

## Shipping Case Study



# PETCO calls Kewill “Man’s Other Best Friend”

### Challenge

Nine stand alone systems lack carrier compliance resulting in lost revenue streams, while company and customers lack shipment visibility.

### Strategy

Implement Kewill shipping solution to consolidate PETCO’s shipping departments to minimize freight costs; integrate shipping company-wide to provide total order visibility; and include US Postal compliance to reach additional markets.

### Results

Shipping is now integrated with WMS to provide total order visibility company-wide. Kewill’s parcel shipping system has reduced e-commerce labor by 2 hours per day and cut costs by nearly 10 percent. PETCO also gains lucrative revenue streams and meets customer expectations.

It's no secret that consumers hate shipping costs and blame them most for abandoning online shopping carts. With cost comparisons just a few clicks away, only those retailers who offer competitive pricing - including competitive shipping and handling charges - will win over the consumer and thrive in today's weakened economy. After all, shipping and handling charges are oftentimes the final deciding factor in an online purchase, and if they're too high or too limiting, the sale is easily lost with a single click.

But the fact remains that merchandise has to get to the consumer, and someone has to pay to get it there. Etailers must balance competitive shipping and handling charges with charging enough to cover the total cost to fulfill each order. And, they must also factor in something else - buyer's remorse. The longer it takes an order to arrive, the more time a consumer has to reconsider their order or purchase alternative merchandise online or around the corner. So, etailers are left with conflicting tasks - get the order to the consumer cheaper and faster, without losing revenue. Impossible? Hardly.

Genaro Bugarin, Senior Manager of Operations Planning for PETCO.com, a leading online destination for premium pet food and supplies, is admittedly obsessed with making continual improvements to get hundreds of thousands of packages to customers cheaper and faster. "The likelihood of Internet buyer's remorse diminishes as order delivery time gets faster," says Bugarin. "The faster an order arrives, the less time a customer has to reconsider a purchasing decision or find an alternative product and submit a return."

While PETCO operates its own fleet to deliver inventory to its 630 neighborhood stores, PETCO uses Kewill's parcel shipping solution to manage its packages at its U.S. distribution centers. Today, PETCO has one Kewill station at each location to manage all of its shipping needs. However, things were not always this simple.

Prior to implementing Kewill, PETCO operated nine stand-alone systems with several limitations. Initially, PETCO was using just one multi-carrier system that did not support the carrier compliance that PETCO required, so the company had to bring in two different carrier-supplied systems at each location. Even with nine systems, PETCO was still unable to ship overseas and to P.O. boxes. And, because the systems weren't integrated, the shipping associate would arbitrarily select which system to use for each shipment without factoring in shipping charges.

Bugarin needed to consolidate his shipping departments to minimize freight costs, integrate shipping company-wide to provide total order visibility, and implement a system that included US Postal compliance to reach additional markets. So, he turned to Andrew Ross, Information Services Project Manager for PETCO. Ross ultimately identified the Kewill parcel shipping solution as the right solution to address PETCO's fulfillment needs.

With the Kewill system, orders are picked, packed, and barcoded, then placed on a conveyor system, which moves them to a manifest station. The packages are weighed, the barcode is scanned, and the carrier and service are automatically assigned. Finally, the order is manifested and segregated into carrier batches and tracking information is easily accessible company-wide.

"From an operational perspective, the biggest benefit has been total order visibility. Before Kewill, shipping was not integrated with our WMS so visibility stopped at order picking. Today, we have total visibility from order placement through final delivery, which translates into better customer service," says Bugarin.

Customers now have the ability to monitor their account status online and easily track their shipments from order to delivery. This ability not only improves customer satisfaction, but it brings customers back to the site, increasing the likelihood of repeat business. Additional benefits include lower transaction times, lower operational costs and automated carrier selection.

"Since we've been able to go to a single system with Kewill, we have reduced e-commerce labor by 2 hours per day and cut costs by nearly 10 percent. The wait time from scanning to label output has decreased by two seconds per transaction because Kewill is much more efficient in how it communicates with our printers." says Bugarin. "Before, we had to think which system to use. Now, we know Kewill is always selecting the right service, and we know that packages are sent to our customers the way they should be."

Before Kewill, PETCO couldn't always meet its customers' expectations and sometimes missed out on lucrative revenue streams. "We were unable to deliver overseas and to P.O. boxes so we had to turn away business," says Bugarin. "Now, we're able to reach these customers and we have substantially increased our orders as a result. That increase alone is expected to pay for the system within the first year."

The response has been favorable. Bizrate ([www.bizrate.com](http://www.bizrate.com)), the leading comparison-shopping search site on the Web, evaluated consumer feedback and ranked PETCO.com 9.2 out of 10, the highest among its competitors, in the area of on-time deliveries.

It appears Bugarin's obsession has paid off, proving that it is possible to ship faster and cheaper, without sacrificing revenue. Instead, while processing time and shipping costs dropped, PETCO increased its revenue and its customer service.



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