Shelton’s Poultry: A Business Strategy Case Study
California State Polytechnic University, Pomona

Introduction:
Shelton’s Poultry, located in Pomona, California specializes in free-range, all natural, antibiotic-free poultry (i.e., chicken, turkey, and duck). Shelton’s works with three different family farms located in the Central Valley in California, each specializing in raising different birds; chickens, turkeys, and ducks. The chickens are grown in free range conditions. They raise the birds without the use of antibiotics or artificial growth stimulants. If a flock of birds becomes ill, the birds are treated with a proper antibiotic and marketed under another label. Shelton’s uses no preservatives, flavor enhancers, modified starches, irradiated spices, or any artificial ingredients. The birds are slaughtered by a third party firm. After slaughter, the carcasses are shipped to Shelton’s plant in Pomona. Shelton’s engages in further processing at their plant. They supply poultry products to retailers nationwide as well as white table cloth restaurants in the region. Shelton’s also markets several value-added products that are processed by suppliers. These products include turkey meat sticks, canned turkey chili, and gourmet pet treats.

Porter’s (1985) Value Chain is a business strategy tool that is used to improve business performance. The goal of a firm implementing Porter’s (1985) Value Chain is to offer the customer a level of value that exceeds the cost of the activities, thereby resulting in a profit margin. The primary value chain activities include: inbound logistics, operations, outbound logistics, marketing & sales, and service. (Fig. 1) It should be used to analyze which activities are the most beneficial to the firm and which ones could be improved to provide competitive advantage. By analyzing these activities, the results can highlight a firm’s competitive advantages, or reveal disadvantages.

Methods:
The research team collected, compiled, and analyzed secondary data. Data sources included scholarly journals, trade publications, and various government documents. Primary data was collected by interviewing 18 key industry informants. Also interviewed were the owners of Shelton’s Poultry. Porter’s (1985) Value Chain was used to analyze the competitive advantage of Shelton’s Poultry, and to provide input to the selection and prioritization of strategic recommendations.

Results:

Inbound logistics
As mentioned above, the birds are slaughtered by a third party firm prior to shipment. The majority of the poultry is shipped to Shelton’s in Pomona. Generally, the birds are purchased by Shelton’s Poultry after they have been slaughtered. For the value-added products, poultry is shipped directly to the co-packer for further processing. Finished products are shipped from the co-packers to Shelton’s warehouse in Pomona.

Operations
Shelton’s processes fresh chicken and turkey for retail and food service applications. Only 55 employees are needed in total, with most of them being used for cutting carcasses into precisely sized cuts (Flanagan, 2014). Most employees are hired through a temporary agency. Their operations also involve warehousing the value added products, after they are received from the co-packers.

Outbound logistics
Shelton’s prepares orders for delivery and pickup. Most of Shelton’s products are shipped by truck to natural food distributors that service retail stores. Shelton’s products are distributed to supermarkets across the country, as well as to white table cloth restaurants in Southern California, Las Vegas, and Hawaii (Flanagan, 2014).

Marketing & Sales
Shelton’s advertises in trade publications to inform customers of new deals and new products. Advertising is reduced during the period just prior to Thanksgiving. Restaurant purchases are 45% of total sales. 30% of sales are value added items, and another 25% of sales are fresh chicken to retailers. Fewer than 1% of total sales are from online purchases. (Flanagan, 2014) Shelton’s thrives on the strategy of all natural food with drug-free ingredients, and uses brokers to facilitate transactions with local distributors and retailers. Shelton’s website can be found at www.sheltons.com.

Service
The president of Shelton’s personally answers questions and concerns through a web based customer service system. Concerns are addressed within 24 hours. Defective products are fully refunded and replaced by the president himself. These strategies help to build strong customer relationships. (Flanagan, 2014)

Conclusions:
With fewer than 11% of total products available online, Shelton’s is missing out on potential online purchases. In this scenario, the primary activity of Marketing and Sales is possibly the weakest link out of all of Porter’s primary activities. In order for Shelton’s to stay as competitive as possible within its industry, an enhanced online sales presence needs to be implemented. According to Porter’s (1985) Value Chain, this weakness falls under marketing and sales.

The biggest area of weakness for Shelton’s Poultry is it’s sub optimal online presence. Although online retailers and all natural food distributors are selling the products nationwide, Shelton’s needs to increase its online sales to larger than 1% of total sales. In achieving this, care must be taken to avoid the impression that Shelton’s is competing with the retailers that sell its products. They need to strike a balance.

Although certain marketing strategies can be expensive, using Facebook and Twitter to encourage word of mouth marketing can cost little to nothing. Facebook can be influential in creating online brand awareness. (Haque, et al 2013) Shelton’s doesn’t want to borrow any money to fund marketing applications. Instead, it pursues low risk marketing options. (Flanagan, 2014)

Shelton’s does have a Facebook and Twitter account, although neither are heavily visited. (Flanagan, 2014) Many internet users prefer visiting a company’s Facebook page rather than the company’s traditional website. (Haque, et al 2013) Shelton’s needs to capitalize on this internet trend, along with variations of viral marketing to increase consumer awareness. (Morten, 2006) Shelton’s social media websites are rarely updated. They need to increase the frequency of updates.

Shelton’s Poultry is a 90 year old company that has seen countless changes in the market environment over the decades. In order to stay competitive in an increasingly electronic market, Shelton’s will need to grow a stronger online presence.

References: