



Michaels Stores, Inc. finds creative, cost-effective solution with intermodal

THE CHALLENGE

The largest North American specialty retailer of arts, crafts, framing, floral and wall décor, Michaels Stores, Inc., is a favorite among hobbyists and do-it-yourself home decorators. Since 1984, Michaels has grown from 16 stores located primarily in Texas to more than 1,000 stores in 49 states and Canada following an aggressive expansion program.

The stores are served by seven distribution centers located in California, Florida, Illinois, Pennsylvania, Texas and Washington. Approximately 85 percent of Michaels' merchandise is shipped through its distribution network, with the remainder directly from vendors.

Prior to 2005, Michaels relied almost exclusively on motor carriers to deliver merchandise from distribution centers to stores and between distribution centers. But with rising fuel prices and limited capacity due to truck driver shortages, the company recognized it needed another network transportation option. According to Tim Nelson, Director, Domestic Transportation, for Michaels, "We realized we needed to do something different, and our first thought was, 'How do we get this onto the railroad?'"

THE SOLUTION

Prior to 2005, Michaels had not considered rail, largely due to an assumption that the mode was slow and service was inconsistent. But limited truckload capacity, exacerbated by the economic downturn, prompted Michaels to reconsider intermodal.

At Michaels' request, motor carrier partners, including Swift, started educating the company about rail, introducing BNSF Railway as a premier supplier. Michaels' domestic transportation group learned about the rail system and schedules, recognizing that if minor tweaks could be made within Michaels' distribution and supply system, the truck-rail combination could be used to its advantage.

Michaels' transition to intermodal began slowly and was limited at first to less time-sensitive "drop-and-hook" loads between DCs. The moves were a success, so a more difficult test was undertaken on loads moving between the West Coast and the company's Midwest stores. "We started simple," said Nelson, who admitted his skepticism about the test shipments. "But time after time, load after load, BNSF intermodal met our on-time service requirements."

Just as important, Michaels began experiencing a positive impact on its financials, including fuel-savings and rates.

case study

MICHAELS STORES, INC.

CHALLENGE

Rising fuel prices and limited capacity prompted Michaels to re-evaluate its transportation options.

SOLUTION

With minor scheduling adjustments, Michaels experienced immediate success with intermodal.

RESULTS

Michaels has moved toward a greater reliance on intermodal, which now accounts for 20% of all domestic transportation, with BNSF as the rail provider.



THE RESULTS

Working directly with its carrier partners and BNSF indirectly, Michaels has moved toward a greater reliance on intermodal. Five years after first testing the service, Michaels has grown its intermodal moves from less than 250,000 miles a year to more than 7 million miles in 2010.

“Making this work required some planning and change management internally,” said Nelson, noting that those doing the scheduling at the distribution centers had to rethink what work they did first in order to make cut-off times. Today, network planning begins with the rail schedule, looking first by lane at cut-off and availability times, then working backward to determine with the motor carrier how to get loads to the gates — and making back-stream decisions based on those times. “We have changed our perception that rail could not do as well as trucks in on-time delivery,” said Nelson. “BNSF has given us awesome service.”

Swift also played a role in Michael’s conversion. “We worked with Michaels in assessing a broader shift to intermodal,” says Mark Young, President of Swift Intermodal. “Once we shared with Michaels the performance data from our early shipments on BNSF, the service spoke for itself. We were confident in BNSF’s rail service, and by leveraging our assets and providing Michaels flexible door-to-door solutions like multi-stop delivery, we showed them that, together, this works like a champ.”

In addition to realizing cost savings and capacity efficiencies through intermodal, Michaels has also realized the sustainable benefits of rail, which dovetail with the company’s affiliation with SmartWay (a public/private collaboration between the U.S. EPA and the freight transportation industry that helps freight shippers, carriers and logistics companies improve fuel-efficiency and save money).

Known for its slogan: “Where Creativity Happens,” Michaels has found BNSF to be a like-minded partner, one that understands the importance of collaborating with all partners within the supply chain. “BNSF has set the standard. They are a solutions provider, continually looking at our operation and showing us where the opportunities are in intermodal,” said Nelson.

Reinforcing that testament, Michaels recently honored BNSF with its “Domestic Carrier of the Year” award, based on its evaluation of the service through stakeholder surveys.

NEXT STEPS

Today, intermodal is Michaels’ preferred mode of freight transportation, and the company is exploring more direct-to-store moves, along with evaluating use of intermodal on routes of less than 1,000 miles.

Looking ahead, the company anticipates continued expansion of its network of stores. To help achieve this strategy, Michaels recognizes the need to continue reducing costs and streamlining its supply chain, with BNSF intermodal service being its primary transportation resource.

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*Tim Nelson
Director, Domestic
Transportation, Michaels*



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