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Casting a Wide "Regional Net"

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Looking for a new location to build a manufacturing facility? Make sure you are casting your net as wide as possible to snag that perfect site that truly has it all.

Whether you are looking to build your first United States manufacturing facility, or your 50th, there is no doubt finding the right location (not to mention a good site) is a critical step in your path forward. There are many factors to consider and sometimes those factors may conflict with one another – directing you to different locations.

There was a time when the process was easier; the most important factors were cost, cost and cost. This typically translated into locations where a company could find low-cost land and low-cost labor. It mattered less that the lowest cost location meant the facility may be located several hours from the nearest airport and the location lacked the amenities necessary to support visiting company representatives or customers.

While investment and operating costs are still incredibly important considerations for manufacturing facilities, there are a number of other factors that also have to be considered.

In today's environment, a manufacturing location has to have it all – low costs, excellent quality of life (in order to recruit technicians and engineers to the facility), access (specifically commercial air service) for customers and company representatives to quickly and easily get to the facility, and amenities that will allow you to entertain your out-of-town guests. To top it all off, this location ideally would be in a county where the air quality might make the timely permitting of a new facility less time-consuming.

Sound difficult? Read on to find out how other companies are making this difficult task more manageable. To find a site, that meets all the diverse needs that a company might have in a new manufacturing location, may be as easy as casting a wider net. One of the things that you might find is that your perfect manufacturing site might not be in a metropolitan county, but in a county right next door.

Sounds simple enough, right? Not so fast!

Identifying Critical Factors

First, you have to identify the factors that are critical to your company's success. We know that investment and operating costs are important, but what else might be important for your company? Think about the following questions when trying to identify those critical factors:

- Is transportation a critical element to your operation? Is proximity to customers or raw materials an important element in your location search? Is access to certain transportation elements (port, rail, and airport) important?
- Are workforce attraction and retention critical to your operations success? Do you intend to relocate individuals to this new facility? Do you typically recruit technical personnel or engineering support to your manufacturing facilities from around the country?
- Do your customers or suppliers come to your manufacturing facilities? How often? How important is their impression of your facility and its location?

Your answers to these questions will no doubt play a role in your location search and evaluation.

The Transportation Issue

Let's start with the transportation angle. If your company ships products around the world, then proximity to a container port is a critical element to shipping your product to your customers. Large manufacturing sites adjacent to ports are difficult to find, and once discovered, they tend to be quite expensive.

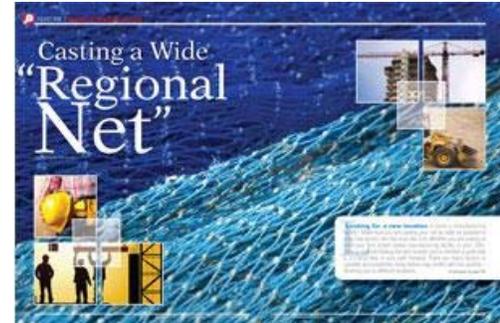
As such, we are beginning to see companies search for alternative sites in close proximity to container ports and explore alternative shipping methods. These methods might include going over the highways using special trucks; using barges along other waterways that lead to container ports; or using rail infrastructure to get products to the container port.

Another more recent trend has been to look for sites in industrial areas that have been designated as "inland ports." These are industrial parks that are generally designed to take products that are either manufactured or warehoused within the park and then deliver them to container ports that are located in relatively close proximity. These "inland ports" were developed to alleviate the problem that many companies were having in finding sites that are on, or adjacent to, container ports. These inland ports oftentimes have the advantage of being Free Trade Zones.

The Workforce Issue

Next we will deal with workforce issues. Many companies these days are recruiting their technical and engineering workforce from around the country to work at manufacturing plants. Qualified individuals in these occupations are demanding to go to more "desirable" locations. As a result, companies are looking to put additional manufacturing capacity in cities and towns that have the amenities necessary to recruit a talented workforce. These amenities can include any number of items: affordable, quality housing; good K-12 educational opportunities; quality health care; cultural and recreational amenities; access to universities or other higher education resources; etc.

If you think about the locations that typically offer all of these types of amenities, larger metropolitan communities typically come



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to mind. Unfortunately, these locations do not always have industrial sites suitable for large manufacturing operations and those that do are more expensive.

The Image Issue

Finally, let's look at the image issue. Many companies today have a steady stream of customers and suppliers that come to visit. These companies want to be in a location where there is adequate air service (defined as an adequate quantity of flights from a number of different destinations). In addition, the community has to have hotels, restaurants, etc. that allow the client to entertain those customers or suppliers.

This issue tends to be more important for companies that are opening their first manufacturing facility. Oftentimes, that facility will also serve as a regional or national headquarters for that company. This trend makes access to commercial air service even more critical.

In addition, this issue is extremely critical for European and Asian companies that are seeking to build their first North American facility. These companies will need to find a location that will allow them to access their customers in North America, as well as allow for easy access to their European or Asian parent companies, customers and suppliers. This, of course, adds access to international air service as an additional consideration.

Identifying the Right Site

Now that you have identified that issue (or issues) that are most critical to your operation, the next step is to find a location that will meet your requirements. Once you have found that location, then you will need to identify a site. In order to find that site, you may have to broaden your definition of the selected location to encompass a larger region and include counties that surround your preferred location.

For example, let's assume that you and your leadership team have identified Charlotte, North Carolina as a preferred location for your next manufacturing facility. In order to find a site that is suitable for the facility, and access to the infrastructure and workforce necessary to support your manufacturing operations, (and let's not forget that it all has to be available at a cost you are willing to pay), you may want to consider sites outside of just Mecklenburg County. In fact there are a number of excellent manufacturing sites throughout the Charlotte Region (see picture) that will allow you to invest and operate in a lower cost structure, but also have easy access to the Charlotte airport, the amenities that metro-Charlotte has to offer, and University of North Carolina in Charlotte.

There are numerous examples like this throughout the country. For Dallas-Fort Worth, for example, a manufacturing concern should look beyond just Dallas and Tarrant counties – they should look throughout the Dallas Metroplex – a geographic area that covers 11 counties. Or, in order to find a Memphis, Tennessee location, you might consider a site in East Arkansas or Northern Mississippi.

The Air Quality Issue

Another issue that is also pushing this trend towards a more regional look for manufacturing locations is air quality. Many metropolitan areas are designated by the Environmental Protection Agency as "non-attainment" for certain criteria pollutants. While this does not mean that a facility requiring an air permit will not get permitted, it certainly makes the permitting process much more difficult and time-consuming (something that most companies do not have).

One solution is to look to the surrounding counties that are less likely to be designated as non-attainment. One caveat: the EPA is continuing to evaluate the air quality in a number of areas and re-classifying counties. So what might be in attainment today may be non-attainment tomorrow.

Regional Facilities

Another way that some companies are meeting the often-times conflicting needs of low-cost manufacturing locations and big-city amenities is to establish a regional headquarter, or technical center, that might serve more than one manufacturing plant. Companies might keep their primary headquarters in its traditional location (which typically is a high-cost location – think New York City), but they may also open a divisional or regional headquarters in a community that has a number of important amenities – access to air service, affordable, quality housing, good school districts, etc. They will establish this facility to house important support functions (i.e. engineering, procurement, information technology, etc.) for their manufacturing operations. This has a double benefit – it gets those functions out of high-cost locations and space, and gets them closer to the manufacturing operations that they serve.

In order to support this notion of regional manufacturing, many states, counties and communities are pushing for a more regional approach to economic development. There are regional organizations that represent a number of larger metropolitan areas. For example Team NEO (which stands for Northeast Ohio) was established in 2003 to represent a 16-county area around Cleveland and includes Akron, Canton and Youngstown, Ohio.

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So the lesson here is that if you have identified your preferred locations and are using the internet to help you find a site, make sure to include the term "region" or "regional economic development" in addition to the community's name. This will help you find an organization that is going to be better able to cast that wide regional net to find a manufacturing site that meets all of your needs. Yes, you really can have it all!

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