

## Storage gets a makeover

### LOGISTICS

Old warehouses in the city centre have had their day, says Adam Thomson

About 45 minutes by road north of Mexico City, a series of huge grey-brick warehouses sits on a piece of land that, just a couple of years ago, was little more than scrub-covered hills surrounded by the capital's poor and sprawling suburbs.

Each of the warehouses carries the name of a large company: Palacio de Hierro, the Mexican retailer, Mattel, the toy manufacturer, Kraft, the foods group, Dupont, the chemicals company and McGraw Hill, the publisher.

Each one has just moved to San Martín Obispo, the name of the industrial park, to improve distribution of its merchandise in one of the world's biggest and most chaotic metropolitan areas.

Until a few years ago, companies looking to sell products in Mexico City would rely on ageing warehouses near the city centre to store and then distribute them. Today, they are starting to look towards more modern facilities on city outskirts in an effort to improve distribution and efficiency.

The trend is being driven by at least three factors. First, it is much cheaper and more flexible to operate from a modern facility out of

town than from ageing warehouses in the centre. At the 120-hectare San Martín complex, companies enjoy easy access to their storage with wide patios in which articulated lorries can easily turn around, and 32 loading bays for each of the 10-metre-high warehouses.

"The idea is that companies can offload and load goods in a fraction of what it would take them to do so normally," says Luis Gutiérrez, who heads the Mexico operations of AMB, the industrial park developer that owns San Martín Obispo.

On Mexico's northern border, Meridian 100°, a Mexican logistics company, is developing its first free-trade zone at Colombia in the state of Nuevo León. The 5m square metre industrial park, which involves an initial investment of \$140m and will be the biggest along the Mexico-US border, will offer companies warehousing and direct access to the international border crossing.

The complex, which is being developed for retail industries, automobile and aerospace companies as well as for consumer-goods distribution, will also offer companies tax advantages because it will be an in-bond area.

A second concern is security. Ever since Felipe Calderón, Mexico's centre-right president, declared an outright war against drug

traffickers in December 2006, crime – particularly violent crime – has risen notably. Increasingly, companies have to send their goods with a police convoy or armed private security when on the open road, and they are spending more on protecting storage facilities.

The American Chamber of Commerce in Mexico says security is now one of its members' prime concerns.

Dedicated storage facilities can solve some of the problems. At Tres Ríos, another AMB facility about 15km north of San Martín Obispo, there are two sets of security checks for all vehicles entering the complex – one at the entrance and another

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for internal areas.

The third motor driving these logistics centres is that Mexicans are consuming more than ever. Economic stability over the past 12 years has increased from 5m to 12m the number of Mexican households whose total monthly income is between 8,000 pesos and 20,000 pesos (\$616 and \$1,540), according to Ernesto Cervera, an economist at

GEA, the Mexico City consultancy.

For retailers, that has meant higher sales as more families do their shopping in supermarkets – and spend more on groceries than before. The combination has placed a greater onus on logistics and distribution.

The changes have spawned the arrival of logistics companies in Mexico as manufacturers of consumer goods start to outsource distribution. Yobel, a Peruvian-based supply chain management company, now stores and distributes 2,000 products for companies manufacturing for the Mexico City market. It also puts together temporary offers, such as combinations of different products sold together, from Procter & Gamble, the consumer-goods company.

At Panalpina, the Switzerland-based logistics company, workers handle products from 18 customers under one roof, ranging from sports goods to consumer electronics. In October 2006, when it began operating in Mexico, the company started out with 10,000 sq m of storage space: today it has 30,000 sq m.

Logistics also looks to be one of the few sectors in Mexico that may continue to grow next year. As one Panalpina employee said: "In hard times, companies look for ways of reducing costs and improving logistics is one of them."