Location

Learning objectives

The main factors influencing the location and relocation decisions of a business:

- Factors relevant to the location decision of manufacturing businesses and service businesses
- Factors that a business could consider when deciding which country to locate operations in
- The role of legal controls on location decisions
- Recommend and justify an appropriate location for a business in given circumstances

Introduction

A Business's location can make an important difference to its success. Choosing the right location means taking into account a number of factors.

Starter activity

Distinguish between the factors that attract a business to a specific location, and the factors that dissuade a business from selecting a specific location

The Importance of Location

Location is the place where a firm decides to site its operations. Location decisions can have a big impact on costs and revenues.

A business needs to decide on the best location taking into account factors such as:

- Customers – Is the location convenient for customers?
- Staff – Are there sufficient numbers of local staff with the right skills willing to work at the right wage?
- Support Services – Are there services offering specialist advice, training and support?
- Cost – How much will the premises cost? Those situated in prime locations (such as city centres) are far more expensive to rent than edge-of-town premises.

The Importance of Infrastructure

Infrastructure refers to the facilities that support everyday economic activity, e.g. roads, phone lines and gas pipes.

An efficient transport network enables staff to get to work easily. It also allows supplies to be brought in from far afield and permits finished products to be moved to market cheaply and quickly.

The impact of location depends on the type of business. For example, it is important for shops and restaurants to be conveniently located for customers. A delivery-only takeaway may prefer to locate in inexpensive premises on the edge of town close to good transport links.

Government & Location

The Government offers grants and assistance to businesses that locate in areas with high unemployment.

Incentives include:

- Grants – To help with the cost of setting up a business. Grant money does not need to be repaid.
- Loans – Which are repayable over many years at low rates of interest.
- Tax Breaks – For Example, firms may be made exempt from paying business rates.

Analysis

Identify and explain the advantages of locating abroad

Identify and explain the disadvantages of locating abroad

Overseas Location Decisions

Setting up a business overseas involves a number of challenges including:

- Cultural and Language Barriers – Where managers are unfamiliar with local customers.
- Legal Issues – Where local laws are different.
- Exchange Rate Issues – Unexpected changes in the value of sterling can have an impact on prices, costs and profits.

Paired activity

Discuss the factors that affect the location of different types of organisation and complete the worksheet.

Apply your knowledge to the examples and state 3 factors that affect the location of the specific businesses.

Location of the Business

Competition

Raw Materials

Technology

Transport

Market Proximity

Costs

Labour

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Problem Solving

Problem Solving

- In this activity you are given some business problems. Try to solve them using your knowledge of the Location module.

- To help you to solve each problem there are a few options to choose the best one from. The clues to solve the problem are underlined. Read carefully the underlined words.

Problem Solving

- **Jennifer decided to set up her own business in designing and making wedding dresses. Her initial capital is £2,000. Jennifer has a degree in business management.**

a. to run her business from home
b. to hire a stall in the open market
c. to sell her products to Harrods' stores
d. to buy a premises and open a shop

The answer is ……

a

Problem Solving

- Warburtons is a well known family bakery founded in 1876. The management decided to distribute the bread using the quickest, the most efficient and cheapest way.

a) to distribute the product directly to the customers
b) to distribute the product directly to the wholesaler
c) to distribute the product directly to the retailer

The answer is …… c

Problem Solving

- Facts Yorkshire Windows is working hard to achieve *The Investor In People Award* for providing customers with the quickest service.

a. to distribute the windows directly to the customers
b. to distribute the windows directly to the wholesaler
c. to distribute the windows directly to the retailer

The answer is ……

a

Problem Solving

- **John has decided to set up his own business, "Vista Cane Furniture" in West Yorkshire to make conservatory furniture. He is looking for a good location to save him time and transportation cost.**

a. near a popular busy area in West Yorkshire e.g. Huddersfield
b. near the raw materials in Scotland
c. any where in the UK

The answer is ……

a

Problem Solving

- **The government aims to protect and to improve the quality of country life in order to encourage local businesses to provide a service to the local community in these rural areas.**

a. to offer new rate relief for rural businesses, e.g. country shop keepers, post offices etc
b. to permit trading on Sundays for all businesses in the area
c. to offer new rate relief for all businesses in rural areas, e.g. large supermarkets and small shop keepers
d. to offer new rate for only large businesses to encourage them to move to rural areas

- The answer is ……

a