

Chapter 14: Operational Strategies: Location

The main factors influencing business location

Technology

- Has allowed businesses to be more flexible, operating from a much wider choice of locations.
- Has encouraged the use of tele-working (work from home).
- When considering international location, it is vital to consider how advanced the technology is in that country.

Costs of factors of production

- Main costs are land costs (rent), transport costs and labour costs (wages).
 - In the case of wages, it is the labour costs per unit that are most important.
- The target for most businesses is to locate at the **least-cost site**: this is the business location that allows a firm to minimise its unit costs.
 - As a consequence, more businesses are relocating their manufacturing to emerging economies such as Russia and China.

Infrastructure

- This is the network of utilities such as transport links, telecommunications systems and health and education facilities, which ensure that there is a good infrastructure to support the activities of a given business.
- Large businesses will need to be aware of the quality of the infrastructure when considering relocation.

Qualitative factors

- The personal preferences of directors or owners can influence location decisions.
- The owner may wish to relocate the business close to his or her own home, or in a place that has good local facilities, such as cinemas, gyms or a particular scenic location.

Factors influencing location decisions involving expansion and/or relocation

Resources

- The location of raw materials is the crucial influence for most primary industries.
- Heavy industries e.g. iron and steel usually locate in close proximity to their raw materials supplies.

Bulk-reducing/weight-losing industries.

- For some industries such as brewing and soft drinks, the accessibility of water means that the final product is bulkier to transport than the raw materials.
 - These **bulk-increasing** or **weight-gaining industries** tend to locate closer to the market than the raw materials.
- The location of suppliers is still a key factor influencing business location. A manufacturer will reap the benefits of a location that is close to its suppliers, particularly if it is using JIT methods.

The market

- For retailers and other service industries, the market is the most important influence on location.
 - As the UK economy is predominantly based on **tertiary production** this makes the market a crucial factor in determining the location of many UK firms.
- Organisations save transport costs if they locate close to their market.
- A JIT production grows in popularity among manufacturers, the ability to transport goods quickly becomes a key factor in the choice of suppliers, so the latter will seek to locate close to their customers.

Government intervention

- Members of the EU must regulate their regional policy within the guidelines established by the European Commission.