

Chapter 20 Location Services

1. Factors relevant to the location decision of manufacturing businesses and service businesses

1.1 Factors affecting the location of a manufacturing business

- 1.1.1 Production methods and location decisions
- 1.1.2 Market
- 1.1.3 Raw material / components
- 1.1.4 External economies of scales
- 1.1.5 Availability of labor
- 1.1.6 Government influence
- 1.1.7 Transportation and communications
- 1.1.8 Power and water supply
- 1.1.9 Climate

1.2 Factors affecting the location of a service sector business

- 1.2.1 Customers
- 1.2.2 Personal preference of the owners
- 1.2.3 Technology
- 1.2.4 Availability of labour
- 1.2.5 Climate
- 1.2.6 Near to other business
- 1.2.7 Rent/Taxes

1.3 Factors affecting the location of a retailing business

- 1.3.1 Shoppers
- 1.3.2 Nearby shops
- 1.3.3 Customer parking available / nearby
- 1.3.4 Availability of suitable vacant premises
- 1.3.5 Rent/Taxes

1.3.6 Access for delivery vehicles : Access for delivery vehicles might be a consideration if it is very difficult for them to gain access to the premises.

1.3.7 Security

1.3.8 Legislation : In some countries there may be laws restricting the trading or marketing of goods in particular areas.

2. Factors that a business could consider when deciding which country to locate operations in

2.1 New market overseas : locating in the countries with high economic growth or opportunity to expand business to get higher market share and revenue.

2.2 Cheaper or new sources of material : it might be cheaper to use the raw materials at their sources rather than transport them to another country.

2.3 Difficulties with the labour force and wage costs : the labour-intensive business may be more profitable to relocate overseas with cheap wages.

2.4 Rent / taxes consideration : relocating to countries with lower rents or taxes.

2.5 Availability of government grants and other incentives : locating in countries with providing grants and tax incentives for MNCs investing in their country.

2.6 Trade and tariff barriers : locating in that country there will be no restriction.

3. The role of legal controls on location decisions

Why does the government try to influence these location decisions? Usually for two main reasons.

- To encourage businesses to set up in areas of high unemployment - in some countries these are called development areas.
- To discourage firms from locating in overcrowded areas or natural beauty.

Two types of measures are often used by government to influence where firms locate

- Planning regulations : it legally restricts the business activities that can be undertaken in certain areas.
- Providing grants or subsidies to businesses: it encourages them to locate in undeveloped parts of the country.