

Blockbuster Deal

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Denso Picks Hard-Hit NE Arkansas Area for 500-Worker Plant

by JACK LYNE, *Site Selection* Executive Editor of Interactive Publishing
LITTLE ROCK, Ark. — "Like water to a thirsty soul."

That was how **Arkansas** Gov. Mike Huckabee (R) characterized the 500-worker plant that **Denso Corporation** (www.denso.co.jp) has decided to build in a job-parched northeast **Arkansas** area.

The world's third-largest auto-parts maker, the Japanese firm has picked a 100-acre (40-hectare) site in Mississippi County's **Osceola**, a small town of some 9,000 residents on the Mississippi River. Mississippi County has been hit hard by recent job losses. Its unemployment rate is 13.5 percent, the highest in Arkansas, which has a statewide rate of 5.5 percent.

A different set of numbers, though, is driving Denso's new plant, which will manufacture auto air-conditioners and heavy-equipment radiators.

At 36.2 percent, Denso owns the largest market share in automotive thermal system sales. And some 50 percent of its total sales come from Toyota, which is rapidly increasing its North American production.

What those numbers added up to was the company's need for a new thermal-system plant near Denso's customer base - a base that's aggressively expanding in the U.S. South.

"We are experiencing exceptional business growth in the thermal product division," Denso President and CEO Koichi Fukaya explained in announcing the project at the state capitol in Little Rock. "We are fortunate to have the opportunity to build a southern base to further meet our customer needs in the region. By establishing the sixth thermal company in North America, we will continue to maintain the top global market share of air-conditioning products."

Denso will establish a new subsidiary company, Denso Manufacturing Arkansas, in conjunction with its Osceola plant. Jerry McGuire, vice president of Battle Creek, Denso Manufacturing Michigan, was tapped as the new company's president. The Osceola plant, said McGuire, will enable Denso "to ship Arkansas-made components directly to our customers to support their expanding auto production in the region."

Labor, Customer Proximity Major Factor



"Like water to a thirsty soul" Gov. Mike Huckabee said of Denso's plant in Osceola (whose courthouse is pictured). The city is part of a county area

The Osceola plant is scheduled to begin production of heavy equipment radiators in October 2004, with production of auto air-conditioners beginning in January 2005, McGuire said.

that's lost 2,000 jobs in the last three years.

The 217,000-sq.-ft. (19,530-sq.-m.) operation will hit full production in 2008, with the capacity to make up to 1.5 million air-conditioning units and 70,000 radiators a year. Similarly, plant employment will peak in 2008 at 500 workers.

Denso will transfer a few employees to the new Arkansas facility. It has pledged, though, to hire as many local-area residents as possible.

"Denso's worldwide strategy capitalizes on the wealth of talent found in the communities where our plants are located," McGuire said. "So the vast majority of our associates will be comprised of assembly workers, engineers, businessmen and businesswomen from Osceola and the surrounding area."



Denso President and CEO Fukaya (second from left) joined Gov. Huckabee (center) and other officials in breaking ground at the new plant site in northeast Arkansas.

Work-force quality, he noted, was one of the major factors behind Denso's choosing the Osceola site. "Their choice of location," said Arkansas Department of Economic Development (www.aedc.state.ar.us) Director Jim Pickens, "is certainly a tribute to the dedicated, hard-working people in this region of the state."

Denso is also building a training center at the plant site, McGuire said. In addition, the company is donating \$150,000 to boost local-labor skills, giving the funds to Osceola's Arkansas Northeast Community College for work-force training.

Two other factors, McGuire added, swayed Denso's decision: customer proximity and the local area's receptiveness. "We sincerely appreciate the warm welcome we've received," he said.

Osceola Mayor Dickie Kennemore hailed Denso's arrival for providing increasingly scarce job opportunities. Southern Mississippi County alone has lost 2,000 jobs over the past three years. Now, Kennemore anticipated, some local residents may be able to stay and work in the area. "Not only is this a great economic event," he said, "but it's also a great social event."

Toyota Loss a Gain Here?

Huckabee cited another less obvious factor in why Denso decided to come to a site some 55 miles (88 kilometers) north of Memphis, Tenn.: a company that *didn't* decide to come to Arkansas. Toyota ultimately picked San Antonio, Texas, for its 2,000-employee, \$800-million pickup assembly plant.

But a 1,265-acre (506-hectare) tract near West Memphis, Ark., was a finalist for the Toyota project. That near-miss, said Huckabee, generated a storm of high-profile publicity that "put us on a lot of world-class companies' radar screens." The Osceola site wasn't part of the parcel that the state was offering Toyota. Denso, though, does have a major connection with Toyota that extends beyond the huge volume of business it gets from the automaker. Toyota and its affiliate operations own some 35 percent of Denso.

The auto supplier's plant will be the biggest job generator announced in Arkansas in almost two years. It was the most jobs the state had seen since Nestle USA's \$165-million Jonesboro plant, which will eventually employ 1,000 (see Aug. 6, 2001, Blockbuster Deal of the Week).

No Impact on Michigan Expansion

The Osceola project won't affect Denso's \$45-million, 300-job expansion of its Battle Creek, Mich., plant, which the company announced in June. The Michigan plant, which already employs 2,400 workers, must expand to meet increased demand, McGuire explained. Demand is so heavy, in fact, that some work now performed in Michigan will likely be shifted to the Osceola plant, he said.

"We hope that this new Arkansas-Denso relationship," Fukaya said, "will bring mutual prosperity to all involved for many years to come."

Denso will have ample room to grow in Arkansas in future years if market demands dictate. The plant will only occupy about one-third of the site, leaving 70 acres (28 hectares) of open space.

The Osceola operation will be Denso's 26th North American plant. Worldwide, the company employs 89,000 people.

Editor's note: Look for more on Denso's project in the Arkansas Spotlight in the upcoming November Site Selection, including an interview with John Voorhorst, Denso's lead man for North American site selection. For more of Voorhorst's observations, see the [Kentucky Spotlight](#) in our May 2003 issue or online.

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