

E-commerce growth fueling conveyor maker's expansion

By [BORIS LADWIG](#) | August 5, 2016 3:28 pm



Conveyor belts in FedEx Ground's new \$80 million Jeffersontown facility stretch into the distance. Louisville-based Santa Rosa Systems and MHS Holdings provided machinery and logistics solutions for the facility. | Photo by Boris Ladwig.

Consumers' growing interest in online shopping and faster shipping are prompting a Louisville manufacturer of conveyors and sorting equipment to expand its local operations.

Santa Rosa Systems, which has a facility in Mt. Washington, plans to invest \$16 million and create 60 additional jobs. Brian Johnson, CFO of **MHS Holdings**, the parent company of SRS, told IL that he hopes the expansion will be operational in the second half of next year.

E-commerce is growing at a rapid pace even as retail sales overall are growing slowly. While e-commerce accounted for only 7.8 percent of total retail sales in the first quarter, to \$92.8 billion, it was up 15.2 percent compared to a year earlier. Meanwhile, overall retail sales grew just 2.2 percent, according to the U.S. Census Bureau.

Solid growth in the e-commerce sector has pushed demand beyond retailers' capacity, Johnson said. That has prompted them and their logistics partners to replace older, outdated systems with newer, more efficient machinery and to expand their existing facilities. And they're paying Santa Rosa and MHS to produce the equipment and generate solutions to their logistics challenges.

The e-commerce sector's growth already has been a boon to Louisville, which hosts significant operations from UPS, FedEx Ground and Amazon.

UPS said last winter that e-commerce growth and the need for more modern technology drove its plans to invest nearly **\$310 million** in its Louisville package sorting facility by 2018, creating 300 jobs. The company told IL that it plans to modernize 30 of its large hubs by 2020.

FedEx Ground this summer unveiled a new 300,000-square-foot, **\$80 million** package sorting facility in Jeffersontown.

The [Wall Street Journal](#) reported just this month that the nation's largest retailer, Wal-Mart Stores, plans to buy online retailer Jet.com to improve its online sales.

Santa Rosa and MHS provides conveyors and automated sortation equipment, and Johnson said the company does not have enough capacity



to meet current demand. The companies design, manufacture and install the equipment, but also provide the control systems and software that enable the machines to move packages through the sorting facilities.

Johnson said revenues for both its manufacturing operations, Santa Rosa Systems, and the material handling systems solutions company, MHS Holdings, have tripled in the last three years. Nearly all of the revenues are generated by large customers such as Amazon and UPS, for which Santa Rosa and MHS do business across the country.

Details of the \$16 million expansion are still being hammered out, he said, but the company expects to announce more information soon.

Santa Rosa employs 190, including about 30 people in engineering and office support. Johnson said he expects about 85 percent of the 60 new employees to work in a new third production shift.

“We have expectations of continued growth over the next few years,” Johnson said.

BORIS LADWIG