

Case Study

Provisions Inc.—The Cooked Meat Division

Provisions Inc. was a major supplier of beef, pork, and cooked meats to much of Canada. Founded in 1854 as a hog processing company with headquarters in Toronto, it gradually diversified into beef processing and cooked meat operations. Cooked meats consisted of hot dogs and a large variety of sausages such as bologna, salami, and liver-wurst. In recent years, new variations had been added such as bologna with macaroni and cheese or with pickles and pimento. By 1985 Provisions Inc. had a 32 percent market share. It supplied stores ranging from supermarkets to small stores known as "Mom-and-Pop" stores. Its product could be found in stores in New Brunswick and Prince Edward Island through Vancouver in British Columbia.

Corporate headquarters for Provisions Inc. remained in Toronto. The three major divisions were known as the Beef, Pork, and Cooked Meats Divisions. Each Division had a national director who reported to the chief operating officer of the company. The director of the Cooked Meats Division was responsible for the production of cooked meats in four plants. These plants were located in Edmonton, Winnipeg, Toronto, and Montreal. Each plant had a Cooked Meat manager who reported to the director of Cooked Meats. Each manager was responsible for distributing product in a specific region. For example, Montreal's Cooked Meat manager was responsible for supplying Quebec and the Maritime Provinces.

Product was shipped to stores using a combination of rail and truck. When a particular plant did not manufacture enough to supply

an area, the cooked meats would be shipped from other plants. In fact, this was a common occurrence for the shipments to the Maritime Provinces. The capacity of the Montreal plant was barely sufficient to fill the needs of the markets around Quebec. So, the product would be brought in by railcar from Toronto and occasionally from Winnipeg. At Montreal, these railcars would be unloaded and then were reassembled for shipment to the Maritimes. Upon arrival, they were unloaded and taken to a warehouse where they were assembled for trucks to carry to their final destination. Whereas most of Quebec received their cooked meats the day after they were prepared, grocery stores in the Maritimes would receive their shipments three to seven days after preparation.

Cooked meats typically had a shelf life of 10 to 14 days. Beyond that period, decay-causing bacteria could affect the taste of the food. With so many days being taken simply transporting the product, much of the product was sitting on the shelves beyond the recommended shelf life. Provisions Inc. had a policy for reimbursing the grocer for food that sat on the shelves beyond the recommended shelf life. But since grocers knew the product was not unhealthy, they continued to sell it until a Provisions Inc. salesperson arrived and provided fresh product in exchange. As a result, much of the product was sold close to or beyond the recommended shelf life.

To the new Cooked Meat director, this was clearly undesirable, and so he changed the distribution system. Now the product would be shipped directly from Toronto to the

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Maritimes without stopping for unloading and reassembling in Montreal. By adding more truck routes, he was able to ensure that the product reached the grocer two to three days after manufacture.

He expected these changes to be accepted with great enthusiasm. Customers got fresher product, and Provisions Inc. exchanged far fewer products for expired shelf life. Instead, he received a flood of complaints from consumers complaining of the lack of flavor in the "new" cooked meats and sales dropped significantly. What had gone wrong? What

should he do next? Distribution to the northern areas of British Columbia was also taking several days. Based on what had happened to his initiatives in the Maritimes, he wondered what he should do there.

CASE QUESTIONS:

1. What should the Cooked Meat director have done differently before introducing the new system for distribution?
2. What should he do now?

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