



## case study

# PETCO adopts intermodal, reducing transportation complexities and costs

## THE CHALLENGE

Started in 1965, PETCO is a leading pet specialty retailer that has grown over the years and today operates nearly 1,100 stores in all 50 states.

The stores are serviced by 10 distribution centers across the U.S., resulting in a complex transportation network. At one time, the company used more than 30 different motor carriers, four brokerage firms, a private fleet and three dedicated carriers – all combining to serve both truckload and LTL service for inbound and outbound freight movement.

With so many logistics providers, PETCO did not have close control over its freight, and admittedly, the company was not being strategic about its selection of carriers or service in the network.

In 2007, with a goal of lowering its transportation costs, the company's third-largest expense, PETCO decided to realign its outbound transportation network, evaluating all the service possibilities.

“We knew we needed to fix our transportation network, and everything was on the table,” says Jeff Brady, PETCO Manager, Outbound Transportation. “We also set out to implement several green initiatives, which we knew that the rail component of intermodal could help. But at the time, we were moving only a handful of loads using intermodal. It was something the company knew very little about.”

## PETCO

### CHALLENGE

A rapidly expanding company, PETCO's transportation network was too complex, too costly and not meeting the company's sustainability initiatives.

Additionally, the company lacked a transportation strategy to allow it to control its freight buy.

### SOLUTION

Introduce the low-cost, sustainable benefits of intermodal, using JB Hunt and BNSF Railway.

### RESULTS

- Transportation costs remained flat even as the company grew the number of stores by 27%
- Service goals were consistently met
- Fulfilled environmental initiatives
- Broadened understanding of intermodal and rail
- Strategically controlling share of freight



## BNSF'S SOLUTION

Seeking lower-cost transportation with reduced carbon emissions, PETCO began exploring how it could expand its use of intermodal in a more strategic manner. The company also had stringent service requirements for its supply chain and providers, which would need to meet specific service goals consistently.

Thanks largely to its close and productive partnership with JB Hunt, one of the company's key transportation providers and a recognized leader in intermodal service, in 2008 PETCO agreed to pilot an intermodal program, using BNSF Railway as the underlying rail provider.

"Although we were new to intermodal, with JB Hunt and BNSF Railway, we were working with two of the best in the business," recalls Paul Minor, Director of Transportation.

## THE RESULTS

The three-month pilot showed promising results. Service was at its best, with distribution centers receiving their shipments on schedule for inbound freight as well as for store support, while reducing costs and carbon emissions. "We knew that we were onto something big here," says Brady.

This success gave PETCO the confidence to make intermodal a much more substantive piece of its transportation network – which was growing even more as the company was adding stores – in addition to intermodal becoming a foundational element of the company's inbound flow strategy.

"Despite a 27 percent growth in stores since 2008 – from 870 to 1,100 and including expansion in Hawaii – our transportation spend on a cost-per-delivery basis has remained relatively flat," says Brady. "If you had told me we could add that many stores without raising the transportation costs, I wouldn't have believed you."

Lower transportation cost was just one intermodal benefit realized. While the transition took some educating among its internal customers, many of whom considered rail as a slow mode, the service targets were met and the mode gained traction and support. Today, the company is even using expedited intermodal for time-sensitive shipments that support the outbound store delivery element.

In terms of strategy, the company has significantly narrowed its use of carriers, introduced and developed the use of intermodal, converted private fleets to dedicated service and continues to move from LTL to truckload. With a significant percentage of its transportation now with JB Hunt, across all modes, more synergies continue to be explored between tradition truckload, or dedicated service and intermodal. Additionally, PETCO vendor terms have been restructured so that the company now controls 45 percent of the inbound freight, and PETCO expects this to grow to 60 percent in the near term. Intermodal will be a key factor in this growth.

## NEXT STEPS

Going forward, PETCO anticipates converting more of its outbound business to intermodal, recognizing there is even more potential to reduce transportation costs. To streamline its distribution, PETCO is continuously reviewing the location of all its operations across the U.S. to ensure they are well situated, not only in terms of density of nearby stores, but also in consideration of their transportation needs.

The company is continually looking at its transportation options. Now that it has aggressively adopted intermodal, it is working closer with BNSF Railway to gain an even better understanding of how it can take transit to the next level.

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PETCO Manager,  
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