

Analyst: Memphis a relative bargain

By Tom Bailey Jr.

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A New Jersey-based consultant who advises companies on where to locate and expand came to Memphis on Wednesday to meet confidentially with two clients and to share a positive projection for Memphis.

"We get a lot of phone calls about Memphis, and for Memphis analysis," said John Boyd Jr., a principal in The Boyd Company, which his father founded in 1975. "We spend a lot of time thinking about Memphis, evaluating Memphis.

"There's corporate interest here."

The Princeton, N.J., firm gives special attention to the distribution industry and ranks Memphis among the top two or three cities for logistics, Boyd said.

"The news is good for Memphis," he said. "Several companies are now looking to Memphis for expansion. Companies in the region are considering relocating to Memphis."

Of 50 cities the firm recently compared, Memphis is the 15th least expensive place to operate a distribution center, The Boyd Company concluded.

It analyzed how much would it cost a company to operate a new, 175,000-square-foot distribution warehouse that employs 75 hourly workers and ships nationally by truck.

In Memphis, the labor, land, construction costs, utilities, property taxes and other expenses would total \$8,216,453 annually, the consultant calculates.

The least expensive was Sioux Falls, S.D., at \$7,417,487. The most expensive was San Jose/Sunnyvale, Calif., at \$12,604,961.

"In today's weak domestic economy and with increasing global cost pressures, many corporations are finding the best way to improve the bottom line is on the cost side of the ledger, not the revenue side," a report summary states. "While shipping rates are often negotiable among competing carriers, most other operating costs facing the warehouse site planner are fixed, and a less-than-optimum operating-cost structure can lead to a compromise of competitive position that will persist for years."

The summary notes that Memphis is one of the nation's leading distribution hubs because of its central location; FedEx hub operations; service by five Class 1 railroads and 400 trucking companies; Interstates 40, 55 and the future 69; and a deep pool of workers with skills and experience in logistics.

Boyd met separately Wednesday with representatives of a regional firm considering locating in Memphis and a Memphis company that is weighing expansion.

"Also, we have several projects where Memphis is on the short list," he said.

Boyd identified several factors that will make Memphis even more attractive for companies.

The Canadian dollar, whose average worth over the past 15 years was 78 cents, is now about equal to the U.S. dollar. That means companies with Canadian operations will be more prone to locate in the U.S. to serve their U.S. customers.

Electrolux's decision to move a kitchen-appliance plant from Canada to Memphis is a great example, Boyd said, adding that there should be "an influx of Canadian investment in the next five years."

But Memphis -- used to competing with peer cities like Nashville, Indianapolis and Birmingham -- now faces stiffening competition from smaller markets where taxes, land costs and other expenses are lower.

He cited as examples Sioux Falls, Des Moines, Iowa, and Omaha, Neb.

-- Tom Bailey Jr.: 529-2388

How much to run a distribution warehouse?

A study compared 50 cities for the annual operating cost to run a 175,000- square-foot warehouse with 75 workers. The findings included:

Most expensive: San Jose/Sunnyvale, Calif. (\$12.6 million)

Least expensive: Sioux Falls, S.D. (\$7.4 million)

18th least expensive: Atlanta (\$8.4 million)

15th least expensive: Memphis (\$8.2 million)

13th least expensive: Birmingham (\$8.1 million)

12th least expensive: Indianapolis (\$8.1 million)

11th least expensive: Nashville (\$8.1 million)

Source: The Boyd Company, location consultants

