

Chapter 8

Decision on location

1. Factors influencing the location and relocation of businesses

1.1 Proximity (closeness) to the market

: Businesses that make larger or heavy products may be located close to their customers to keep transport costs down.

1.2 Proximity to labour

: Businesses needing larger numbers of workers have to consider wage costs and labour skills.

1.3 Proximity to materials

: Businesses that use large amounts of raw materials that are difficult to transport may choose to locate their premises very close to their sources.

1.4 Proximity to competitors

: Most service providers will prefer to locate where competition is minimised.

2. The nature of business activity

2.1 Services

: When choosing a suitable location, businesses have to take into account the ease of access and parking facilities.

2.2 Office-based businesses

: In some field of business, such as creative marketing, consultancy, financial services and customer service provision, business activity is office-based.

2.3 Manufacturing and processing

: The locations chosen by manufacturers may vary.

For example

- If manufacturing is labour-intensive, factory need to locate where there is a good supply of skilled and relatively cheap labour.

2.4 Agriculture

: Most farmers require large areas of land for their businesses.

: Fishing industry, businesses will tend to be located on the coast.

3. The impact of the internet on location decisions

: Many people are switching to the Internet when shopping rather than going to stores.

4. Influence of legal controls and trade blocs on location

: Governments, both local and national, may try to influence location decisions for several reasons.

4.1 To avoid congestion where there is already enough or too much development

: This will reduce the strain on existing infrastructure such as roads, schools and hospitals

4.2 Minimise the impact businesses might have on local communities.

: For example, most people would object if a business opened a noisy night club in a highly residential area.

4.3 To encourage manufacturers to locate where unemployment is high.

: This will help to improve the distribution of jobs around a country.

4.4 Government often use financial incentives to influence business choice of location.

: For example, government can offer low rates, tax breaks and low rents if they locate in areas preferred by the government.

4.5 To attract foreign manufacturers into the country. Many countries rely on inward investment to help create employment and work for domestic suppliers.

: Many countries use trade barriers to control the level of imports into their country. To avoid trade barriers, such as tariffs a business might decide to locate inside a trade bloc.

(Trade bloc : Group of countries situated in the same region that join together and enjoy trade free of barrier.)