

FACTORS AFFECTING A PLANT'S LOCATION

Plant location is a place where men, money, machinery etc are brought together for manufacturing products. A plant should be in a place where the cost of production is kept low in order to gain maximum profit. Identifying an ideal location is very important as it determines the cost of getting suitable raw material, processing raw material to finished goods, and distribution goods to customers.

Hardly any location can be ideal and perfect. Decisions regarding selecting a location need a balance of several factors which are affecting plant location.

1. Nearness to raw material

Availability of the raw material near the plant will reduce the cost of transporting raw material from the vendor's end to the plant. Those plants which consume raw material in bulk or need heavy raw material but loses a good amount of material in processing must be located close to the source of raw material.

2. Transport facilities

The cost of transportation should be small in proportion to the total cost. Depending upon the size of the raw material and finished goods suitable method of transport like roads, rail, water, or air is selected and plant location is decided accordingly.

3. Nearness to market

It reduces the cost of transportation as well as chance of finished product getting damaged and spoiled on the way. If the industry is nearer to the market, then it can catch big market share by offering quick services.

4. Availability of labour

The combination of the adequate number of labour with suitable skills and reasonable labour wages can highly benefit the firm. However, labour-intensive firms should select the plant location which is nearer to the source of manpower.

5. Availability of fuel and power

Because of the widespread use of electric power, in most cases fuel has not remained a deciding factor for plant location even though steel industries are located near the source of fuel to reduce fuel transportation costs.