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**STRATEGIC INSIGHT | REGIONAL HUBS AND SITE SELECTION SERIES**

## Emerging logistics hot spots: The Midwest

**They may not be on your radar yet, but these three Midwestern locations are hoping to become the next logistics mega-hubs.**

**By Susan K. Lacefield**

It used to be that communities were less than eager to see a distribution center locate within their borders. But these days, things have changed, according to John H. Boyd of the Boyd Co. Inc., a consulting firm that specializes in site selection. "Instead of 'not in my backyard,' communities are now courting DCs to come to their area," he says.

That attitude adjustment stems partly from a realization that the types of jobs associated with a distribution center have changed, says Boyd. Chambers of commerce and economic development authorities have come to understand that DCs bring more than just low-paying manual labor jobs to the area; they also provide employment for technical and support personnel.

As a result, more and more regions are touting their strengths as centers of logistics activity. Massachusetts Institute of Technology professor Yossi Sheffi, who recently wrote a book on the subject, calls these hubs "logistics clusters," which he defines as areas where many logistics activities take place in close proximity. According to Sheffi, in a logistics cluster, both logistics service providers and the logistics operations of manufacturers, retailers, and distributors congregate around a port, airport, rail facility, or a location close to major population centers.

This is the first in a series of articles looking at some of these emerging logistics clusters. While most logistics professionals are familiar with hubs like Memphis, Tenn.; California's Inland Empire; and Columbus, Ohio, our series will look at locations that may not be on their radars yet. (For more on Ohio's role as a logistics hub, see the article "[High on Ohio.](#)")

The first article in our series looks at three emerging logistics clusters in the Midwest: the bistate Kansas City area, St. Louis, and Will County, Ill.

### **KANSAS CITY**

Kansas City has long been known as a transportation hub. That's no surprise given that the city is crisscrossed by major highway, rail, air, and barge routes.

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#### For more information ...

Want to learn more about the logistics clusters mentioned in this article? Here's where to find more information:

Now, the city is pushing to become known as a center of international trade as well. Located in the geographic center of North America, Kansas City is situated midway between Mexico and Canada. It has an aggressive foreign trade zone (FTZ) program and ranks first in the country in FTZ space, according to the development group KC SmartPort. It also has one of the largest U.S. Customs presences in the country in terms of fiscal clearance, says Chris Gutierrez, president of KC SmartPort.

Furthermore, the existing transportation infrastructure has been undergoing expansion in recent years. For example, the Norfolk Southern, BNSF, and Kansas City Southern railroads have all opened major intermodal facilities in the area. BNSF is set to open an additional one in the third quarter of 2013.

In the past five years, Kansas City has also made a concerted effort to strengthen its workforce's supply chain skills. In addition to the degree and certificate programs offered at local four-year universities and community colleges, the city has reached out to local high schools. KC SmartPort and local community colleges have collaborated with the city's "Prep-KC" program on efforts to go into high schools and spread the word about college and job opportunities in the supply chain. Students can then take a two-week course post-graduation and become a certified logistics associate, which qualifies them for an entry-level warehouse position.

While the city may not boast as many mega-distribution centers as you'll find in Chicago or Dallas, almost all of the major retailers operate DCs or warehouses here, including Wal-Mart (which has two distribution facilities), Home Depot, Target, and JC Penney. The city is also attracting more e-commerce and consumer goods companies. Camping and outdoor product company Coleman, for example, recently opened a 1.3 million-square-foot DC in Kansas City.

Kansas City does have one type of facility that no other location can offer: large underground warehouses. Scattered across the region, these warehouses, which total approximately 20 million square feet, were created from old limestone mines. Because they are situated underground, they're able to maintain a constant temperature all year long. "This leads to higher productivity rates and lower cost to operate, because you don't need heat and air conditioning," says Gutierrez.

## ST. LOUIS

For many years now, St. Louis has marketed itself as the geographic center of the country, making it a logical location for a distribution facility. "We are the largest metropolitan area that is closest to the geographic center of the United States as well as the population center of the United States," says James Alexander, vice president, global client solutions, for the St. Louis Regional Chamber of Commerce. "We are also within 600 miles of about half of the manufacturing plants in the U.S.; that's a little more than a day's truck drive."

As further evidence of St. Louis' central location, consider this: The city is the westernmost terminus of the major Eastern railroads (CSX and Norfolk Southern), and the easternmost terminus of the major Western railroads

## Kansas City

- *KC SmartPort*: This not-for-profit group is an excellent source of information about logistics opportunities in the 18-county bistate Kansas City region.
- *"Kansas City: Logistics powerhouse?"*: Senior editor Mark Solomon's online article looks at the city's efforts to become a supply chain success story.

## St. Louis

- *St. Louis Regional Chamber*: This group connects business and civic communities in the 16-county bistate region. The chamber has identified "transportation and distribution" as one of the five industry clusters that the region is committed to strengthening.

## Will County, Ill.

- *CenterPoint Properties*: The property management company and developer of the CenterPoint Intermodal Center provides information on the center—including a drayage calculator—on its website.
- *Will County Center for Economic Development*: This organization brings together public and private groups to encourage business development in the county. Its website offers detailed information about the inland port.

(BNSF and UP).

If location is the number one reason why companies choose the St. Louis area for their DCs, the city's transportation infrastructure is second. In addition to the four railroads named above, St. Louis is served by the Kansas City Southern and Canadian National, making it the third-largest rail center in the country.

St. Louis is also the nation's third-largest inland port. Alexander notes that it's not only the northernmost "ice free" port on the Mississippi River, but that it also offers some advantages from a barge operator's point of view. "There are no locks and dams between St. Louis and New Orleans, so the barge operators can build very large tows," he explains. "Anywhere north or west of here, you have to deal with locks and dams, so the size of your tows is restricted."

On top of that, the city is bisected by four major interstate highways (I-55, I-44, I-70, and I-64) and is served by five regional airports (although three of them deal mainly in personal and corporate aircraft).

St. Louis also benefits from competitive labor costs. Approximately 80,000 people in the area are employed in transportation or material movement jobs, and the median hourly wage is \$13.83, compared with the national median of \$14.06. "So we've got a very skilled workforce, and we also have a workforce that is very competitive in terms of wages," says Alexander.

Currently, there are roughly 5,400 warehouses and DCs located in the St. Louis region, totaling 245 million square feet. Companies that operate facilities in the area include Unilever, Hershey's, Procter & Gamble, Anheuser Busch, Graybar, and Walgreens.

## **WILL COUNTY, ILL.**

When you think of ports, Will County, Ill., probably is not the first place that pops to mind. But the county, located 40 miles southwest of downtown Chicago, is home to the nation's largest inland port, which is also the third-busiest port in the United States, according to Brian McKiernan, senior vice president of CenterPoint Properties, which manages the sites.

The inland port contains two large intermodal facilities: the Union Pacific Joliet Intermodal Terminal in Joliet, Ill., and BNSF Logistics Park-Chicago in Elwood, Ill. The two facilities are minutes away from I-80, which runs from San Francisco to the New York metropolitan area, and I-55, which runs from Louisiana to Chicago.

Opened in 2003 (Elwood) and 2010 (Joliet), the two intermodal centers boast state-of-the-art facilities and roads. The intermodal center currently has approximately 17 million square feet of warehousing space and serves companies such as Wal-Mart, Home Depot, Georgia Pacific, Honda, and McKesson.

As for what makes Will County an appealing location for warehouses and DCs, it's all about efficiency. According to McKiernan, it takes 70 to 100 hours for freight to travel from the West Coast to rail facilities in Joliet and Elwood, Ill., on the western edge of Chicago. It takes another 70 to 100 hours for freight to travel by rail from Joliet or Elwood to the eastern edge of Chicago, he says.

By locating their distribution facilities at the intermodal center, which is just a quarter mile from the rail yard, companies can bypass the congestion in Chicago. Plus, the yard is designed for easy access, according to McKiernan. "You don't have any residential development off of the rail yard," he says, "so you are able to get through the yard and out on the highways as efficiently as possible."

Coming up: In the May issue, *DC VELOCITY* will look at emerging logistics hubs in the U.S. Southeast.