

CASE 11-1

Where There's Smoke ...

Smokehouse Seasonings Inc. (SSI) is a rapidly growing retailer of all things barbeque. They purchase unique grills, smokers, spices, sauces, and cooking utensils from around the globe. SSI's 12 stores are strategically located in six warm weather cities—Miami (4), Orlando (2), Atlanta (2), San Diego (2), Los Angeles, and Las Vegas. SSI also has a successful website.

Early on, SSI management focused on merchandising and building stores. Little thought was given to supply chain issues until a director of logistics was hired to improve SSI's global flows and processes. Rachel, the new director, started her role by holding a conference call with Bobby, SSI's transportation coordinator, and Mario, the company's senior buyer.

- Rachel: Thanks for dialing in on such short notice. I'll keep things brief. The "let's get it to the store, no matter what" attitude has got to go. My charge from the CEO is to reduce our international transportation spend without killing service quality.
- Mario: That all sounds good, but I don't understand why I'm on this call. You're talking about delivery issues and that's not my area. I don't see where the buying organization could cause your headaches.
- Rachel: I think that some of your decisions impact transportation and you could give us some insights.
- Mario: Well, I'll try.
- Rachel: Bobby, how are you making decisions regarding international routes and carriers?
- Bobby: Mario and people from his team give me information on the product vendor, location, shipment size, and how soon they want the product. I go to carriers that I'm familiar with and cut the best deals that I can manage.
- Rachel: What's your split between ocean and air?
- Bobby: I'd say it's about 50/50. We use air to expedite hot orders and anything less than a TEU worth of product. If I can fill up a container, I bring it through the Port of Los Angeles, strip the container, and send out smaller quantities via LTL service.
- Mario: No wonder why our margins are getting killed. You're always using that premium air service.
- Bobby: It's not my fault that your people wait until the last minute to finish a deal. If they would find suppliers in more strategically located cities, buy larger quantities, and give me more time, I could shift plenty of volume to ocean carriers.
- Rachel: Hold on, this is not the time to be pointing fingers. We need to focus on strategies and solutions.
- Mario: Maybe we're getting too big to try to manage this cargo flowing from around the world on our own. Every time I pick up a magazine, I'm reading about more regulation. Can't we look for some outside assistance?

Bobby: That's a possibility but I'm pretty darn good at what I do. With more stable cargo volume, we could try to initiate some ocean contracts and maybe even a charter or two. As for the air cargo, Mario has to get those suppliers to pack product in appropriate sized boxes. They use huge boxes that weigh next to nothing and are filled with packing peanuts.

Rachel: Now, we're getting somewhere. I want you to dig into these ideas and also come up with some new ideas for improving transportation. We'll talk about them in detail next Tuesday. I'll email you the dial-in information.

CASE QUESTIONS

1. Based on the conversation, what are the main causes of SSI's global transportation problems?
2. Given their product lines, is SSI using the right mix of global transportation services? Explain.
3. How can SSI leverage Mario's idea about external assistance with transportation?
4. What about the ideas that Bobby provided? Would routing, contracting, or chartering impact ocean service?
5. Is Bobby's complaint about product packing legitimate? What should be done?