

Ocean spray cranberries, inc.

Business, Strategic Management



According to a case study cited by Staudt and Stranz (2009), Ocean Spray Cranberries, Inc. is an agricultural cooperative owned by more than 750 cranberry growers in the United States and Canada. The company produces canned and bottled juice, juice drinks and food products at distribution centers in Bordentown, New Jersey; Kenosha, Wisconsin; Sulphur Springs, Texas; and Henderson, Nevada. August is usually a challenging month for Ocean Spray Cranberries, Inc., when the Lakeville, Massachusetts-based firm has to pump up volume to meet the surge in demand for upcoming holiday season.

Ocean Spray was managing its transportation operations internally, but the company decided that focusing on its core competency would allow them to maintain leadership in the shelf-stable juice drink category. The company believes centralizing its transportation operations and bringing all into uniformity while expanding into new markets will be beneficial for their company. Although Ocean Spray's transportation capabilities to be able to support the expansion of their logistic network can be challenging, investing in a third-party logistics provider will allow the focus of core competency and revamping of transportation logistics.

Benefits of 3PL

The result of an increasing trend toward outsourcing of logistic activities, shippers have been faced with the inevitability of selecting an appropriate third-party logistics provider (Soh, 2009). The process of finding the best suitable 3PL provider that fits user and company requirements can be very challenging. Likewise, Ocean Spray's expansion of logistics network allows the 3PL to manage distribution, packing, warehousing and assembling.

Through their combined resources and knowledge, they can help to maximize profitability and reliability. One of the advantages of having a 3PL provider is having a large amount of resource network (Langley, 2012). According to an article, 3PLs have a large network available that has many advantages over supply chains that are in-house.

By using the resource network of a 3PL, the steps of a supply chain are able to be executed in a cost effective and efficient manner. Also, the ability of a 3PL to leverage relationships and volume discounts can result in the fastest service possible. It allows a company like Ocean Spray to benefit from many resources that are not available to them. Similarly, it lets them build solid relationships and networks that could lead to prospective services and resources in the future. A survey states, 3PLs are primarily meeting shippers' expectations and an average of 86% of shipper respondents view their 3PL relationships very successful (Langley, 2012).

The second advantage of having 3PL providers is the scalability and flexibility. Many companies are obviously looking to expand their organization and increase their revenue, so having the flexibility from their 3PL providers allows them to bestressfree. 3PL providers has the ability to scale transportation and space according to the needs of the company's inventory. They are able to enhance the growth of the company into new locations that companies never had access to. This can definitely benefit Ocean Spray's company as its main goal is to expand their logistic network to other locations. An article states, sixteen companies reported revenue data and collectively, these companies generated in excess of \$23 billion in North American revenues during the year 2009 due to the fact of having 3PL

providers (Lieb, 2010). Furthermore, three CEOs said their companies had been very profitable and some classified their companies as marginally profitable (Lieb, 2010).

The third advantage of having 3PL providers is the ability for continuous optimization. 3PL providers have the resources to make improvements and adjustments to each link in the supply chain. They make sure that all company and user needs are met by using the most cost effective, efficient and fastest methods available. An article states, 3PLs allow shippers to conserve costs and resources, while also helping to provide higher service levels (Patridge, 2008). Similarly, Verizon company uses 3PL provider, New Breed to develop an automated warehouse fulfillment solution that provides same-day processing of its direct-to consumer orders (Patridge, 2008).

The 3PL operates of Verizon's three distribution centers, offering real-time visibility to orders and inventory by tracking every serialized unit. Moreover, New Breed ships 20, 500 consumer orders daily for Verizon with 99.9 percent accuracy while 100 percent of orders that arrive before 5 p. m are shipped the same day (Patridge, 2008). A customer even states, a call made to Verizon on Monday afternoon regarding a replacement of battery was quickly sent by Tuesday morning (Patridge, 2008). This clearly indicates the fast and effectiveness of 3PLs into a company's operations.

Challenges of 3PL

Although, 3PL providers are beneficial for many companies, they can also cause various challenges to customers. Quality is one of the main things that causes the downfall of customer satisfaction (Hudaziak, 2012). In the 3PL

market, customers' expectations are high, from operation efficiencies to more strategic development (Hudaziak, 2012). Hence, the need to eliminate any extra internal waste and inefficiencies of 3PL processes needs to be established so that the level of customer satisfaction and overall performance can increase (Hudaziak, 2012). Also, the change of inventory policy causes the loss of client business or ownership (Hudaziak, 2012). Thus, 3PLs have no room for errors as it can cause a delay in shipment.

Recommendation

In the case of Ocean Spray Cranberries, establishing a transportation based 3PL provider would be the best way to go. In fact, Ocean Spray did give Exel providers the opportunity to ship their products and also awarded them with exceptional service and on-time deliveries. Ocean Spray, appreciated the dedication and commitment service that Excel provides every day. Thus, the only recommendation would be to keep the strong relationship between the company and their carriers as it's important to understand one another when it comes business and customer requirements.