Flavored blends coffee company

Business, Company

Upon study and analysis of the company's situation briefed in Mr. Smiths report, the main problem being experienced by Flavored Blends Coffee Company apparently is mainly rooted in a lack of efficiency with regard to product handling. As briefed in the report, there are no problems in terms of sales and demand for the product. In fact, if the sales in the years between 1990 and 1992 are of any indication, the products are well received and have a stable market.

However losses suffered in 1992 can be attributed, in this firm's opinion, to the mishandling of storage and shipments of the products. As admitted in the report, a bulk of the incurred costs are a result of logistics-related matters such as transportation and warehousing expenses which apparently have risen 4% and 3% in 1991. We also believe that this is the underlying cause behind BigFoodChain's reason for dropping of (and consequently dealing a major blow to) Favored Blend Coffee from its product lines: poor inventory availability and erratic delivery schedules (Bowerson, 1993, p. 791).

Some of the obvious problems are already mentioned in the briefing document and we feel that these have to be reiterated to emphasize the inefficiency of the current system. Under ideal situations, logistic systems should function under the principle of efficiency and cost-effectivity with regard to the transfer of goods throughout the various areas of the production and manufacture process. We strongly believe that logistics in this particular situation must focus on the following key components: planning, inventory control, inter-facility movement, information control and transport.

For example, we believe that the system is wasting resources and time in trying to predict the trend of customer order patterns. Though having knowledge of the possible future trend can be of advantage, it is far more important to take notice and action of the current situation. If efforts in predicting orders have failed time and again then it must be taken as a sign that the focus of manufacture and distribution be focused somewhere else where resources can be of more use and optimized – say, order coordination as a possible area of focus (Bowerson, 1993, p. 792).

Second, it seems that another bleeding artery in the company's current practice is its distribution procedure. From what can be surmised from the information given us, it seems that the distribution practices have led to less-than-truck-load (LTL) shipments and frequent inconsistencies with regard to warehouse stocking. Failing to optimize the delivery of the products can result in unnecessary shipping and transport expenses.

Having frequent LTL shipment quantities results in afailureto optimize resources used in the transport of the product. With fuel prices constantly on the rise, it becomes more pertinent that each dollar spent on each drop of fuel be used to its maximum potential. Maximum potential in this case translates to more products transported within the same amount of time and covered distance. Maximizing TL (Truck Load) can effectively halve the expenses incurred in the delivery of the products within a specific area of jurisdiction.

In conjunction with order coordination (since it was mentioned that the current market competition lies in processing small orders on immediate delivery basis), efficient " truck-loading" will optimize the distribution of the product while at the same time satisfies market demands and competition (Bowerson, 1993, p. 792). Another area of concern would be the operation and maintenance of 30 warehouses which, according to the report, have been constantly either over- or under-stocked and thus is unable to serve clientele requirements properly.

The situation completely undermines any savings and advantages garnered from the system of using train box carts as additional [temporary] storehouses. As these both eat resources and one (the box cart storage system) obviously is more fiscally viable as compared to the other, closing operation on some of these unnecessary warehouses becomes the obvious step to undertake and hopefully this may alleviate some of the expenses.

However, downsizing the current number of operational warehouses should be carefully planned and implemented strategically in selected areas. Good candidates would be warehouses with very little activity and are often left over-stocked so that product movement won't be wasted in such warehouses and moved to warehouses that are often under-stocked and with signs of fluid product movement.

Limiting the number of operational warehouses will also decrease operational costs and transportation costs by reducing the number of required deliveries without sacrificing supply amounts within a covered area of each warehouse. Consequently this would also eliminate the need for cross-warehouse hauling of products and emergency deliveries which obviously add to the high expenses that cut profits for the company (Bowerson, 1993, p792). References Bowerson, D. J. (1993). " Case 9:

Flavored Blend Coffee Company”. Graduate School of Business Administration. Michigan State University.