



TEJON INDUSTRIAL COMPLEX CASE STUDY: IKEA



SITUATION

At a critical time in IKEA's expansion in the Western U.S., it needed to find the best location for a modern Distribution Center close to a stable labor base, multiple West Coast ports and existing transportation corridors with enough land for future expansion.

The IKEA model is simple: combine a wide product range, good form and function, all at an affordable price. For IKEA, cost savings through efficient logistics, modern distribution facilities and timely delivery is critical. Further, IKEA's continued expansion in California and the West throughout the 1990s compelled the company to identify a smart location for a new, state-of-the-art, custom Distribution Center to service existing stores in Southern California, along with its growth markets in Northern California and the 11 Western States.

IKEA knew its future success and continued growth in the Western markets hinged on three priorities. Logistics, Labor, Location. In that order. It needed a new warehouse facility that offered efficiency, connectivity, stability and value in all three of those critical arenas.

SOLUTION

Tejon Industrial Complex offered the best solutions over any other California site for the entire range of logistics, labor and location needs.

After reviewing comparable sites in the Inland Empire and other Southern California industrial corridors, IKEA ultimately decided on Kern County and Tejon Industrial Complex for its 1.7 million square-foot Western Regional Distribution Center because:

- IKEA could build one, big box, customized warehouse at a location offering existing transportation infrastructure outside of the congested urban core
- I-5 and Hwy 99 north-south/Hwy 58 to I-15 and I-40 east. From TIC's Central California location, IKEA would be able to effectively service key markets in Southern and Northern California and parts of Nevada and Arizona in a one day truck turn, and the 11 Western states and parts of Canada within 24 hours.

SOLUTION

Logistics modeling showed that Tejon Industrial Complex was central to the ports in Los Angeles and Oakland for inbound diversification, and provided a central location for efficient outbound goods movement to all of California and the Western States.

- From Tejon Industrial Complex, IKEA can effectively access the critical port infrastructure in Los Angeles, with the added benefit of connection to the Port of Oakland for diversification and contingency.
- TIC's Kern County location is home to a qualified, experienced and stable warehouse workforce; IKEA's applicant to position ratio was 13 to 1 at its start of operations.
- IKEA's employees have access to the nearby community of Bakersfield, offering a variety of executive and workforce housing.
- The ability to reach many of IKEA's retail markets in California and parts of Nevada and Arizona in a single trucking day provided the foundation for a stable driver workforce. On the majority of runs drivers are able to return home each day.
- Expedited construction permitting and timelines.
- No county inventory tax.
- Shovel ready sites.
- No adjacent residential development planned near project site.
- TIC is master-planned for 1,450 acres, offering ample room for expansion through new development or speculative buildings at the site.

RESULTS

TIC has been such a success that it is now IKEA's North American Logistic Headquarters.

Tejon's formula works for IKEA.

Since opening its 1.7 million square-foot North American Western Regional Distribution Center, IKEA is effectively serving a growing roster of retail locations from San Diego north to Vancouver on the Pacific Coast, and inland to Phoenix, Salt Lake City, Denver and even as far as Dallas. While approximately 80% of its containerized import cargo still arrives through the Ports of Los Angeles, IKEA has established logistics channels moving approximately 20% of its overall imports through the Port of Oakland, creating a dedicated route for future contingencies. Due to the fact that TIC was planned for 24-hour-a-day operations with no adjacent residential development, IKEA is able to capitalize on the new off-peak operating hours (Pier Pass) at the Port of Los Angeles, providing further savings and reducing driver time in peak drive-time congestion.

IKEA has since expanded its operations at TIC by taking an additional 325,000 square feet at an adjacent 650,000 square-foot warehouse building developed by Tejon Ranch Company and DP Partners to service growing space demands at TIC. Through its TIC location, IKEA has found ways to maximize logistics, labor and location driven efficiencies in its supply chain, passing on the value and associated cost savings to its customers at the retail level, a key benchmark for its gauge of operational success.



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