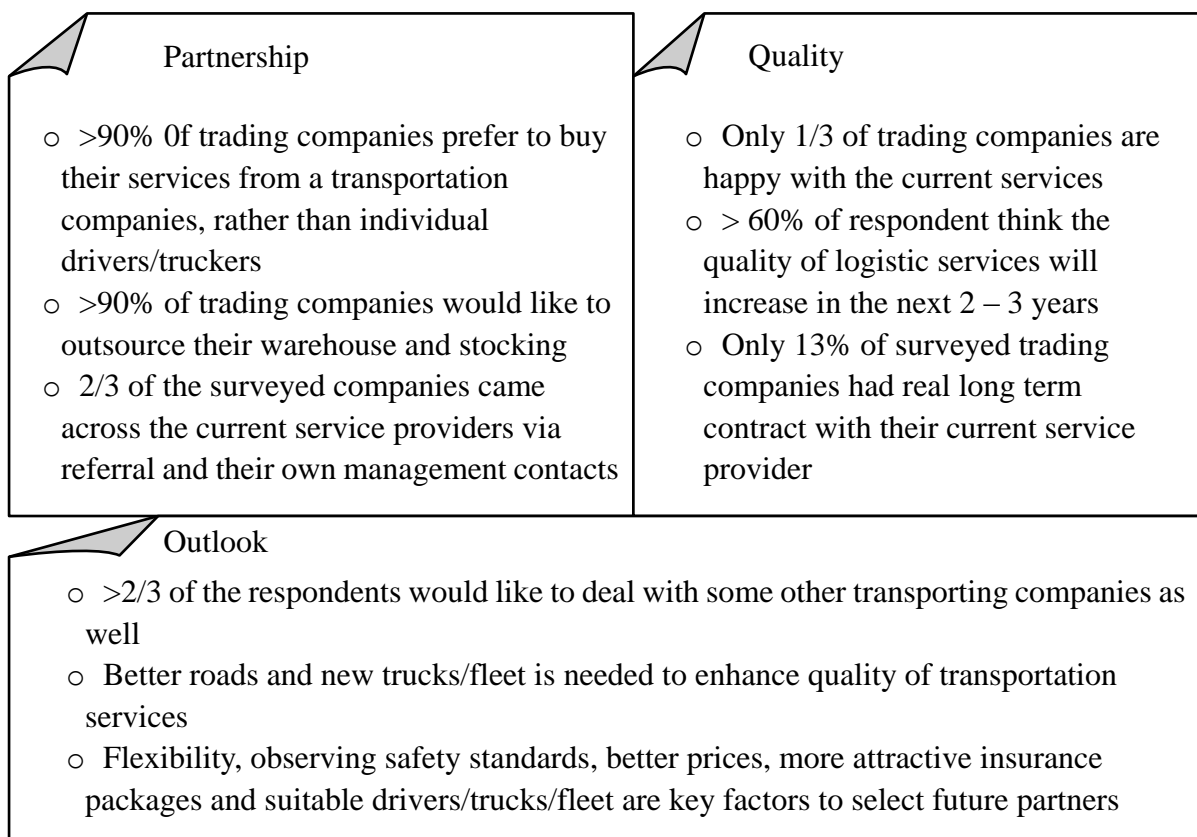


Figure 4. Key Findings of Trading Companies Survey



### 3.2 Survey Findings

#### 3.2.1 Trading Companies

The survey on CEO of trading companies has provided some sort of general market behaviors of trading companies which later have been used to form *Butane Run* strategy to go to the trading goods transportation sector. Figure 4 shows how trading companies are buying their transportation and logistics services and what their assumptions are about the type and quality of the available services by other service providers in the market.

#### 3.2.2 Truck Drivers

Results of survey on truck drivers seemed quite interesting; as per their statements almost all of them never had been approached to ask to participate to such study! The list of their needs and requirements gone beyond what the study was assuming, however, in the case of drivers also commonalities can be seen. Other than issues and challenges that need to be addressed by authorities and governmental agencies, like reducing retirement age, providing better roads and more service stations, or reducing cargo insurance premiums; figure 5 shows from truck drivers point of view what kind of services from a transport company can be expected and what should be done to make a cargo company more successful in the market.

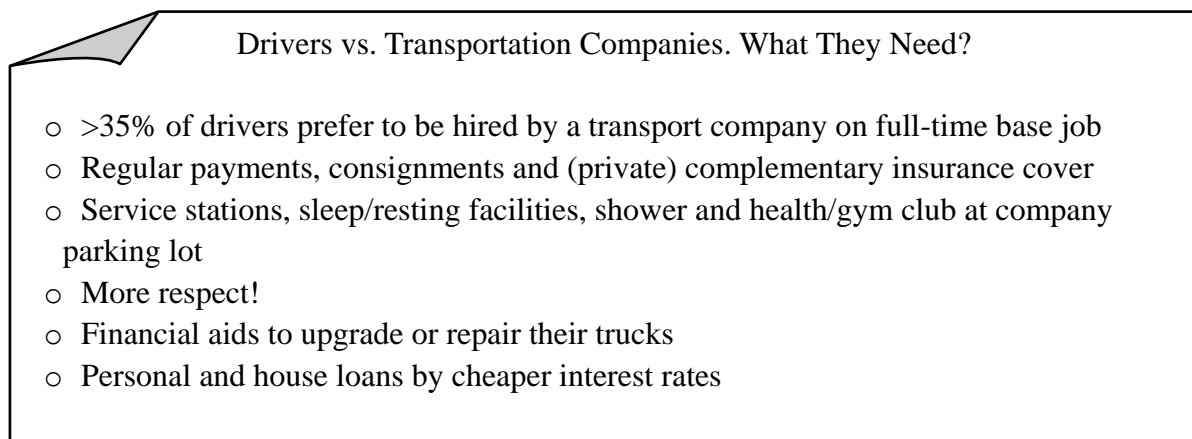


Figure 5. Some of Findings from Survey on Truck Drivers

### 3.3 SORF<sup>®</sup> Analysis

Application of SORF<sup>®</sup> analysis to findings of Iran logistics and transportation market study was about to test the SORF<sup>®</sup> model assumptions, that today threats may transform to *opportunities* by tomorrow and vice versa. It is the same story for weaknesses. So, why don't focus on *facts* which; are measurable and logical; and *realities* which, like them or not, are out there. If they change, the company should also show flexibility and be agile enough to adopt accordingly, otherwise it cannot survive in this challenging world. To this end, all model features, *Strengths*, *Opportunities*, *Realities* and *Facts* have been listed to provide broader picture of market and *Butane Run* situation (fig 6). Based on what SORF<sup>®</sup> pictured, review and study of Expedited Logistics and Freight Services, Ltd (USA) and Cargo Transportation Services Company (USA) services, structure and business model; as well as insights provided by survey on trading goods and truck drivers; it seemed that *Butane Run* is

at edge an excellent porch to be the pioneer of transportation industry in Iran by investing into developing its own fleet, recruit those experienced and well-known drivers who are ready to be hired and divergent its services. By taking this new root, *Butane Run* would transform and a liquid transporter would expand in all direction to become a “Full-Transport Service House”. To do this, *Butane Run* applied to get necessary licenses in order to start accepting trading goods consignments, invested to buy more than 50 brand-new trucks, established new HR department and started to recruit new drivers and crew; has changed, developed and renovated its parking, loading bay, warehouse, crew resting houses, and have bought new IT software for tracking the trucks. *Butane Run* now has more than 24 full fledge offices across the country in major business districts/cities (e.g. Isfahan, Bandar Abbass, Mashhad, Ahwaz, Shiraz, Khoramshahr), 20 offices in entrance border cities; in addition to another 72 representing booths in industrial cities. This all led to massive increase in *Butane Run* T/O in just 24 months, now has 2.5% of trading goods transport market share and more than 15% of liquid transportation market share.

#### 4. Summary

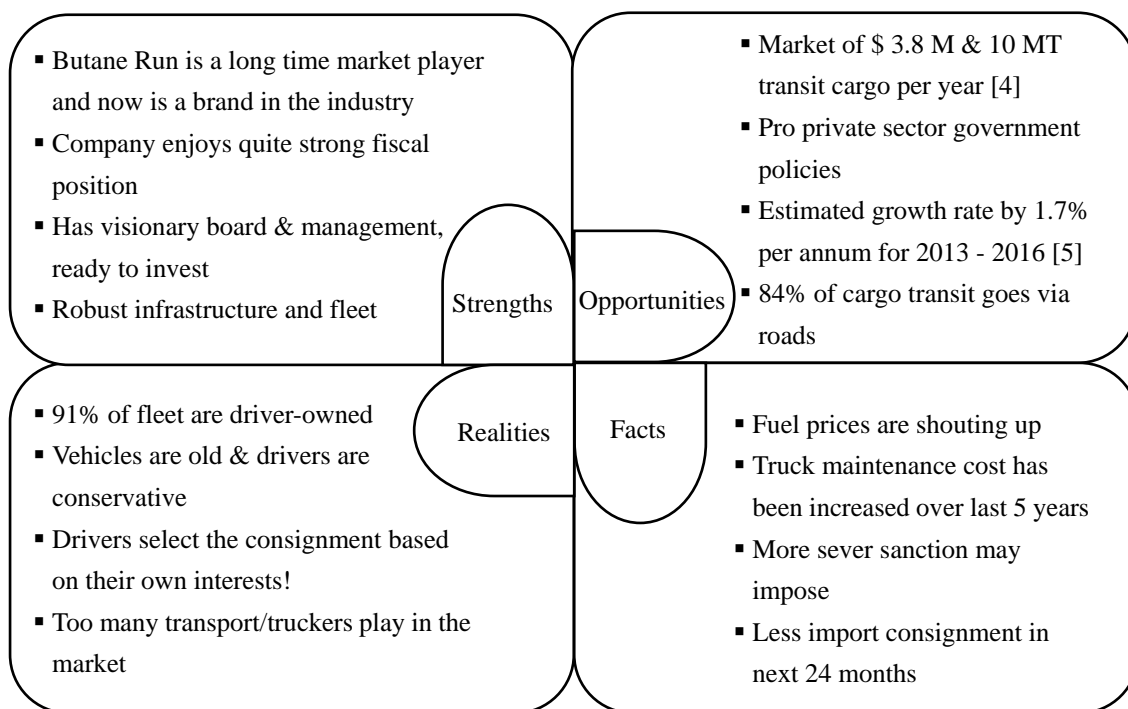


Figure 6. SORF Model for Butane Run

Although outlook for Iran transport market has been predicted gloomy for 2012 and 2013 [2]; but still inbound logistic and transport market remained relatively strong. The industry showed untapped potentials still are available in the market and trade transit and port development is booming; becoming a new source of foreign income for Iran. Following these developments, *Butane Run Int'l Transportation Company (PJSC)*, has decided to deeply study the market and form new strategy to further develop its business. *Emrooz Marketing Research Company (EMRC)* as one of the leading market study companies in Iran has selected to run this project. Findings of this full 360° comprehensive market study have

reported in order to understand domestic market dynamics in trading goods, map the potential transport hubs in the country, identify and study key successful market players and estimate the total market volume. The ultimate goal was to craft a new strategy for the *Butane Run* to face the new upcoming changes in this industry for 2013 – 2016. Application of SORF<sup>©</sup> analysis has resulted design a new business model, investment in developing new fleet, crew, infrastructures and software to further expand *Butane Run* services into trading goods transportation. The outcome of new designed business model for *Butane Run* was extra market shares and massive increase in its T/O. Having market insights provided by market study and realistic situation analysis provided by SORF<sup>©</sup> showed that the way forward for *Butane Run* was to overcome the challenges of years to come.

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### Glossary

BMI: Business Monitor International

EMRC: Emrooz Marketing Research Company

FCL: Full Container Load

FGD: Focus Groups Discussion

GDP: Gross Domestic Production

IDI: In-Depth Discussions Interviews

RMTO: Road Maintenance and Transportation Organization

SORF<sup>©</sup>: Strength, Opportunities, Realities, Facts

TRACECA: Transport Corridor Europe-Caucasus-Asia

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