

Half empty or half full?

While some fear decline, others see growth in B.C.'s warehousing and distribution sector

By Noa Glouberman

There are two sides to every story. The tale of Metro Vancouver's warehousing and distribution sector is no exception.

"Where the industry was 20 years ago and where it is today are two different things," said Steve Grant, CEO of Halftime Holdings Ltd., which provides warehousing, logistics and distribution to sporting goods manufacturers through its Richmond warehouse.

"There used to be a great deal of regional warehouses that were used as distribution partners. But over the last 24 months, Asian companies trying to keep revenue up have started distributing directly from there, bringing goods into North America through freight couriers, which is cheaper.

"I'm in a business where it's all about price," Grant continued. "Instead of having a friendly distribution company on the West Coast, manufacturers and wholesalers are saying, 'If we can cut the cost we're going to do it. We'll take the service end of it and we'll take it offshore.' And they're doing it with the blessing of FedEx, UPS, Purolator – even Canada Post."

Essentially, "the whole distribution chain has become transient," he added. "The freight guys are putting the standard, regional pick-and-pack operations out of business in Vancouver."

Mike Mikulik, branch manager for ROE Logistics Inc.'s Vancouver warehouse, agrees with Grant's assessment – but only in part.

"Warehousing and distribution is very expensive in North America because property is expensive, leasing is expensive, manpower is expensive," he explained. "In Asia, they can do it a hell of a lot cheaper. But as long as there are exporters in the U.S. that need distributors in Canada, the opportunity for growth exists."

Though Mikulik admits the recent economic downturn had a "huge effect" on his business, he remains optimistic about the future.

"Things are slowly recovering. Businesses that were importing less are starting to build their volumes back up," he said. "Vancouver is a gateway city, and I strongly feel that things are going to pick up."

Some local firms are already experiencing growth. Nick Kusel, Western Canada director of sales with McKenna Logistics Centres, says his company doubled the size of its Delta warehouse from

45,000 square feet to 90,000 square feet last November, and projected growth in 2010 and 2011 will likely see the firm looking at additional space in Vancouver in the next six months.

“Business is up because of a reorientation of the trade industry in Canada,” he said, adding that most of his business originates in Asian countries like India and China. “Whereas the trading model in the past was everything went to Toronto first and was distributed from there, we’re receiving Asian in-bound trade in Vancouver now.”

According to Kusel, McKenna’s recent expansion can be attributed to a commitment to providing customers with Canada-wide coverage.

“Surprisingly, a lot of the focus in logistics has been regional. Not many of our competitors, believe it or not, have a presence in both Vancouver and Toronto,” he explained. “We’re going beyond a regional presence and providing national coverage to customers, so that’s a definite market advantage for us.”

Mikulik, whose company has locations in Montreal, Toronto, Calgary and Vancouver, says when it comes to services associated with warehousing and distribution, ROE offers “the whole shebang.”

“At the end of the day, anyone can offer warehouse space,” he said. “I think it really boils down to the fact that we like to sit down with our customers, get a good idea of how their business operates and find ways for them to save money and make them more efficient.”

Though Grant concedes that, “in order for us to survive, we’re going to have to put a face to our customer service and do the whole nine yards,” he doesn’t believe smaller, regional outfits will survive another decade.

“I do see a bit of a slippery slope,” he said. “We’re keeping China busy, Bangladesh busy, and it’s being promoted by the freight operators, but it’s not keeping North Americans busy – and it’s all driven on price.” •

nglouberman@biv.com

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