

Industrial Real Estate Logistics

10 Things You Should Know About LABOR Factors in Warehouse Operations & Site Selection Decisions

As part of corporations increasingly using their supply chain strategies to help gain a competitive advantage we noticed a trend toward more in-depth site selection analysis. The traditional factors analyzed such as: transportation inbound & outbound costs, labor shed profiles, distance to major transportation nodes, proximity to major markets, community pro-business assessments, specialized training, state and local incentives, highway infrastructure, and others are carefully analyzed in order to select the location which supports a company's business model and supply chain strategies. In our experience labor seems to be one of the most misunderstood factors.

Below are 10 things you should know about LABOR factors in warehouse operations and site selection decisions.

1.) Labor Tops the List

Area Development magazine conducts an Annual Manufacturing and Warehouse/Distribution Operations Site Selection Survey to determine how the site selection components rank in level of importance. The 2008 Survey confirmed the labor costs and availability of skilled labor are in the Top 10 most important site selection factors.

Site Selection Factors 2008		
1	Highway accessibility	95.4
2	Labor costs	91.4
3	Occupancy and construction costs	90.4
4	Tax exemptions	88.6
5	Energy availability and costs	87.9
6	Availability of skilled labor	87.7
7	State and local incentives	87.2
8	Corporate tax rate	85.3
9	Low union profile	82.7
10	Available land	82.0

Source: Area Development Magazine's 23rd Annual Corporate Survey

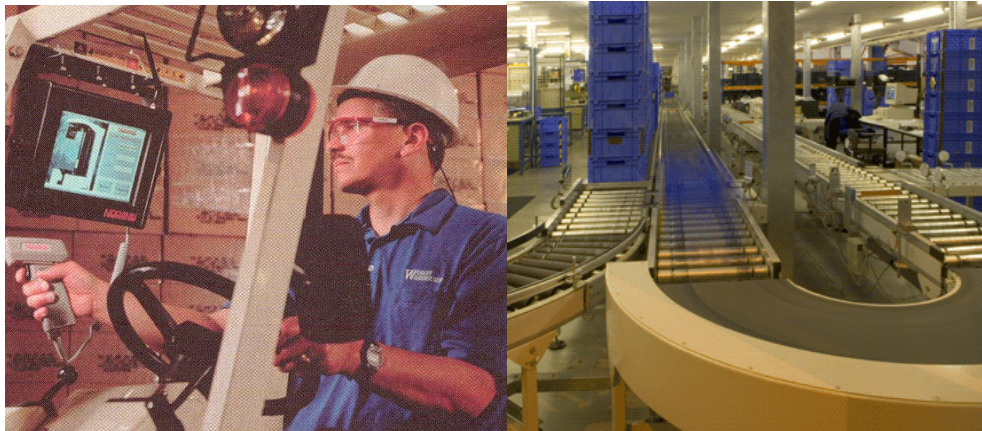
2.) It's Not Your Fathers' Warehouse – More associates needed

In the past warehouses normally handled bulk shipments of goods in and out with little value-added work provided by the warehouse. The number of workers inside the “four-walls” of a 250,000 could be 12-15 workers. Today warehouses are frequently referred to as “customization centers” and/or “mini-manufacturing operations.” Their focus is to prepare floor-ready merchandise so retail store associates don't have to spend valuable time in backrooms preparing products for shelves rather than assisting customers. It is common today to find a 250,000 sq. ft. warehouse operating with 60-75 workers.



3.) Evolution of Automated, Hi-tech Warehouse Operations

Warehouse tenants' corporations continue to focus on improving supply chain velocity and quality of customer service while reducing supply chain costs. In order to achieve these objectives they have implemented more automation and technology in their warehouse operations. Walgreen's 700,000 sq. ft. facility in Perris, California has more than \$100 million dollars invested in automation and technology within the "4-walls." A quality, trainable workforce is essential.



4.) Mass Retailers' Vendor (Warehouse Tenants) Compliance Rules

There is good news and some challenging news when vendors are selected by mass retailers. The mass retailers issue a Vendor Compliance book which vendors are expected to know and follow. Violations of a chargeback item can result in costly deductions from a vendor's invoice. If warehouses do not have access to a good, low-turnover, trainable workforce in the area, the cost impact can be significant.

Examples of Vendor Compliance Chargeback Items

EDI	856/ASN has incorrect or missing information	Shipping	Early or late shipment
EDI	No ASN or unusable ASN at time of receipt	Shipping	Merchandise quantity does not match packing slip
Labeling	Carton marking missing or incorrect	Shipping	Merchandise received damaged/soiled/defective
Labeling	No UCC-128 label on carton	Shipping	Packing Slip missing or incorrectly placed
Labeling	Non-readable / unscannable UCC-128 label	Ticketing	No retail ticket on merchandise
Labeling	UCC -128 carton label doesn't match ASN	Ticketing	No UPC ticket on merchandise
Labeling	UCC-128 label not in scannable location	Ticketing	UPC Not scannable / Poor quality
Packaging	Carton dimensions outside minimum/maximum specified	Ticketing	Wrong UPC - does not match merchandise
Packaging	Carton weight outside minimum/maximum specified	Transportation	Bill of lading number does not match 856/ASN
Packaging	Shipment with straps, bands, burlap or plastic	Transportation	Failure to follow routing instructions
Shipping	Concealed overage or shortage	Transportation	Incomplete or erroneous information on bill of lading
Shipping	Packing Slip with incorrect or missing information	Transportation	Failure to use VICS bill of lading
		Transportation	Incorrect NMFC class on bill of lading or freight bill
		Transportation	Shipments made on consecutive days

5.) An Area's Specialized Training

Economic Development Agencies in cooperation with local community colleges have established Specialized Training Programs for warehouse workers so local warehouse operators can find good workers. This can provide a key advantage in one location competing with another.



6.) Rooftops Can be Too Close

Frequently we hear supply chain executives say “I want to be able to see the rooftops of where my potential warehouse labor force lives to be in my comfort zone.” Today we are seeing across the country increasing situations where residential developments located adjacent to industrial parks are pressuring local politicians to place serious Operating Moratoriums on warehouse operations.



7.) Agricultural Labor Shed leads to Exceptional Warehouse Workers

Numerous demographic studies have confirmed that an area with a good size agricultural labor shed provides excellent, loyal, hard-working workers for a warehouse operation. For example, a large retailer's regional DC located in the Central Valley of California consistently wins the firm's warehouse network annual challenge as the most productive and highest quality warehouse operation in the United States.



8.) Warehouse Associates Location Amenities

We have conducted numerous regional warehouse operations studies from coast to coast, border to border and have found that a majority of warehouse operations executives are

putting a higher level of importance than in the past on an area with good warehouse workers amenities (e.g. public transportation to/from the site, nearby restaurants, etc.).



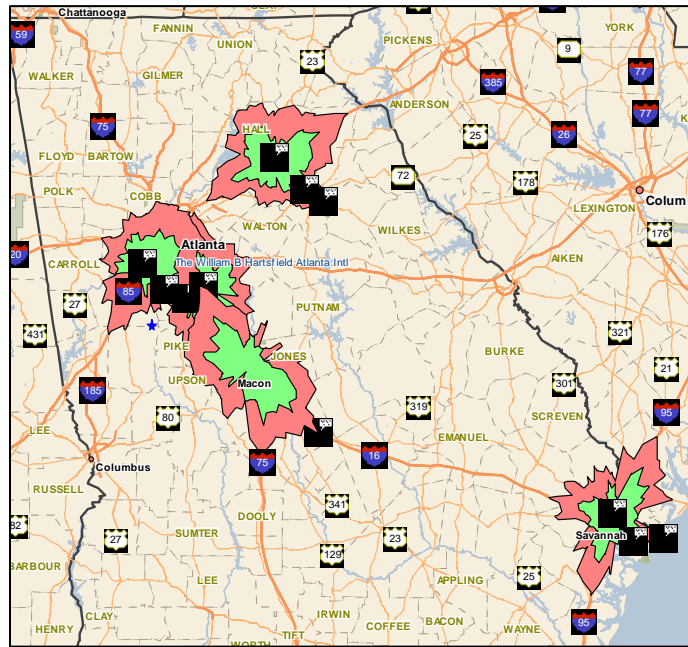
9.) Warehouse Operations Challenges

As part of WCL Consulting’s warehouse site selection studies for warehouse tenants we frequently interview current warehouse operations in an area to get a feel for what our clients can expect. It is interesting to note that over the last 6-7 years a consistent pattern is noted that the most important challenges include:

Warehouse Operations Location Area Top 3 Challenges	
1.)	Labor quality including skill levels
2.)	Labor turnover
3.)	Infrastructure congestion

10.) Developing a More Compelling Warehouse Site Location Story

Demographic studies range from very detailed or high-level overviews. It is recommended that industrial real estate developers/landlords provide some level of demographic information which will help communicate a more compelling story of why their location is better than competitors.



Labor Shed Profiles (30 & 45 minute drive times)

We at WCL Consulting are pleased to provide this information on just one of many important aspects of optimal site selection. Please contact us if you would like to learn more about this topic and other key considerations and processes of warehouse site selection.

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