

Case Study #1:
American International Automotive Industries

American International Automotive Industries (AIAI) manufactures auto and truck engine, transmission, and chassis parts for manufacturers and repair companies in the United States, South America, Canada, Mexico, Asia and Europe. The company transports to its foreign markets by container ships. To serve its customers in South America and Asia, AIAI has large warehouse/distribution centers. In Europe it ships into Hamburg and Gdansk, where it has contracted with independent distribution companies to deliver its products to customers throughout Europe. However, AIAI has been displeased with a recent history of late deliveries and rough handling of its products. For a time AIAI was not overly concerned since its European market wasn't too big and its European customers didn't complain. In addition, it had more pressing supply chain problems elsewhere. In the past five years, since trade barriers have fallen in Europe and Eastern European markets have opened up, its European business has expanded, as has new competition, and its customers have become more demanding and quality conscious. As a result, AIAI has initiated the process to select a site for a new European warehouse/distribution center. Although it provides parts to a number of smaller truck, and auto maintenance and service centers in Europe, it has seven major customers—auto and truck manufacturers in Vienna, Leipzig, Budapest, Prague, Krakow, Munich, and Frankfurt. Its customers in Vienna and Budapest have adopted manufacturing processes requiring continuous replenishment of parts and materials.

AIAI's European headquarters is in Hamburg. The vice-president for construction and development in Dayton, Ohio, has asked the Hamburg office to do a preliminary site search based on location, geography, transportation, proximity to customers, and costs. The Hamburg office has identified five potential sites in Dresden, Lodz, Hamburg, Gdansk, and Frankfurt. The Hamburg office has forwarded information about each of these sites to corporate headquarters, including forecasts of the number of containers shipped annually to each customer as follows: Vienna, 160; Leipzig, 100; Budapest, 180; Prague, 210; Krakow, 90; Munich, 120; and Frankfurt, 50. When the vice-president of construction in Dayton received this information, he pulled out his map of Europe and began to study the sites.

Assist AIAI with its site selection process in Europe. Recommend a site from the five possibilities, and indicate what other location factors you might consider in the selection process.