

**Guinness UDV:  
Brewing Up New Uses for  
The Old-Fashioned Boxcar**

For an agile supply-chain services provider, lost business can translate into new opportunities.

Hub Group, the intermodal marketing company and logistics provider based in Lombard, Ill., had a lucrative contract with Guinness-Bass Import Co. It was handling nearly all of the brewer's imports into the U.S., with responsibility for Customs clearance through 17 ports of entry, and movement to some 400 distributors.

But things were changing at Guinness. Hub saw the writing on the wall early, when it lost about 15 percent of the business due to the customer's decision to open a U.S. distribution center in the Northeast.

That was just the beginning. Guinness, already a force in the alcoholic beverage market, merged with United Distillers and Vintners to become Guinness UDV, a wholly owned subsidiary of Diageo plc. Headquarters are in the United Kingdom, with U.S. operations based in Stamford, CT.

Around the same time, Guinness UDV was once more revamping its North American supply chain. Having rolled out a network of five beer DCs in the U.S., it began producing locally. Through co-packing deals with Labatt's and Moosehead, Guinness started brewing Guinness Extra Stout, Harp Lager and the non-alcoholic Kaliber in Canada.

For its new integrated provider of warehousing and distribution in the U.S., Guinness turned to Zeeland, Mich.-based Total Logistic Control. But Hub was determined not to be left out in the cold. It proposed to Guinness an innovative service: the use of rail box-

cars to ignore. While neither Hub nor Guinness will release numbers, they say boxcars are substantially cheaper than over-the-road hauls. So Hub became manager of Guinness's Canadian supply chain, providing single-source rail transportation to five regional DCs.

Most of the Canadian co-packing facilities aren't directly rail-served, so Hub is responsible for moving shipments by truck to the railhead. (To expedite the transfer, it oversees operations at several cross-dock facilities.) It sources equipment, arranges interline agreements between Class 1 railroads and short lines, and provides training on the proper loading of boxcars. It also secures cars for movements from breweries in Fogelsville, Pa. and La Crosse, Wis. to distribution centers.

The service has quickly proved its worth. Through agreements with CSX Transportation and the Burlington Northern Santa Fe, Hub found a ready supply of insulated, food-grade cars. For movements to the West Coast, it draws on equipment utilized by other brewing companies, moving in the backhaul direction. And while loading takes longer than with standard trailers, Guinness can fit the equivalent of up to three and a half truckloads in a single boxcar, says Burke Anderson, Hub's director of railcar services.

Product damage has turned out to be a non-issue. Anderson says the damage rate is one case per 5,180 — so low, adds Piscitelli, that it isn't even tracked as a key performance indicator anymore. As for transit time, Guinness doesn't mind the longer schedule, as long as service is consistent and reliable. "At least we can plan for the additional days on hand," says Anderson.

The program has been so successful, Piscitelli says, that Canadian co-packers, who were dubious from the start, have begun shipping their own product in carloads. Guinness, too, is expanding its use of boxcars. The company is moving aggressively in the ready-to-drink (RTD) market — flavored, malt-based beverages such as the popular Smirnoff Ice. Wootton calls RTD products, produced in the U.S., "an area of huge growth for us." Other RTD brands include Captain Morgan's Gold.

Hub is now working to replicate the success of its beer-in-boxcars program in the RTD sector. It has already moved into the wine and spirits business on behalf of Guinness. Piscitelli says Guinness is looking to increase volumes "substantially."

Hub expects to be a part of that growth, even as Guinness's North American supply chain continues to evolve. Says Wootton: "We're constantly challenging them to come up with new solutions." ○

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cars to move beer from plants in Canada and the U.S. to the distribution centers.

Simon Wootton, U.S. logistics director of Guinness UDV, admits to some initial skepticism. The idea of using boxcars for beer, he says, "was off our radar scope." Like many other consumer-goods shippers, he was concerned about equipment availability, product damage and schedule reliability. Nick Piscitelli, director within Hub's national account group, admits that carload programs weren't even competitive on transit time with intermodal — containers and trailers on rail flatcars — let alone truck.

Yet the economics of the plan were too good



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