

Federal Reserve Bank of Chicago
Fourth Annual Summit on Regional Competitiveness
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**The Effects of E-Commerce from the Perspective of
Business, Government and Real Estate**

DAVID RYAN: Thank you, Toni Preckwinkle, and it's your regional thinking that -- what this is all about, our regional competitiveness.

E-commerce is not a new industry, but it's creating a new economic model. It allows for transactions anytime and anyplace. Fundamentally this has become the largest change in the supply chain our country has ever seen. The effects to job training, infrastructure, transportation, industrial and retail real estate, as well as local government, is enormous.

This panel will be led by fellow Alliance board member, Jim Ford. Jim is the managing partner of TRES, LLC, which is an Illinois-based real estate development and consulting firm. Prior to this, he was a partner at CenterPoint Properties Trust. He understands how e-commerce has become a real game-changer. Jim, we look forward to learning how to best position the megaregion to respond to the needs created by e-commerce, and seize the

opportunities presented by 24/7 worldwide consumers and businesses.

Ladies and gentlemen, Mr. Jim Ford, who will moderate our panel on the effects of e-commerce.

JIM FORD: Good morning, everybody. This is great, Kelly. We're actually a few minutes ahead of schedule. I kind of like this. Thank you for having me today.

I'm very fortunate to -- I grew up in a transportation family. My dad was in the trucking industry. My grandfather, my uncles were in the railroads. So it was kind of inherently in my blood to understand the effect on supply chain logistics, and what it meant when I was in college in the late '80s, early '90s.

In fact, I had a couple buddies who were getting degrees in either logistics or transportation, and a lot of people would question them and say, "Why?" We were still, at that point, at the good end of a manufacturing-type mentality in the U.S. I saw, because of what my family was involved with, kind of the effects of where globalization and offshore manufacturing was becoming an evolution in the supply chain, and what we dealt with in the U.S. in general from all forms of transportation.

When that was occurring, I think, some people, I was very envious of, were forward-thinking enough to realize

that maybe getting a degree, or getting experience in really supply chain and management of goods, was going to be a positive thing in their future careers. From there, getting out of school, in fact my dad thought I was -- I'm one of four boys -- and my dad thought I'd be the one son in the middle that actually would follow in his footsteps and get into the transportation business.

As much as I love my father, retired down in Florida years back now and then I was with him this weekend at a wedding, I love him to death, but I'm thankful that I didn't because he would've probably killed me along the way in his demands as a business man. But that's a positive thing, and he was always fair and good to people. But it's even fun now, and my dad is in his late 70s, asking me questions all the time about evolution supply chain.

What's the next trend? What's the next occurrence? I was talking to Kelly earlier this year about this panel, or what type of panels, what issues we should address in the summit. She had just posed a question to me about e-commerce and its effects on supply chain in many different aspects. I thought it was a great, great opportunity to bring some old friends and new friends together to give their perspectives on what's really e-commerce.

We all deal with it now. I know I've become guilty of

becoming an e-commerce shopper with many retailers or groups in general. What's really been that effect in many different aspects, from a governmental perspective, from a job perspective, from a real estate perspective, which is really a lot of my background for the past 25 years of doing a lot of distribution logistics, and really, what does it mean to us, as consumers?

As I thought about the different people we might want to invite to the panel, I was so fortunate and lucky to get three different perspectives, which really ultimately are seamless in nature, and we'll talk about that in a bit. But able to get three people for the panel that I've dealt with in the past that give independent perspectives.

The first that we were able to get to join us today is the Honorable John Noak. John's been the mayor in Romeoville, Illinois, which is a suburb of Chicago. For all of you that don't know, out 55, which is kind of our mecca of distribution here in the Chicagoland area. John has been the mayor for over eight years now in Romeoville, and we've crossed paths in my past lives. So we're very honored to have John here.

And what I'm going to do is kind of give a quick introduction of the three panelists, and then allow each one of them a few minutes to talk about not only their

lives in general, but kind of their view on e-com, and what it's affected. And then we'll get to some questions. And then, of course, open it up because I'm sure that a lot of folks in the audience might have questions in general.

But then secondly, very honored to have Frank Unick, who is the CFO of Uline. Uline -- and the reason why I was very happy to have Frank join us, Uline is a family-owned packaging company, is I guess the real simplest way to think of how they started. But the greatness about Uline and the perspective that Frank's going to share with us is that they're in the packaging business.

If I go on Amazon or Walmart.com, or whatever it might be, and I get package delivered to my door 24 hours later, I can guarantee that the odds or potential of it being in a Uline box -- and my father was in the corrugated box business so I know well -- but a Uline box to your door or delivered is good and high. It's kind of one of the core businesses in the packaging industry.

But also understand is that Uline has also really become almost an e-com retailer. I get a Uline book sent to my business every year. But I can go online and order stuff e-commerce from Uline that I might need in my business, which is kind of separate. So you've got the perspective of them being an e-com company, as well as the

perspective of them being a supplier to some of the largest e-commerce retailers or distributors in the country.

And then thirdly, near and dear to my heart because when I told my father 27 years ago I didn't want to get into the trucking business, I got into real estate, and that was all logistics, transportation, distribution, and we're very fortunate to have an old friend of mine, Matt Powers, here. Matt is the Executive Vice President of Retail & e-Commerce with Jones Lang LaSalle who, as a lot of you know, is the largest real estate company in the world, I believe, or top right up there. Some might argue that, but I believe that they're the largest. Matt and I have been friends for years.

Matt came recently to Jones Lang LaSalle from Walmart. Matt was one of the heads of really their distribution network at Walmart. In his time at Walmart he managed over their almost 50 million square feet in their portfolio, was a major part of that management. He transacted over 20 million square feet of deals himself.

But in my business life and Matt's business life, before he came to Jones Lang, he actually was in charge, one of the senior people in charge, of creating a new building distribution real estate network specific to Walmart's e-com business. So if I had the most fresh

approach from that perspective, I'm thankful to have Matt here today to talk about his experiences from there.

And with that, at this point, I would love -- and we had a call the other day and talked very openly -- but I'd love for Mayor Noak to start, and kind of give a little of his perspective on e-com, what it's meant to him. He recently has done in his Village, which is a huge industrial city, a big part of their economy, but he's recently done some e-commerce deals. We'd love to get some of his thoughts and perspective on what it means from a governmental perspective, or viewpoint, of how e-commerce has affected their Village in general.

JOHN NOAK: Thank you, thank you very much. I want to just begin by thanking the organizers, the Fed and the Alliance, for the opportunity to be a part of this panel. A lot of individuals I've worked with in the past in the crowd. It's good to see everyone here today.

For those who may not be as familiar with our community, we, as you mentioned, we are on the I-55 sub-corridor. For those in the industry, I'm sure you've heard of the I-55 sub-corridor. Our community of a population of nearly 40,000 actually has nearly 30 million square feet of industrial space alone, and growing every year. We'll add on about 2 million square feet this year, and probably in

all likelihood, nearly that again next year. So the pace has continued to quicken.

One of the interesting things about our area, and northern Will County as a whole, is that we've never had a year even though coming out of the recession that we haven't had a net job gain or growth year. I don't know that everybody knows that story. We're in an interesting situation, and in an interesting area. It's not only our community, but many of our neighbors and throughout our immediate region.

I have been the mayor, as he said, for a number of years now. I also have the good fortune of sitting on the CMAP board. As we talk about these topics today, one of the things I will pitch for that organization as well, is this is one of the topics, as we talk about the changing economy, especially the changes in e-commerce and what that is going to mean not only to our individual communities but the region as a whole, and how that's going to work out. I think a lot of the topics we talk here today, and discuss, really tie into that research, and those discussions we're having at that level as well.

As you mentioned, we just recently closed on and have now operational an Amazon facility, a 780,000 square foot facility in an existing building, which is actually a bulk

facility. We're the bulk site in Illinois for Amazon. As we were discussing this topic on our call the other day, one of the things I emphasized is e-commerce really is in many sizes. Yes, the big dominant players take up a lot of the attention in the press.

But we have seen this beginning for a number of years already even in smaller e-commerce players in a wide range of industries. I'll give you an example. We actually had an auto dealer, a small operational specialty auto dealer, take up an industrial facility for all online sales. They house everything they sell inside the building. None of it's outside. They don't have people come and shop. But they are the point of sale, and all their sales are done for specialty auto sales, all completely from one site in our community.

So e-commerce for us has taken on many different aspects. I wanted us to talk about facilities in a number of different ways. We've seen a lot of hybrid evolution too in the marketplace in relation to e-commerce, where we now see logistics operations, e-commerce operations, traditional bricks and mortar, and regional offices blended into facilities. The pace is continuing to grow. It's continuing to quicken in the evolution of this industry.

We talk about a lot of the things that we face. As we

look at e-commerce, obviously infrastructure is a major component into the site selection. When we're talking especially of the larger e-commerce, and even the smaller e-commerce operators, transportation without a doubt continues to be, and that's one of the driving forces for our region, has always been logistics and our proximity to major interstates, the waterways, the rail system.

Even our relatively reasonable proximity to the airport system and the region has always been a strength for us, and continues to be, but also for these e-commerce. Good location, depending on the size of the e-commerce retailer, to other delivery service.

One of the things that we had open up, and not too long ago, was a major FedEx facility as well. UPS is opening another facility in one of our neighbors in the near future. These things are interrelated and continue to drive other development, and also our proximity to the supply chain. Those who provide them with the goods that they then sell through their sites.

Also, availability of sites, without a doubt. One of the reasons we were able to acquire the Amazon facility that we did was the availability of a site that met their needs. We're seeing major e-commerce retailers build from the ground up. We're also seeing them acquire, and they do

major renovations on existing sites.

One of the things that I say as a community that, and other communities as a best practice, we talk about some of the things that you need to be conscious of in e-commerce is, their need to be operational in their timeframe. One of the key factors for us on our Amazon deal was getting them operational as quickly as possible. So they were operational, and even though it was an existing building, that's a substantial buildout and conversion on the building.

You're ability to do that and work with them, and get that turnaround. And your willingness to work with them to be flexible on their needs because their needs are different than some of the traditional operations that may be in these buildings. Availability of the workforce.

Before I leave infrastructure, one of the other things that I think is key, and we as communities and regional planning, and positioning ourselves to be competitive into the future economy as e-commerce continues to grow, is -- and I see some representatives from some of these utilities here today -- your availability of simple things like your power load in a particular part of your community, and the availability on these buildings.

Many weren't built with the idea of having e-commerce

in that area, or large concentrations of e-commerce. One of the things that we've also seen is a growth in manufacturing or packaging. Those things require larger amounts of energy. So all of that ties into the ability of these facilities to house e-commerce.

One of the other things on infrastructure, too, is on these sites is e-commerce tends to have larger workforces. You need more employee parking. You have higher turnovers in deliveries, especially as more e-commerce provides more of its own delivery, and same-day delivery, and even within a few hours. So the infrastructure, the way you look at infrastructure and logistics is not the way we used to.

Large semis going in and out of facilities aren't the only thing occurring. Now we're looking at smaller vehicles making more frequent trips. Large turnovers of 24-hour worker operations versus one shift or two shifts. It's very common in our community to have three shifts.

And that goes to also the issue of workforce. I know we talked about that in depth as well, and availability of workforce. As we were talking in our conversation the other day, I don't know -- and I said it then and I'll say again, and it's true -- I don't know that we were ready for this explosion of e-commerce, but we need to be when it comes to workforce. I think we're all, as a region, trying

to figure out what that means. It's changing the dynamics of even rates of pay. It's changing the availability. We're having to work with Pace and other groups to bus people in to our community.

Today, versus coming out of the recession, we are a net job generator. Today we have probably well over a thousand jobs we could fill today if we had the workforce to fill them.

Then that leads me to some of the other things is creating a business-friendly environment, and that goes in many different ways, especially with e-commerce. One of the things we started getting into is, with this workforce issue, does the community itself start getting more aggressive in marketing and helping them to find more of a workforce in a broader area? Starting to host our own job fairs for these retailers, not just their own efforts. Marketing, they do advertising campaigns in order to be a partner with them, and make sure that they're constantly getting the workforce needs they need.

So all these things are becoming a part of it. E-commerce definitely is changing what communities have to plan for in the future. A traditional retail is not the go-to that it used to be. It can't be counted on for the revenue that it once did. They're smaller footprints. The

amount of revenue is not growing at the rate that you might've looked at in the future. There was a time when communities -- everything they wanted to do was driven by going to ICSC and getting retailers, and that was everything everybody wanted to do.

We made an early decision to get more aggressive on e-commerce and hybrid facilities because that's where we're going. What that means is, do we now have industrial facilities that create retail sales tax? As communities, as we look at our budgets, this is incredibly important as we continue to talk about, and continue to have this dialogue of point of sale, what that means.

But again, that goes back to creating friendly environments that understand that e-commerce isn't as simple to understand what that point of sale may be, versus traditional retail, and being open to that. And how to work with those e-commerce retailers to make sure that they're competitive in the marketplace as well, while providing the revenue streams that the communities need to provide them with the infrastructure that they need.

So a lot of different factors that are coming into play at the same time. Talk about the days where it was all about going to retail conferences and seeking out retailers. We've already made the decision. Now we are

going to booths -- the best practice for those communities that aren't doing it -- and I hate to give away our best secrets, but it's to go to the Internet Retailers Conference, and get a booth there; start soliciting them.

They are the future, and they're going to continue to be a bigger and growing segment of our economy whether it's providing jobs, it's taking up your traditional warehouses and logistics facilities, or it's providing you with a potential growth area for new retail sales tax. It's something that communities need to be open to and think about. I know many of my colleagues in many communities still have not thought about this.

They look at big warehouses and they think, well, that doesn't provide you any other revenue. Well, today it does, and that's what we're here talking about today. The reality is that e-commerce is changing that game completely. And to a lesser degree, and I know a lot of our emphasis is on the bigger facilities here today, but I was looking at conversions of existing facilities.

You may have, and we've already heard and we've talked about it in a large degree, how some of the traditional retailers may convert. And we'll continue to look at conversions of larger -- we have retailers with well over 100-150,000 square foot facilities for retail. Those can

easily be converted into hybrid e-commerce hubs. That's going to be something that communities need to be open to, need to rethink their zoning, rethink their philosophies and how to adapt to that as we continue to go forward.

Just a few things.

I don't want to take too much more time because I know we want to talk and get some questions from everybody, so I'll turn it back over to you.

MR. FORD: Well, thank you. I'm going to skip over Matt because that's my buddy. I'm going to stick him at the end, and ask Frank to tell us a little bit about, as I said, kind of a dual perspective on both not only being a supplier to the e-commerce industry in their core business, but also really being an e-com company in general. Frank.

FRANK UNICK: Good, thank you, Jim. Good morning. Thanks for having me. I enjoy being here. I really enjoy talking about Uline. We are 36 years old, private, family-owned, family-run, still run by generation one, Liz and Dick Uline, the founders. And we are headquartered up in Pleasant Prairie just over the border from Illinois, just barely inside Wisconsin. This has been our world headquarters since we've been founded here in this area.

We've enjoyed being here. We've grown here. We've been very fortunate to have rapid organic growth. We've

never done an acquisition but we've continually had double-digit organic growth. We are private, so I won't share a lot of financial information, but we are a multinational, multibillion dollar company. And as the Mayor said, we too are building some pretty large boxes that perhaps you've seen. Our standard building size is over a million-square foot building. Right now up in Pleasant Prairie we've got one building at 1.1 million square feet, another right next to it at 1.2 million square feet.

And Jim mentioned it, but we started 36 years ago, well before the Internet and this proliferation of online ordering. So we didn't see it coming. We didn't forecast it. We didn't have a crystal ball. But yes, we've sure benefited from it because we're probably the world's most unsexy company.

Jim mentioned our catalog. You probably have this jammed into your mailbox far too often. Believe it or not in this world of the web and online ordering, this standard old-school catalog still works like a charm. We put it somebody's mailbox or send it to your business, and you do place orders. But it's about 800 pages now, and it's very generic. It's boxes. It's tape. It's bags.

And yes, we've scooted into some ancillary categories like material handling, and janitorial, and safety. But

our foundation is still pretty unsexy, pretty generic, boxes, tapes, bags. Things that you would need if you're making something or shipping something. It serves right into our wheelhouse.

And so certainly the proliferation of the web ordering has favorably impacted our business, but it has certainly created some challenges. I'm sure many of you see these and feel these on a daily basis. And I'll state the obvious, but the conversation sure has changed, hasn't it? Where I as a consumer, you as a consumer, now we're placing orders on a Saturday afternoon. And we're wondering, are we going to get it on a Saturday evening, or at the latest we'd better get it on a Sunday or we're going to be really upset.

So for us in that environment it's no longer, can I ship this in a few days and get it to you this week? It's, I have to have it in stock. I have to pick, pack and ship it today. And I've got to try to get it to you today, or at the latest tomorrow. So the Mayor mentioned it, but you see all these big boxes. We're building big, million square foot-plus boxes all throughout this country and others. And you just have to have the inventory in stock, ready, available in a close geographical proximity to your customers.

That's pushing out the walls of these buildings and requiring a lot of bigger buildings. It's requiring a lot of space available. Do you have shovel-ready sites in your community? The Mayor mentioned shovel-ready sites in his community. We ended up in Pleasant Prairie because of a proliferation of shovel-ready sites in Kenosha County, Wisconsin. We were able to get up there. It was a streamlined process.

The Mayor mentioned working together quickly, a business-friendly environment. We've certainly been fortunate in our growth to experience that, not just here in this area, but in other areas as well. But I think this area does it particularly well. We've been very fortunate to lock in arms with our friends in government, and get things happening quickly.

So the challenge on big buildings has certainly been there. That also then, of course, puts pressure on technology. If you're running a million two square foot warehouse, can you find the inventory? Do you have a good WMS system? Do you have good technology and good equipment, and good processes to find it, pick it, pack it, ship it very quickly?

Our space, even though it's pretty unsexy, there's just this tremendous focus on technology, and every little

minor tweak and improvement. Can a tweak make it go a little bit faster, get it to you one hour sooner, one hour sooner, one hour sooner? And really we feel like our conversation now is, how can I ship to you? A couple minutes faster today than yesterday because you're really demanding it. I'm demanding it as a consumer. So that's been a pressure we've felt also.

Workforce, sure, workforce is always a challenge. Some use part-time. We tend not to do that. A seasonal workforce, we tend not to do that. We don't have much seasonality in our business. But again, the Mayor touched on this, what has really changed for us? We now have to staff up these big buildings 24/7. I'm sure, again, many of you experience this too. But you're calling at eight o'clock at night. It's not sufficient to say, I'll take, I'll pick, I'll pack, I'll ship this order when I get in tomorrow.

So our buildings are fully staffed 24/7. The light does not go off. There isn't a time where the building is empty, and that dynamic has really changed. It sounds easier than it is trying to find great workers who are very willing to come in at midnight and do great things. That's not an easy shift. It's not an easy shift to staff, especially if there are daytime shifts available in the

community. So we've certainly felt that as well.

I'll open to questions afterwards. I don't want to take up too much of the forum here. But we've enjoyed a fantastic 36-year ride at Uline. We've benefited from this e-commerce boom, but it has certainly created challenges for us too. We're focused on technology. We're focused on staffing. We're focused, of course, on omni-channel, as I think most companies are these days.

However you want to do business with us, we'll do it. You want to pull out your iPhone, that works with us. You want to call our call centers which are staffed 24/7/365, that's cool too. However you want to interface with us, we'll make it happen, and the dialogue really has become minutes. How can we take that order you were kind enough to place with us and have it out the door within minutes, not days?

MR. FORD: Thank you, Frank. And lastly, Matt. Some thoughts?

MATTHEW R. POWERS: Well, thanks, everybody for having me. It's a pleasure to be here with the Mayor, and Frank, and Jim. Thanks for the kind introduction.

As Jim mentioned, I'm helping lead up JLL's retail and e-commerce platform. It's really to provide insight to address what the Mayor and Frank have been talking about,

just that evolving customer expectation. What is the customer expectation? It's to be able to order anything from any location, from your laptop, from your iPhone, from your home computer, or just go back into the store. Retailers have to be ready for that in every facet that they're approaching things. I'm hoping to be able to help bridge that gap.

As Jim mentioned, I was part of the Walmart rollout of their e-commerce network. Just rewinding the clock, just five years ago, if you looked at where Amazon was with its fulfillment center network, probably 70 to 90 different facilities, however you want to define what a true fulfillment center network is. Walmart had one designated facility to e-commerce in 2012, just one facility.

Now, they were trying to leverage their network within their existing regional traditional D.C. network, but they quickly realized that Amazon was passing them by. If you look at the numbers now, Amazon's revenue, or sales, is over \$100 billion. Who's number two? Walmart. And where's Walmart? \$13-14 billion. So there's a huge gap. And you look at that and you think well, if Walmart's that far back, where are the other retailers?

And you're seeing many retailers kind of wake up. They sat on their hands probably far too long and things

are passing them by. So you're seeing a huge reaction. You've seen store closures with Walmart, with Macy's a hundred stores just a few quarters ago that they announced, Office Depot, Radio Shack. Traditional successful retailers are changing their footprint. And why are they doing this? They're going to be able to redirect that capital into focusing on e-commerce.

Really, if you think about it, if this were five years ago, were these stores underperforming so much that they would've been closed? Probably not. Definitely the retailers were good stewards of the company to analyze what stores should be closed, but at the same time they were probably hurdling. They were meeting the ROI that they needed to meet just a few years ago.

But the fact is, retailers have to redesign their entire systems for e-commerce. They have to integrate their internal retail, brick and mortar retail system to talk seamlessly with their Internet, with their website, and that's going to cost some money. And so that's just a little bit of the behind-the-scenes around that.

As far as Walmart's rollout, again, I believe they waited too long. But finally when the decision was made, I worked on a five-node network. And so that five-node dealt with reaching 95 percent of the population within two days.

And so where that would be is, you're looking at LA. You're looking here in the greater Chicago area, Dallas/Fort Worth, Atlanta, and New York City.

So if you can get around each of those areas, you basically delivered to 95 percent of the population within two days. There's still a lot of growth around that. Walmart's addressed that. Some others like Home Depot, Target, they're more aggressive as well, but a lot of retailers are still in their infancy.

As we're seeing retail diminish to some degree, and I'll give you a number. We saw an 18 percent increase year over year in retail sales. How that was made up is, it was 15 percent -- 15 percent of that was e-commerce sales, only 2-½-3 percent was from true brick and mortar. So that's where the change is going, and I think you're only going to see that grow as time goes by.

MR. FORD: Thank you, Matt, and in fact I was teasing earlier about Matt going last because I've got a couple questions for the panel. And knowing all three gentlemen as individuals, they're all very well-versed, way more than I am in answering some of these general questions.

But one, and Matt kind of addressed it, of concern is -- he had mentioned Macy's, as an example, closing on all these stores. Sports Authority went BK. I honestly am not

-- I'm probably the dumbness guy in the room, but the reality is, what would have happened if they had been ahead of the curve with e-com? Would they have been in the position they were to go bankrupt? But think about, that was 260 stores or something nationwide that are closed down.

Kmart/Sears has scaled back. Ralph Lauren scaled back. I just saw another one. Was it Kenneth Cole? Somebody recently, just in the past couple of days, an apparel manufacturer who said they're closing down a bunch of stores. Golfsmith -- I'm an avid golfer -- is just closing down all their stores in Chicago, and across the country has scaled back.

My question to Matt, and believe me to the Mayor and Frank as well because we're all versed in it, is from a retail store real estate perspective, and that affects all of us. You think about going back to the regional mall where you had a Sears or whatever larger retailers, and Nordstrom's. Some of these larger -- you've got Macy's, Marshall Field's back then, would be kind of an anchor of a big mall, and then a lot of surrounding properties around it, and then it became more of a lifestyle-type center, and then it became free-standing type stores. But what ultimately, from a retail real estate perspective, can we

envision as potential reuses as a lot of these retail-type locations are closing, and it's becoming an e-commerce world?

MR. NOAK: If I might, I'll start it real quick. It's interesting because you mentioned too, Sports Authority and their closing. We actually had their distribution facility, so it's kind of interesting for us. We didn't actually have one of their retail stores. But fortunately for us, though, that facility was -- those facilities are in such demand that actually Room Place ended up taking it.

Which brings me to an interesting part of this conversation of retailers. I talked about these hybrid facilities as well. We're seeing more and more of this. We had an Ashley open up a new generation of stores that does do e-commerce. It does fulfillment for their store sales. There are about 26 stores throughout the region. But the interesting part about it is that they added 60,000 square feet of traditional retail in a 460,000 square foot building, plus their regional offices.

What we've found for them, and I won't give away all their sales numbers, but I'm just going to go out on a limb and say that that onsite does as well as any of their other stores. But people like the concept of being able to order -- it goes back to having all your choices in one place,

and that combination, and this evolution of how do we maximize our space? So if we're going to take a half-million square foot building as a retailer for our distribution, can we get extra usage out of this? Can we get office space? Can we get -- and as municipalities, do you need to rethink the way that you plan your zoning, you plan your communities to accommodate that as well?

One of the ones I'll talk about -- and reuses is really -- it's very difficult, and I'm sure they'll say the same thing. You look at a facility, and let's say from maybe 20-30,000, maybe 30,000 at least, up through to probably at least 100,000 square feet, they don't exist. You often times having to break up facilities into smaller units, look at entertainment, maybe residential components that would not traditionally have been part of your original makeup.

A little story I'll tell too about my favorite retailer that is growing, and it's from the region, which we just opened a new store, a new prototype store for them, and it goes back to this conversation. We just opened a new Farm and Fleet store. A whole new generation of stores for this company. Now everybody in the room, those who may or may not have been to a Farm and Fleet, great company, based out of Wisconsin. And we're very happy to have them

invest in our community, and pick us as the new prototype for their stores.

Now, we're the 37th store, have 36 other stores, but this whole new generation. But one of the major things in planning for that was, how do we integrate, and the layout of our store goes back to sales off of -- a phone application or web-based orders? That's a major component of this new retail establishment is to be a part -- or a part of their e-commerce as well.

So even when they are building new, they're building new with the plans of how do we integrate e-commerce in this. And when you're picking up farm feed off of an application off of your iPhone, you know that e-commerce has become a much bigger part of everybody, including companies that maybe traditionally people wouldn't have thought of that have to plan for that impact.

MR. FORD: While we're there, Mayor, it's probably safe to say a company like Farm and Fleet, and I've kind of followed it in their evolution, but their product offerings, what they sell, is so dramatically more than it was even five or ten years ago. Because if I walked into a Farm and Fleet 20 years ago, I was probably in the Sycamore/DeKalb, or a rural area, and you might be able to Carhartt's back then. But beyond that, you look at what

their offerings are in the stores now, not only at the actual physical retail level, but the online level, and it amazes me of what they need to do.

And Frank knows that all too well because, as you said, Uline started as just boxes, and tape, and other things. And you grab that catalog now and it's unbelievable what that evolution's been from an offering standpoint.

MR. NOAK: I just want to say, Frank keeps saying he's not sexy, but I got his catalog the other day and I was pretty excited about it. But I told him, politicians use a lot of their products to hand out literature throughout campaign season. So I told him, I was pretty excited to get his catalog.

While you went up to one of our competitors, and I say a competitors because Pleasant Prairie really is one of our competitors. I talk about this often. We don't look at our next door neighbors so much as we look at the competitors within the region. But they do a great job up there. Today, as a municipality, you have to watch communities that are in other markets in your immediate region, and see what they're doing. They do a great job up there. But if you ever do want to open up another million square foot, we got a spot for you. We'll save you one.

MR. FORD: Kelly's happy to hear that I know that, and Mayor Dicker's happy to hear that is, what we're promoting here is our region, and it's true. You said it, the fact is, spot on, John, is that it's about the region and those offerings. Because Pleasant Prairie, really nowadays in my mind, and being around it all the time, is a competitor of Romeoville to an extent. And then it ends up being a lot about logistics, and we kind of deal with that in general.

But something that Matt and I, because I was fortunate before Matt left Walmart and came to JLL, we worked on what we call a sort facility for Walmart. What I'm leaning towards is, there's kind of different types of even e-com real estate. As the Mayor had mentioned, and Frank talks about his big box network and how their logistics world works, but you've got really multi-tiers of e-com.

You've got what we call a sort facility, pick and pack, where an Amazon has these drones that run around the floor, and grab the one t-shirt you ordered with the one book you ordered, put it in a box and send it out. It's a massive operation, massive undertaking. They're doing one down in Manteno, which is down 57 here, but they did an Indianapolis-type facility, retro-fit way back when. Up by Mayor Dicker in Racine and Kenosha, they did a mega facility there that's servicing Chicago, and the region

before Manteno gets open.

You have the second type of real estate classification, which is more bulk, which Mayor Noak mentioned, which is probably heavier bulk products where the bulk stuff is supporting this small-package operation. But then the third part, and this is part of the excitement I want Matt to talk about a little bit, is what we call last mile.

And last mile is when you talk about UPS and FedEx. FedEx is making huge investments in their last mile systems because it might get put into a box, and shipped through a UPS channel in 12 hours or whatever it might be, and you expect it as a Prime customer, or the highest level of Walmart's e-com in their system in general, which we're all paying for, but it's got to get to your door. And that becomes what we call the last mile delivery system.

So from a real estate redevelopment standpoint, whether it's in city or even suburbia, or more rural areas, Matt, can we talk about that opportunity of last mile because it's a whole new, maybe smaller operation of a facility, but the importance of that in the overall supply chain? And there's a whole 'nother evolution of that from a real estate perspective that's happening right now.

MR. POWERS: Thanks, Jim. Yeah, so last mile -- over

the last several years really, we've seen the growth of the true big box fulfillment centers, 500,000, million square foot facilities. I think there's still plenty of room to grow. But last mile, that's kind of the next leg because what are the customers' expectations? More and more it's, I need it now. I need it now. I gotta have it as soon as possible. And what else do they want? They want free shipping. A lot of factors just makes it hard for retailers to make money, and not take a loss on that.

So what do you do? You get as close as possible to the population. And real quick, before I get into that, I think in light of everything that we're saying, I hope it's an encouragement to you, as a region, to really be prepared for this whether it's from the labor perspective, whether it's from shovel-ready, as the Mayor and Frank mentioned, being shovel-ready, having your power requirements. Because a lot of what these retailers are dealing with right now is, they're already behind the eight ball.

So as a region, to be ready and prepared to have your land, your sites ready to show retailers as they come into your community, that means a lot. The reason I say that is because of the low-hanging fruit theory. If your area is not prepared and ready to welcome a retailer in, because of this incredible demand for e-commerce, they're going to go

somewhere else where they can deliver quickly. So just being aware of that, being prepared for that I think is a big thing.

So back to the last mile, the core of it is being as close as possible to a retail population. Being within downtown Chicago maybe, or at least on the periphery, so that you're able to get those deliveries in a couple of hours if need be. The problem there is the limited development. So number one, you're not going to be able to get a 500,000 square foot building in downtown Chicago. It's just not going to happen.

So then, how do we get creative? A lot of these buildings that are open and available, functionally obsolete, they're not immediately what a retailer is going to go in. It's, hey, maybe 20-foot clear, but is that going to work, the clear height? So there's a lot of things to work around to make it readily available for a retailer.

I think what we're going to need to see in a lot of areas is just a true partnership between retailers, between communities, between developers just coming together. Because unless they do that, it's just going to be hard to ultimately satisfy that consumer. If a retailer's rent is so incredibly high to locate in the downtown area, there's

just so much push and pull, and opportunities for groups like this to get together and be inventive, and say, how can we solve this? And I truly believe that that needs to be a partnership with those outside this group with the retailers, and with local developers, and things like that.

But one of the things that you will see, just talking about what's in the box for that last mile, is really your high-moving SKUs, your stock-keeping units. What are going to be those items that you, as the consumer in the downtown area, want immediately, mainly because you're limited in size and things like that? Also, just for the delivery, from a delivery standpoint, you're going to want to be able to bundle as many things as possible in a box truck to go and deliver, or if need be, a car. But hey, stuff that car because the more efficient that you can be in delivery, the better. Oh yeah, I can keep going.

MR. FORD: I have one more. I thought of a question for Frank is the business end of this. And then, we've got about ten minutes left. And Kelly, I'm watching the clocks. We're staying ahead of the schedule. And then I'll gladly open up to questions.

But Frank, something that I always think about is that in your core business, not only does Uline have your own transportation fleet of trucks, and you operate them, and I

see them all the time on 294, and 55, and other locations, and I travel a lot. So, Uline is actually in LA. They're in Atlanta. They're in Minneapolis, Chicago, you can go down the list. Pretty good, Frank, that I actually know this stuff, right?

MR. UNICK: Thank you, yeah.

MR. FORD: But when you talk about also your partners in operation, so other carriers like a FedEx or a UPS, and small package, and your e-com door-to-door delivery system, but also then in your bulk side of things of actually having to move your products to your warehouses after they're manufactured, that's one example of a challenge in the future that you're going to see.

Or we talk about software systems, and you talked about them earlier of updating the technology all the time. Or we talk about job training, all these things. There's so many of these challenges beyond just the physicality of real estate and operations that you face. What are you seeing overall, as a business in general, being on both sides of it, not only supply side but also actually being an e-com company, of future challenges that we're going to see in the near future?

MR. UNICK: Yeah, thanks, Jim. Jim mentioned our traveling billboards, that we have almost a thousand trucks

a day going up and down tollways just like I-94, flashing the big Uline name next to them. But our secret is, we actually aren't in the shipping business. We outsource those. So all of our shipments are handled via third party. It's just if we grant business to these carriers on our behalf, we, as part of the arrangement, insist that they have nice tractors and trailers, and put very crisp, clear, huge Uline lettering on their trailers.

But our decision made early on is, we're pretty good in distribution. We know how to distribute. We know nothing about freight, and freight's a very difficult, challenging, tricky business. So we'll leave that to the experts. But if they're hauling our stuff, full trailer loads day after day after day, we're sure going to use that as an opportunity to market.

So what do I see as additional challenges? I mentioned technology, and I think Amazon has done a good job of pressing the conversation there. Some of it gets chuckles. So they have androids or various different devices trying to ultimately deliver their product. Maybe someday that will happen, maybe that won't. They'll have driverless vehicles delivering their product. They'll have third-party individuals, a la Uber, as the final point of delivery to their end customer.

We can say it makes sense. It doesn't make sense. We can chuckle. We can applaud them. But they're doing a nice job of really pressing the envelope of discussion around if minutes really do matter, how can we shave a few minutes and get your product to you more quickly because it seems that you really do want that. I know I do as a consumer. You probably do too. So how can we shave that? So I think technology is certainly one of those conversation points. And Amazon, as I said, is doing a great job of pushing that.

I also think for anybody in this space, the billion-dollar question is, how do you differentiate yourself from Amazon? The numbers have already been tossed out. Amazon's in excess of \$100 billion. It's a heck of a competitor. They're very good. So what is your value proposition as a company? Maybe it's private label. We've certainly relied heavily on that, stamping Uline on everything that we sell. Although we don't make anything but it all says, Uline. The trailers say, Uline. So are you branding? Are you using private label?

I think a conversation point will also be, right now this space is very good at shipping a pen to you very quickly, or a bottle of water to you very quickly. But who's going to excel at shipping bigger, bulkier things to

you quickly? It's pretty easy to toss a pen into an Uber driver's car, or UPS, or FedEx, and get it to you quickly. But will the market ultimately demand that you have a pallet jack, or pallet, or warehouse racking shipped to you quickly? And what would that infrastructure look like to be able to accommodate that? And whoever might be able to excel in that space probably has a pretty unique competitive advantage.

And I do think, we probably hit this too much this morning already, but this space is screaming for government, and business, and education to lock arms together. And the communities that do that the best will have a huge competitive advantage. Romeoville has done that exceptionally well. We mentioned Pleasant Prairie for us has done that exceptionally well.

Speed does matter and if somebody comes to you saying, I want to add a couple thousand jobs. I want to add a couple million square foot of warehouse space. If you say, I'll have it ready for you in a couple years, that's not gonna work. If you say, I'll work on developing workforce for you, and develop relationships with the universities, and that will be ready in three to five years, that's not going to work. If it's a business community that isn't unified with government, with education, then you're

already way behind the opportunity. And I guarantee you, somebody out there is just going to smoke right on by you, and get that million square foot box while you're kind of looking around saying well, I'm working on it.

Do you have the shovel-ready sites? Do you have the infrastructure? Do you have the quick approvals? Do you have the unity in the business community? Do you have the mayor who knows the business intimately? Do you have education intertwined, ready to provide the workforce support? Those are things that I think are incumbent. If you can't even bring that to the table, you're not in the discussion.

MR. FORD: So once again, our message is collaboration, and it's true. I hear that more and more nowadays. It's a good kind of transition. We've got about five minutes left, and we'd love to open up for questions. There's probably more questions than I can get in five minutes, but we'll start right in the front here.

Q: I think while we're all trying to catch up with e-commerce model, Amazon, we need to be very cognizant of the fact they've already rebranded even e-commerce to include e-services. Just last week, I received a lengthy list of services. They'd like to do everything from send someone to hang my Christmas lights to fix my plumbing.

So, since in southeast Wisconsin, we already have a challenge to our workforce because so many of the big boxes are built along interstates, but the workforce is located inland and has a transportation issue.

What's going to happen to a lot of our traditional workforce? Is it going to be like the Borg? Is it just assimilation, or what is it going to look like when every traditional job can now be something that with a click of a button has become an e-commerce model?

MR. FORD: Yeah, without a doubt. I mean, the number of things that they're -- and there's any number of other retailers that are delving into any number of different other issues. Yeah, it all ties into ultimately all those same questions. Do you want to add anything?

MR. POWERS: What would you say -- it is somewhat similar, from what I understand, to the Amazon Marketplace. So what that actually is, it is not Amazon that's selling you the items. It's still -- it's you, from your garage, that's selling this item through Amazon. So I believe the services is not Amazon. It is local plumbers that have gone with the platform of Amazon to help market their services. Now, I could be wrong about that.

MR. NOAK: And actually, it kind of leads into -- actually the point I wanted to make, as well, as we look at

practices going into the future. There's a lot of focus again on the big box. Taking Amazon as an example, the service side, but also on the products they sell.

Amazon does a lot of fulfillment, third-party fulfillment, for other retailers, other e-commerce retailers. As we look at if you're in the hub of -- in proximity of a major Amazon facility, you need to think about, how can you create new economic opportunities with these third-party retailers? E-retailers that may be being part of their system, and they may need smaller facilities.

And that also goes into the overall discussion too is in infrastructure, not only is it energy and transportation, and it goes back to the service side for your residence, is the connectivity of your community. Are you fiber-ready? I'd be happy to report right now, we're going to be -- within the end of next year, we'll be one of the first communities fully fiber to every house, every building, every retail establishment will have fully fiber options.

Not everybody can say that today, and it's something that we need to plan for, and we need to be aggressive about so you can capitalize on those other economics, so that the smaller operations that may want to partner with Amazon can arise. You may have entrepreneurs in your

community that want to be partners with them, want to be a third-party e-retailer. But you have to create a system which allows them to invest and capitalize on that as well.

MR. FORD: In that (inaudible 0:56:44.0) you're talking about in job opportunity creation, is that if you go to Dick's Sporting Goods tomorrow and buy a basketball, a pole, for your kids, they'll have an outsource service come, dig a hole, pour the concrete and put the pole up for you for an additional charge. So, it becomes a whole 'nother layer of logistics from that perspective.

If you go to Home Depot and order a Weber grill, they'll come and assemble it for you for a fee. They're not doing that, the retailer, but they're partnering with the local whatever might be your carpenter work, whatever it might be, so that also hopefully brings in a whole 'nother opportunity of job and career creation for what's happening in the e-com world in general.

Q: Bill Testa, the Federal Reserve Bank. I'd kind of like to expand on that question a bit, and also compliment you on really giving us an education of the extent of this phenomena, and what we need to do to accommodate e-commerce so that we're a successful region. But, I'm not sure -- you're probably the people to answer this -- but I think we all need to think about it, for what

we do here is that we're talking about a lot greater road use because of this model.

We've just had an advisory referendum in Illinois that suggested that we wanted to earmark our meager road-use taxes to building out the infrastructure, and that might be helpful, and one option. But to the extent that we have a greater demand now in our road-use capacity, we need to think about, are we pricing this correctly? If we build to capacity for what you'd need, and it might be that we really overbuild, Amazon and so forth might be subsidizing because it's a loss leader to build out their network.

To build to capacity might be very, very expensive, too expensive for our region in terms of what we'll lose in getting people to work; getting our office workers and so forth, and other things. We might overbuild in this arena, or otherwise we'll have congestion, which is the same problem.

So I think, as a region, what we need to do is think about how to most intelligently accommodate this new phenomena because we do want our stuff at our door in a very timely fashion, but we also have a lot of other land-use needs and road-use transportation needs as well. This is something I think, we'll need to be thinking about very hard going forward.

MR. FORD: Thank you for that thought. So yeah, we're about out of time. I know that Mary's got a busy schedule ahead. But I'm going to here all day. Matt will be around for a bit. Frank, I think, we're more than welcome to have you for -- I know you drove a long way to get here. But, we're around. See, I told you, Kelly, we'd have no problem filling the hour.

But, thank you everybody.

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