

# Tracy Press

## Delivery speed behind warehouse growth



*A FedEx truck is seen in front of the FedEx Ground delivery facility at the Prologis International Park of Commerce off Hansen Road in February. The hub opened at the end of October.*

By Michael Ellis Langley, November 1, 2016

When FedEx opened its 600,000-square-foot hub in Tracy, almost every local elected official was there, celebrating the latest large-scale warehouse in the city.

It is an indication of Tracy's role in the immediate future of distribution and what experts call "last-mile delivery."

"In the past fiscal year, we've invested more than \$1.6 billion in four new hubs and roughly 170 real estate projects across the country so we can continue to expand our network," said Pat McCoy, district managing director for FedEx Ground, in an interview Friday. "The Tracy hub is a very important piece of this, because as a hub — if you picture a spoke and wheel — the hub is generally responsible for building trailers across the whole Northern California area as well as the entire country."

In recent years, companies have placed a greater emphasis on the speed of delivery. Amazon.com Inc. finished its first million-square-foot facility in Tracy in 2014. In May, the online retailer opened a second fulfillment center here.

John Boyd Jr. — a principal with The Boyd Co. Inc. and a consultant for companies looking to expand to towns across America — is familiar with the area. Last year, his company placed Tracy on a list of the top 25 cities in the nation for distribution. He said that companies are trying to locate close to their customers and close the gap between a product and a buyer — called last-mile delivery.

“People want instant gratification. They don’t want to wait any more. The holy grail of e-commerce is no longer next-day delivery — it’s same-day delivery,” Boyd said Tuesday. “You’re in a terrific location to work with these trends rather than against them.”

Amazon spokeswoman Ashley Robinson said Monday that last-mile delivery is one of the factors that makes Tracy one of the few cities in the world with two Amazon fulfillment centers.

“From our perspective, we can increase inventory, reduce shipping time by building our fulfillment network and building a second fulfillment center in Tracy,” she said. “Our ability to expand customer benefit, that’s all looking at the customer and what customer demands are.”

Even FedEx is tweaking its business model to adapt to a growing demand for home delivery.

“It’s no surprise that e-commerce is driving much of our business right now. The continued growth of e-commerce really allows us to get into these residential neighborhoods at a higher rate,” McCoy said.

FedEx’s Tracy hub will serve a new type of smaller, automated distribution center — including one under construction right now in Hayward.

“It gives the ability to build loads for all over the country, having such a large distribution center. The very good thing that we’re super excited about being in Tracy is the access to the Bay,” McCoy said.

Distribution centers have been criticized by the City Council for not providing head-of-household jobs. Boyd said the centers should be evaluated like entry-level jobs — positions that might not lead economic indicators but are important in people’s lives.

“They (need to) see the value of the jobs that these places bring,” Boyd said of city leaders. “It’s a great transition for kids out of high school or people out of retail to get into the corporate atmosphere.”

For her part, Robinson said Amazon’s experience with thousands of local workers at both facilities had been very positive.

“In Tracy, we’ve found an amazingly dedicated workforce,” she said.

McCoy said that attracting a company like FedEx — and the 650 employees and 350 seasonal workers who will work at the Tracy FedEx Ground hub — is all about positive working relationships and opportunity.

“We’re really excited to be in Tracy. It’s a beautiful hub,” he said. “We obviously are always looking for local communities that are willing to work with a Fortune 500 brand like FedEx. Tracy’s been great to work with from start to finish, and really, their willingness to work alongside us as a great partner has really allowed us to get this pretty tremendous task done on time, if even a little bit early.”

Boyd said city leaders can’t overestimate the importance of that factor.

“You’re in a sweet spot when it comes to the shipping industry,” he said. “In an economy that’s being challenged and a state business climate that has its challenges, it’s wonderful if the town fathers recognize this trend.”