Location, Location, Location

The choices for site selection have never been more plentiful.

Logistics hot spots come and go, based on a variety of factors. One thing is for sure, however, and that is the fact that communities know a good thing when they see one, and providing an attractive location for logistics operations is something more communities are trying to do these days. As such, the pickings are ripe for companies looking to find the most advantageous locale for all their logistics functions.

Like never before, regions are putting together attractive packages to bring in logistics business. The appeal of jobs and economic development ranks high in the eyes of chambers of commerce, so many are rolling out the red carpet to lure in the business. For logistics companies, there has never been a better time to weigh the options and come up with the optimal solution to their location needs.

“Communities are actively courting logistics industries because the economic benefits are clear and compelling. Indeed, for cash-strapped municipalities, warehouses are a significant source of new property tax and jobs,” says John H. Boyd of the Boyd Company, Inc., Princeton, NJ.

“Other coveted revenue streams generated by a new DC for the host municipality and state include sales taxes, personal property taxes, utility taxes, fuel, telecommunications and personal/corporate income taxes,” he says.

Communities are recognizing that DC jobs encompass a wider skill set than in the past as well, making them more attractive. “Today’s highly automated and computer-driven warehouses depend on a wide range of

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well-compensated tech employees who manage such sophisticated technologies as RFID, AS/RS, mobile robotics, inventory tracking, and software driven pick-and-pack systems.”

From tax incentives to infrastructure to cheaper transportation options, everything is on the table these days when it comes to picking the perfect location for setting up shop. The public/private partnership is picking up steam and the supply chain is all the better for it.

The trends

With so much competition for business location, certain trends are dominating the way companies approach site selection. “Our DC clients are trending in several regional directions depending on their industry, markets and global footprint,” says Boyd.

One of the trends Boyd sees in site selection is the location of DCs near intermodal terminals. There are a number of factors playing into this, he says, including: rising diesel costs, truck drivers’ mandated reduced hours, and sustainability trends. “Locating DCs near a rail terminal can help shippers reduce their carbon footprint by making it easier for them to incorporate more rail transportation in the supply chain,” says Boyd. “Rail is recognized as being considerably more environmentally friendly than over-the-road trucking.”

He points out that rail can move a ton of freight 476 miles on a gallon of gas. That’s equivalent to an SUV getting over 250 miles to the gallon. This makes rail attractive on both the green front and the cost savings front.

Yossi Sheffi, engineering professor at MIT and director of MIT’s Center for Transportation and Logistics, adds that locating near intermodal hubs just makes economic sense in today’s international environment. “With the high rate of overseas shipments today, you want to be able to unload containers and then put them on rail,” he says. “There’s a real need for intermodal yards and companies want to be near them.”

Sheffi points to the example of BNSF and Kansas City, where the company recently opened a 1,500-acre logistics “park.” “The facility doubled the company’s capacity in the area and greatly expanded its ability to bring in new business. BNSF officials cited the willingness of local officials to make the location attractive to business.

While not a new trend, “last mile” service continues to play a large role in location choices as well, says Boyd. “Trend-setting Amazon and its search for the holy grail of e-commerce—same-day delivery—has carved out a new ‘last mile’ piece to the DC equation,” he explains. “In the Bay area, Amazon is testing its own delivery network for the final leg of the package’s journey to the customer’s doorstep.”

This could pose a challenge to express shippers like UPS and FedEx, as well as open up a new distribution channel market in major cities, says Boyd. “We expect the Amazon experience—buoyed by surging e-commerce and new on-demand mobile crowdsourcing apps like Uber—to open up new growth opportunities within the express shipment sector as well as posing new challenges to express shippers.”

Boyd also points to a port-proximate trend playing a role in site selection decisions today. “Container shipments are projected to increase tremendously at East Coast ports over the next several years;” he says, “creating inland warehouse opportunities not unlike California’s Inland Empire.”

 Communities located within a few hours’ drive from deep-water ports in Miami, Savannah, Charleston, and Baltimore or Newark are examples of this. “Robbinsville is an excellent example of this port-proximate trend as witnessed by Amazon’s recent decision to locate its first DC ever in the state of New Jersey.”

 Sheffi says that East Coast ports like Savannah, Virginia Beach, and Miami are all dredging right now to entice ships from the Panama Canal. “Miami is even building a new tunnel that will go under the highway and lead directly to the port to attract ships to its port,” he explains.
What it takes

There’s no question that logistics business is more attractive than ever to communities, so what are they doing to bring it in? “Sheffi lists transportation access, good highway connections, and a big airport as being on most companies’ wish lists. Boyd adds in a positive labor-management relations climate, a competitive incentive program and good cooperation from the local community.

Local government support must also be in place, says Sheffi. “Companies want free trade zones, tax breaks and good infrastructure,” he says.

Boyd says that financial incentives often take on the form of property and sales tax abatements, labor training grants and public spending for improvements in highway, rail, and airport infrastructure.

“The education component can be quite helpful as well,” Sheffi points out. For instance, if local colleges offer logistics courses, it can help provide a skilled labor force to interested companies. Going back to Kansas City, nearby colleges offer both degree and certificate programs in logistics, and lately, local high schools have also come onboard to help spread the word about college and job opportunities related to logistics. Combined with other factors, this has helped Kansas City attract warehousing business from companies such as Home Depot, Target and JC Penney.

One additional piece of the puzzle is a good telecommunications infrastructure. Boyd says that with more computer-driven functions in the DC and with e-commerce growth, having state-of-the-art telecommunications is a requisite in order to attract business.

Sheffi notes that some regions of the country are more likely to pull out all the stops to attract DC business right now than others. “Where jobs are plentiful, there’s not as much incentive to try to attract this segment of business,” he says. “But in places like the Midwest and the South, where jobs are in high demand, DC growth is welcome.”

No matter what, things have changed for the better in the past 10 years when it comes to choosing the right site for your logistics operations. “It used to be that many communities were resistant to new warehousing projects and viewed them with skepticism,” says Boyd. In most regions of the country, today, however, that attitude has done a 180.

Yossi Sheffi, MIT’s Center for Transportation and Logistics, engineering.mit.edu/labs/ctl

The Kentucky Example

When eBay Enterprise, an eBay Inc. company, looked to expand its logistics operations, it looked to its existing location in Louisville, Ky. Online marketplace Groupon also put down its logistics roots in Northern Kentucky recently, as did XPO Logistics and A & R Logistics, the former being an expansion project and the latter being new to the area.

Why is it that all of these companies sought out the Kentucky region? Many factors, most of which are common wish-list items for companies looking to dial in the ideal location to set up logistics shop.

For one, Kentucky has a central location, making it an easy trip to/from the East Coast and the South, as well as Canada and Mexico. It also has navigable rivers and seven public river ports, allowing it to send thousands of shipments via water. In addition to waterways and its central location, Kentucky is also well known for good infrastructure of other sorts, including bridges, airports and roadways.

Then there’s the workforce. Kentucky has a logistics skilled workforce in place and a cooperative university system. And finally, Kentucky is motivated to bring logistics business to its grounds via incentives.

Due to its extensive marketing, Kentucky has attracted new logistics business and its economy is reaping the rewards. In 2013, Kentucky exports were up 14 percent over the previous year, making it the second-highest percentage increase among states. When it comes to attracting logistics customers, Kentucky has it all figured out.

The Boyd Shortlist

According to John H. Boyd of The Boyd Co., Inc., based in Princeton, NJ, these are the locations, listed by region, that are currently in demand for DC site selection:

Northeast U.S.: Robbinsville, NJ; Salem/Gloucester County, NJ; Lehigh Valley, PA
Southeast U.S.: Savannah, GA; Ruskin, FL; Miramar, FL
Midwest U.S.: Dublin, OH; Jeffersonville, IN; Johnson County, KS
Midsouth U.S.: Pryor Creek, OK; Memphis, TN; Shreveport, LA
Southwest U.S.: Casa Grande, AZ; North Las Vegas, NV; Sparks, NV
Mountain: Sandy, UT; St. George, UT; Santa Teresa, NM
California: Apple Valley, CA; Redlands, CA; Tracy, CA
Northwest U.S.: Tualatin, OR; Quincy, WA; Twin Falls, ID