

INTERVIEW

Robert Murray on the importance of the logistics industry for the state and how to help it grow

In the September 9, 1999 issue, *BUSINESS NEWS* looked at the state Council of Economic Advisors' five clusters of growth-technology, health care, logistics, finance, and entertainment. The state has enjoyed strong growth in these areas and they form the basis of its economic future. In a series of interviews, the paper is talking with leaders from each industry to see what New Jersey should do to assure that growth. The first in the January 18th issue discussed technology. The following looks at logistics. Robert E. Murray is the head of Princeton's REM Associates, which advises companies on distribution, material handling, and other issues.

BUSINESS NEWS: Can you tell us a little about REM Associates?

Murray: REM is a consulting firm that deals with product logistics. This involves the movement of a product, whether it's raw materials or a finished product, from its source point through a business and into the consumer or industrial marketplace. In classic businesses, the product moves from sourcing to manufacturing, to distribution, and then to customer. But a whole new dynamic of information is now moving back and forth through a business. This can be customers phoning in orders or companies purchasing products from vendors. Logistics looks at the flows of the business, including costs. We look at cost flows to see if we can improve them.

BUSINESS NEWS: Why is New Jersey strong in this area?

Murray: If you want to service your market within 48 hours, which has become a standard, you should have center points at eight places around the U.S. Somewhere around New Jersey is one of them because a company can cover from there up to Boston and down to Washington. The area around Exit 8A of the Turnpike has become a hub. A company can be right on a north-south access with the New Jersey Turnpike and close to an east-west route on Route 287 and the Pennsylvania Turnpike. Some other hubs are Atlanta, outside Chicago, Denver, and San Francisco.

BUSINESS NEWS: You've talked about the importance of roads. What about the ports?

Murray: There is a major hub in Elizabeth and in the southern ports. But the port must be kept active, up to date and offer a relatively smooth flow because the logistics cycle is getting shorter. Demand is to get goods to the market. Issues like port congestion or duty delays must be dealt with.

BUSINESS NEWS: How is logistics changing?

Murray: There are constant changes in customer service. Consumers want to get their
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hands on whatever they want quickly-literally overnight. That means reasonable flow of product to the marketplace. Whether we're trying to get it or not, it's going to come here because this is where the people are. We offer a center point for a major distribution hub. That gives us a unique advantage. But if the highways become too congested, people are going to look somewhere else. They must maintain that quick response to the marketplace. It's unlikely that the demographics will change quickly. Something like 30% or 40% of the U.S. market lives between Boston and Washington. Most industries gravitate toward population centers.

BUSINESS NEWS: Does New Jersey have a lock on logistics because of its location?

Murray: Pretty much, as long as we can maintain a reasonable flow of product to the marketplace. Whether we're trying to get it or not, it's going to come here because this is where the people are. We offer a center point for a major distribution hub. That gives us a unique advantage. But if the highways become too congested, people are going to look somewhere else. They must maintain that quick response to the marketplace. It's unlikely that the demographics will change quickly. Something like 30% or 40% of the U.S. market lives between Boston and Washington. Most industries gravitate toward population centers.

BUSINESS NEWS: What are the problems facing logistics?

Murray: The biggest problem is the capability of moving quickly into a site, getting established and then developing a distribution pattern. When companies look at places to center logistic activities they ask, "Can I get in there quickly? Can I get established at a reasonable cost? And can I operate under the rules and regulations of the state?" Legislation in the future should pay special attention to ease of doing business.

BUSINESS NEWS: How is the Internet affecting your industry?

Murray: There has been a tremendous influx of Internet business. The focus now is on fulfillment. If amazon.com sells a book over the Internet, they have to get it delivered in a reasonable amount of time. A lot of fulfillment companies are arising to support amazon.com and similar companies. In many respects, we're going back to the milkman and the iceman. Groceries are now being delivered to the house. The logistics piece of that is the delivery of the product in a very short amount of time.



BUSINESS NEWS: How well-positioned is New Jersey to get more of that Internet delivery business?

Murray: We are extremely well-positioned because we have one of the highest population concentrations. It's to our disadvantage, though, that the state tends to get very congested. One of the things legislation is going to have to consider is the danger of more congestion. It won't be the big trucks you see on the Turnpike going to a warehouse; it will be small delivery companies moving goods to households. Congestion is going to be centered more on households. Does that mean more traffic on local roads? Yes. But deliveries will probably even out because we have more people working out of their homes. We will probably move away from the 7:00 a.m. to 9:00 a.m. rush hour and move into a more even distribution throughout the day.

BUSINESS NEWS: What should the state's leaders do to encourage the logistics industry to expand here?

Murray: I'd like to see advisory committees set up where you would have legislators meeting with fulfillment companies and with e-commerce companies. Legislators should ask, "What are your needs? What are our advantages and disadvantages, as you see them?"

BUSINESS NEWS: Every state or region wants industries that don't pollute and pay well. How does logistics stack up on that basis?

Murray: Logistics primarily brings road congestion. But we don't bring much pollution. We're a relatively clean business, so it's an attractive industry. The pay is reasonable. You have both a union and nonunion environment. Mostly it's the Teamsters in trucking and warehousing. Both blue-collar workers and management are well-paid.