

LOCATION, LOCATION, LOCATION

A Midwest Fulfillment Center Saves You Money

When it comes to order fulfillment and product distribution, the three biggest factors in determining the most efficient and cost effective method of getting your products to your customers are location, location, location. If you are shipping product to a nationwide customer base from outside of the Midwest, chances are you have a more expensive and slower supply chain than is necessary.

Look at a map. Where are your customers? Now pick a spot on the map that geographically makes sense to distribute from, centered in the middle of your customer base. If you are pointing to the Midwest, you are not alone. The central states are quickly becoming distribution and order fulfillment hubs for companies all across the country. Missouri, Illinois, Indiana, Tennessee and Ohio have all seen a substantial increase in the building of order fulfillment, warehouse and distribution center space, and most of these states are actively courting logistics operations as a source of economic development.



You can't compete with geography....or can you?

But if you need more analytical proof than just pointing your finger at a map, then let's go through the numbers. For the sake of this analysis, let's assume you own a Southern California-based company that imports a container of product every month through Long Beach to their facility in LA. Product is then sold nationwide to individual consumers, and shipped using a parcel carrier such as UPS. The chart below illustrates parcel shipping rates, as well as delivery times, from Los Angeles versus St. Louis to a nationwide sample of cities. As you can see, the savings from shipping from the Midwest can really add up!

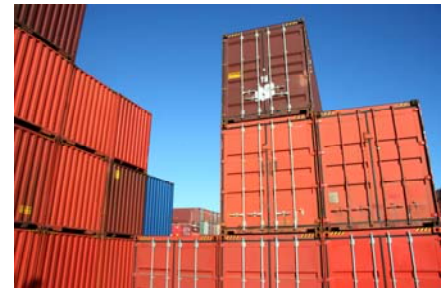


To/From	Los Angeles		St. Louis	
	Cost	Days	Cost	Days
Seattle	\$11.20	3	\$12.92	4
Denver	\$11.20	3	\$11.20	2
Houston	\$11.96	3	\$10.62	3
Miami	\$14.46	4	\$11.96	3
Dallas	\$11.96	3	\$10.62	2
San Francisco	\$10.62	2	\$12.92	4
Baltimore	\$14.46	4	\$10.62	2
Chicago	\$12.92	4	\$9.75	1
Atlanta	\$14.46	4	\$10.62	2
Indianapolis	\$12.92	4	\$9.75	1
Average Cost/Package	\$12.62		\$11.10	
Average Shipping Days/Package		3.4		2.4
Monthly Cost of 250 Packages/Day	\$69,400		\$61,039	
Monthly Savings by Shipping from St. Louis	\$8,361			
Yearly Savings by Shipping from St. Louis	\$100,328			

Notes: UPS Ground publicly published rates for shipping an 8 lbs. package to a residential address.

Another cost we should look at is the cost of getting product from the port to your order fulfillment or distribution center. In our example, the product is imported on a container and then placed on a truck to its Los Angeles destination. If routed to the Midwest, the container would be transported by rail to St. Louis and then taken over-the-road to the order fulfillment center, and this extra leg adds roughly \$1,600 to the cost of delivering each container, or \$19,200 annually. The comparison varies greatly if your product is manufactured domestically, and the overall cost savings of using a Midwest center is magnified if product is sourced in the Midwest.

Savings by Shipping outbound goods from St. Louis	\$100,328
Additional Inbound Transportation Costs to Bring Goods to St. Louis	(\$19,200)
Transportation Cost Savings Using a Midwest Facility	\$81,128



In our sample supply chain, the company saves \$81,128 per year in transportation costs just by shifting distribution from the West Coast to the Midwest. In addition, customers are getting product on average 1 day sooner because of the Midwest fulfillment center.

Save on shipping and get your product to your customer faster!

This analysis focuses solely on transportation costs. Remember, transportation is the single highest cost within your supply chain, averaging 3 to 4 times higher than your warehousing and fulfillment costs. Translation: even a slight reduction in transportation expense can make a big difference!

Factoring in warehouse and fulfillment cost comparisons only make the Midwest look even better! Generally, the cost of land, warehouse space, labor and overhead runs cheaper in the Midwest than on either coast. But for our hypothetical Southern California company, the transportation savings alone is enough to justify exploring a switch.

Geographically speaking, the Midwest is the most logical location for an order fulfillment or distribution center. Give TAGG Logistics a call today and we will trace all the costs of your supply chain, from source to consumer, and provide you with a comparison. Chances are the logic of location, location, location will translate into dollars, dollars, dollars of real savings.


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TAGG Logistics is a leading, Midwest-based third party logistics provider specializing in order fulfillment, distribution services and packaging, kitting and assembly.

TAGG...We're it!