



THE NORTH TEXAS ADVANTAGE

University of North Texas-Third Year Student Project
School of Logistics and Supply Chain Management



AGENDA

- Why the North Texas Region?
- The North Texas Advantage
- Geographic Advantages of NT Region
- Recommendation





Does the distribution from a location in the North Texas Region hold an advantage over shipping from the East and/or West Coast?

Situation:

- The attached presentation seeks to discuss the advantages for locating a 3rd-party warehouse location in the DFW (North Texas) area vs. a facility located on the East or West coasts.
- Would favorable advantages of a North Texas distribution location attract shippers that would typically seek to use 3rd-party warehouses located near ports of entry?
- Retailers are constantly challenging their suppliers to reduce replenishment times ("speed to market") and reduce costs.

Complication:

- Companies that need 3rd-party fulfillment services typically work with the assumption that it is more beneficial to use warehouses that are located on both the East and West coasts, closer to the main ports of entry.

Question:

- Are there significant infrastructure, geographical, labor, transportation and cost advantages that favor a warehouse location located in the North Texas region?

Consideration:

- Research cost comparison model that measures the benefit of shipping from a facility located in the middle of the United States (North Texas Region) to an end user (customer locations throughout the United States).
- Key cost elements should include the following: labor, facility (cost of construction and maintenance), transportation, utility, and state taxes (corporate income and property taxes).



North Texas offers significant infrastructure advantages:

- The North Texas (NT) Region has become one of the world's major logistic hubs.
- With over 730 million sq. ft. of industrial space, the NT region ranks 3rd after Chicago & LA in terms of total distribution space.
- NT has 5 intermodal facilities and service from 3 Class-1 railroads, enabling the region to be the largest inland port in the U.S.
- Extensive transportation infrastructure supports trade.
- DFW airports rank 3rd in passenger traffic and 11th in air freight.
- Logistics hub of choice for over 60 Fortune 500 companies.



Top companies have located their distribution centers in North Texas:



Volkswagen





North Texas offers significant geographical advantages for a distribution point:

- NT's central location in the U.S. supports a strategic distribution plan.
- 85% of the U.S. population is a two-day or less drive time from NT.
- With few exceptions, the NT region is not affected by weather conditions.
- Importation/Exportation to Mexico or Latin America is facilitated by NT's access to the NAFTA corridor and the port of Houston.
- 2 of the top 10 metropolitan areas in the U.S. are in Texas and 3 of the top 10 cities for E-Commerce sales are in Texas.



North Texas offers *advantages* in the areas of education and labor availability:

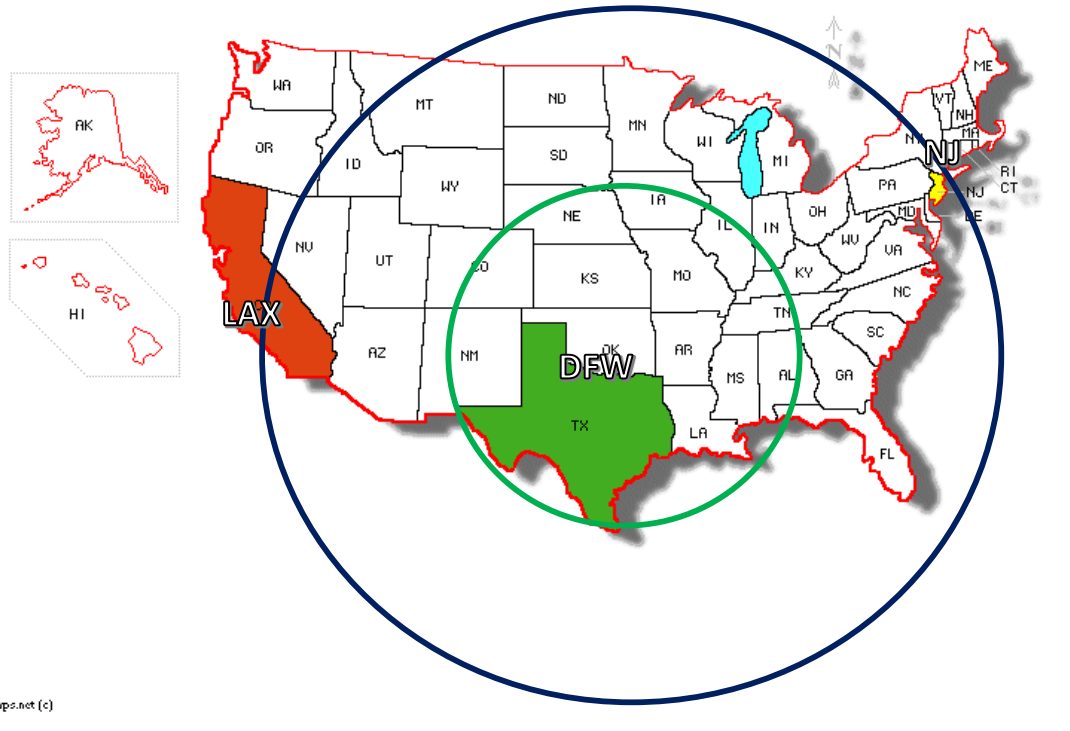
- The 3 largest community colleges in NT offer logistics programs.
- Two area universities (U.N.T. & T.C.U.) offer undergraduate degrees in logistics. Both programs are ranked in the top-25 on a national basis.
- The region's labor force is 3.5 million strong, the fourth largest in the nation.
- North Texas ranks among the top 3 U.S. metro areas for business expansion, relocations and employment growth.



North Texas offers an *advantage* from a transportation perspective

Import

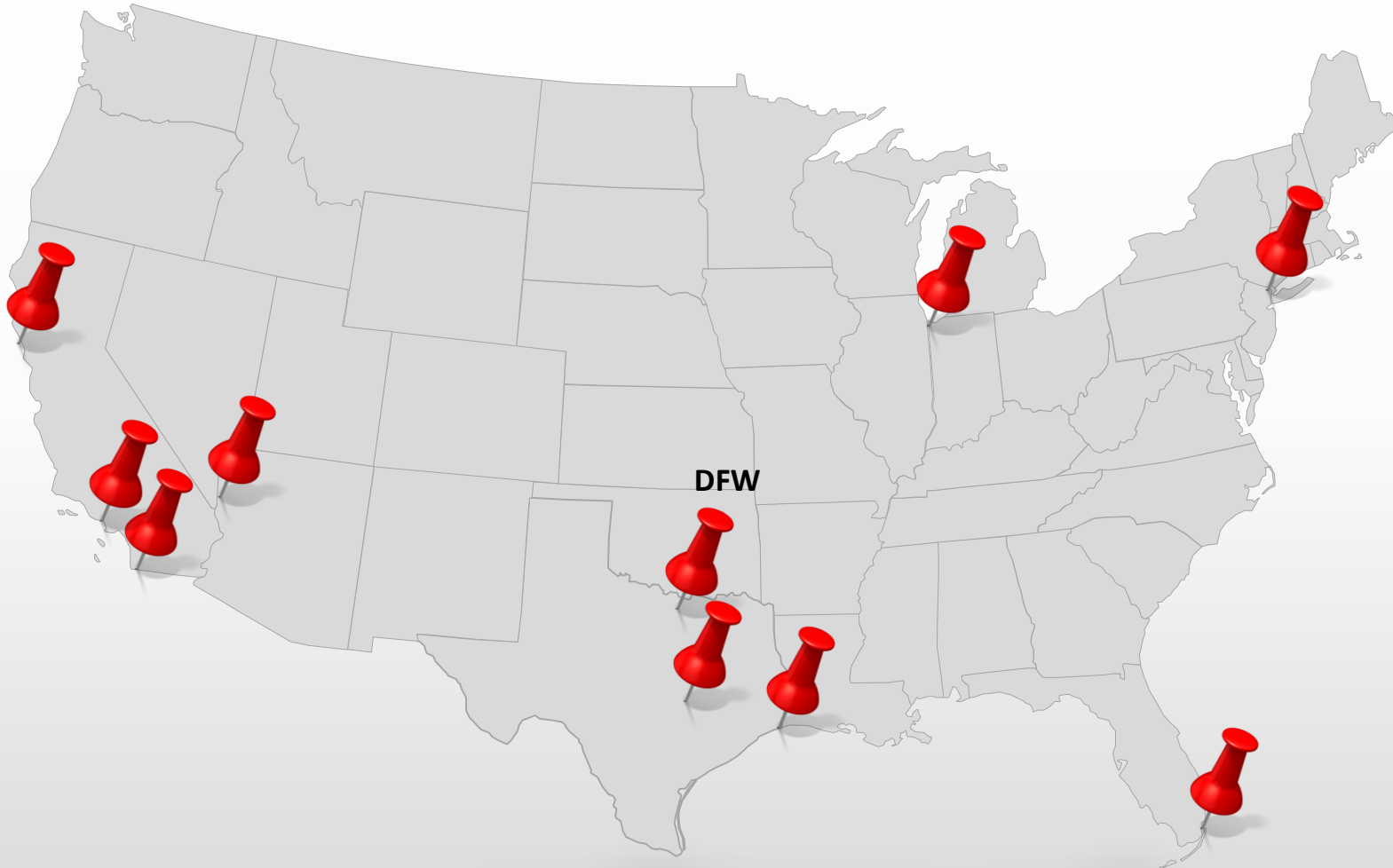
- - LAX
- - DFW
- - NJ




- Reduced outbound carrier & small parcel shipping costs.
- 70% to 85% of the population can be reached in 2 day drive time.
- A location in North Texas is capable of reaching all regions of the US in 3 days total transit time.



North Texas has an *advantage* through its proximity to e-commerce shoppers (3 of the top 10 e-commerce consumer markets are in Texas)



 10 most active e-commerce consumer markets (based on consumer purchases Q4/2014) Bigcommerce.com/top-10-cities-2014



North Texas has an *advantage* in total cost of warehouse operations

Comparative costs in study are annualized and scaled to a hypothetical 175,000 sq. ft. warehouse facility employing 75 nonexempt (hourly) workers

Distribution Centers	Total Cost*
Riverside/San Bernadino, CA	\$ 8,479,907.00
Meadowlands, NJ	\$ 9,570,304.00
Dallas/Fort Worth	\$ 7,283,256.00

- **The DFW region excelled in overall costs of warehouse operations.**
- The figures used to calculate the Warehousing costs were:

Costs to Operate a DC	Riverside/San Bernadino, CA	Meadowlands, NJ	Dallas/Fort Worth, TX
Total Annual Labor Costs	\$ 3,258,810.00	\$ 3,520,991.00	\$ 2,895,641.00
Electric Power Costs	\$ 570,048.00	\$ 544,980.00	\$ 333,036.00
Nautral Gas Power Costs	\$ 284,340.00	\$ 409,080.00	\$ 209,160.00
Amortization Costs	\$ 3,025,782.00	\$ 3,416,790.00	\$ 2,454,528.00
Property and Sales Tax Costs	\$ 1,340,927.00	\$ 1,678,463.00	\$ 1,390,891.00
Total Costs	\$ 8,479,907.00	\$ 9,570,304.00	\$ 7,283,256.00

*Costs obtained from a study by the Boyd Company, Inc.



North Texas provides a competitive *advantage*

- North Texas offers significant geographic and infrastructure advantages for warehouse operations.
- Proximity to top consumer markets.
- Abundant and highly skilled labor force.
- Central location proves to be strongest from a transportation prospective.
- **DFW excels in warehousing and outbound transportation costs, offering a lower total cost of distribution.**



Sources

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