

## Location

The geographical position of a business.

- Choice of location has direct effect on operational costs
- Location also potentially affects ability to generate sales and deliver customer service
- A poor choice of location is costlv to change "The three most important things in


## Supply-v-Demand Factors



## Main location factors



## Decision making

## Quantitative

- Costs
- Customers
- Size of market
- Suppliers

Based on data Suitable for investment appraisal

## Qualitative

- Image
- Tradition
- Personal preference
- Quality of life

Harder to identify Based on opinions

- Duplicated property costs - e.g. remaining periods on the original lease + upfront payments on a new lease
- Costs of physical transfer - moving production equipment, transferring stocks, lost revenues



## Costs of Relocation

- Recruiting and training staff in the new location


## Benefits of a good location

- Competitive unit costs - through a combination of a productive and efficiency labour supply, acceptable location overheads and cost-effective access to inputs (raw materials, components etc)
- Optimal revenue opportunities - customer service is not inconvenienced through the choice of location
- An acceptable rate of return on investment - all business projects compete for scare cash resources; a business location decision is no different
- Sufficient production capacity to meet demand and future flexibility in capacity management decisions
- Access to a labour force which enables the business to achieve the objectives of its workforce planning

