



HOW TO EVALUATE ALTERNATIVE WAREHOUSE LOCATIONS

Supply Chain Services Australia (“SCSA”) has supported a number of clients over the years in the selection of the preferred site for their new warehouse / distribution centre.

SCSA has developed a structured methodology to support site location decision-making.

Two factors which are obviously most important in the decision process are:

- property costs, and
- inbound and outbound transport costs

There are, however, typically a number of other relevant criteria which should also be considered in the evaluation of alternative locations. These are discussed below with reference to a recent relocation case study of one of SCSA’s clients which operates in the resources sector.

The company wished to establish a new Greenfield distribution centre in Perth, on a leasehold basis. Twelve developers responded to an Expressions of Interest to design & construct the DC, based on a functional specification which was issued with the EOI. The 12 submissions covered a broad geographical span, but were all within the proximity guidelines included in the functional specification.

The methodology used for a comparative evaluation of the Non Financial criteria, included an analysis of the following factors (naturally, the Financial Criteria were also critically assessed, but are not referenced in this article).

Table: Non Financial Criteria

1. Site
 - a) Proximity to company’s head office location
 - b) Proximity to main transport hubs
 - c) Proximity to key road links
 - d) Can accommodate B Double vehicle configuration
 - e) Ease of access to site, including road safety implications
 - f) Site “image” – opportunity for client to make a marketing statement
 - g) An opportunity for future expansion on site
2. Conformance to Specification
 - a) Developer’s demonstrated understanding of & conformance to specification
 - b) Demonstrated ability to value-add through the design & construct process
 - c) Expected quality of build & finishes
3. Conformance to Program
 - a) Capacity to meet preferred timetable
4. Experience
 - a) Developer’s depth of experience with similar type & size of industrial projects
 - b) Relevant experience of design team
 - c) Relevant experience of builder

The evaluation process involved applying a weighting to each criteria; scoring each criteria from 1 to 10; then calculating a weighted score.

The structured approach of evaluating a comparative assessment of both Non Financial and Financial Criteria provided the company with valuable information to proceed with their decision-making.

It is worthy of note that the preferred site outcome was not the not the lowest lease cost. Indeed it was the 7th lowest cost out of 12 submissions. The clear message is that this particular company determined that a number of other factors were more important than just the property costs alone.

