



# NEXUS

Inbound Logistics  
Site Selection



# NEXUS

*warehousing | transportation | logistics*

*800.536.5220*

*[www.nexusdistribution.com](http://www.nexusdistribution.com)*



## SITE SELECTION:

# You Are Here

Looking past the obvious and digging deep when making site selection decisions will multiply your logistics capabilities.

by Merrill Douglas

It's easy to find economic development officials who'll tell you their spot on the map is the ideal place for your distribution center (DC). It's much harder to evaluate their claims and discover the location that offers your company the best competitive advantage.

A site in a business-friendly location with convenient access to transportation resources can give your supply chain a major boost. Other factors—such as distance to suppliers and customers, and access to a suitable workforce—matter as well.

To choose the perfect location, you need to understand your operation and consider how the variables affect your company's situation, then carefully weigh each location's pros and cons.

"It's a balancing act," notes Jeff Forsythe, principal at McCallum Sweeney Consulting, a global site selection provider based in Greenville, S.C. The best area from a transportation perspective, for example, might not be the best one for real estate or labor.

Before considering those tradeoffs, companies shopping for a DC site must learn as much as possible about their current supply chain network.

At Nexus Distribution, a third-party logistics (3PL) provider whose portfolio includes site selection services, the process usually starts with an effort to collect as much data as possible about the existing logistics network. "Ideally, that data involves stockkeeping unit (SKU) information, so we can see what DCs products are flowing in and out, and where those products are coming from," says Jeff Cox, Nexus Distribution's director of logistics.

Shippers should also consider how their supplier base might change when they add a new

SUPPLY CHAIN MANAGEMENT | THE GREAT EQUALIZER

DC, says Rich Thompson, managing director and Americas leader for supply chain and logistics solutions at Chicago-based commercial real estate services firm Jones Lang LaSalle.

A shipper or its consultants may feed the necessary information into a modeling program to develop a list of candidate regions or sites. The software analyzes factors such as the transportation resources available in a particular market, the cost to use those services, and the transit times between that location and the company's suppliers and customers. The model might also consider factors unrelated to transportation.

"Analysts use modeling tools to evaluate energy, labor, tax incentives, and the customer base in locations where a business may be buying or selling," says Craig Stoffel, vice president of Omaha-based Werner Global Logistics, another 3PL with a site selection practice.

**Weighing the Options**

Business priorities dictate which factors receive the most weight in site selection calculations. Consider, for example, a location that offers many different transportation options at competitive rates, but is a two-day drive from most of the company's suppliers. "The shipper may decide it can't live with that much distance," says Terri Bennett, vice president of customer solutions and information technology at Nexus Distribution.

Site selection often requires balancing all the

variables. "Part of the exercise is trading off costs and service levels," says Will Hansen, principal owner at Nexus.

Project timetables might also influence the choice. "A shipper may need a 750,000-square-foot distribution center quickly," says Thompson. That imperative could steer it away from California's Inland Empire, for example, where properties of that size are not readily available.

Other local conditions also help determine the shipper's final choice. For example, a computer model might indicate a region that meets all the criteria, except that shipments will cross terrain that is often beset by hazardous winter weather.

Or restrictions on rail service might pose problems. "All rail tracks are not created equal," notes Stoffel. "Some tracks cross bridges that have weight limitations."

Labor is another major cost factor companies must consider in the site selection process. To find locations with the right kind of talent pool, Jones Lang LaSalle identifies the characteristics a company wants to see in its workers, then develops a detailed labor profile for each candidate location.

McCallum Sweeney also focuses on workforce analysis, examining federal, state, regional, and local labor data, including wage surveys. They interview executives at six to 10 existing facilities in each potential market, asking about factors such as turnover, absenteeism, workers'

**Locating a facility that suits all of a company's needs requires in-depth research and analysis.**



## OBSTACLES OVERSEAS

If choosing the right site for a U.S. DC is a daunting task, it can be downright scary for U.S. companies checking out locations in overseas markets.

Take China, for example. “Some companies can tell horror stories about real estate companies, or representatives from particular provinces, selling the same land three times over,” says Craig Stoffel, vice president of Werner Global Logistics. Or local officials might promise access to electrical power or transportation resources that don’t actually exist.

How do you protect yourself when you’re setting up shop in an overseas market? Get help from an expert.

“Make certain that whoever you’re working with on site selection has previous experience in those markets,” Stoffel says. That experience should be recent, because local regulations and incentives have changed a great deal in the past decade.

Also be sure to do all your homework. “Your due diligence has to be exponentially more thorough when you’re working internationally than domestically,” Stoffel notes.

compensation challenges, and the local wage environment. “We receive firsthand knowledge from executives who have been doing business in the region for several years,” says Forsythe. “This yields valuable information about the area.”

Tax laws might help to influence the decision, as well. “States that are hurting for revenue may develop creative ways to tax goods stored in your warehouse,” says Hansen. “When selecting a new location, you have to take local policies, taxes, and regulations into consideration.”

### Down to Details

Once a company pares its list of communities to a few strong candidates, it is time to issue requests for proposals (RFPs), conduct site visits, talk with local economic development officials, and negotiate with property owners.

This is the point in the search when features of specific sites, along with precise locations on the map, can make a big difference. “If you move 10 miles away from a spot that the modeling software has chosen, for example, you might be closer to a metro area that has the labor to support a distribution center employing 1,000 workers,” says Forsythe.

On the other hand, you might rack up extra costs by choosing a location that is too far from the nearest interstate exit.

“For a company moving 9,000 shipments a year, an additional 18 miles in each direction at \$1.75 a mile makes a difference of hundreds of

thousands of dollars,” Stoffel notes.

State and local officials who are courting new businesses tout available tax incentives, and those are certainly important. But shippers should not give too much weight to the prospect of tax breaks.

“Some companies begin a site search with incentives as their top priority,” says Forsythe. But those incentives will eventually expire, leaving the company to cope with all of the location’s other features, both positive and negative. “The wiser path is to ensure the quality of the property, community, workforce, and logistics environment,” he adds.

Stoffel agrees. “You might get a nice incentive in year one for a particular location, but you’re going to live with the supply chain costs for years to come,” he notes.

Anyone conducting a site selection search should take an integrated approach. “No single factor determines the best site,” says Thompson.

People in charge of many different functions within the company should take part in the decision. And they should work in an iterative fashion—not simply looking at transportation, then moving on to the next factor, but continually rounding back to review all the factors and weigh them together.

“You have to make site selection decisions holistically,” Thompson says. “It’s not about the real estate. It’s about the business solution you’re trying to achieve in the end.” ■