

# Suggestions on making location decisions for your business

[Business](#), [Organization](#)



## **Making location decisions**

### Introduction

By looking into the location of your business/ organization, this would help you gain a competitive advantage in terms of growth of your business by targeting the right market. This is also a good thought as it decreases costs of transportation and improves service delivery to your customer base. There has been a literature review that was conducted to examine whether the location of your business is going to have a positive or negative impact and the findings show that it's one of the best ways to improve your business not only internationally, but nationally/ local.

### Body

Any business will need to plan before they can begin production, but you need to know exactly what you're heading for in terms of the cost you're willing to spend, what you want from the business, where you see your business, and also the risks involved and how you could minimise them. By selecting your location you'll need to insure it's the correct venue to begin your new venture, as this is a long-term decision.

These are a few steps you can take to ensure you are making the correct decision as it is a delicate decision.:

- Identify and collect data on the sites you have in mind.
- Look broader than you can see, and find other available sites, so that you can narrow down each siting and make a more informed choice.

- Identify the important location factors and categorise them as dominant or secondary
- Also investigate the safety of your business with the crime rate in surrounding areas. This will be most beneficial. Also see for the most feasible option as you wouldn't want to spend a large amount of money when you could save elsewhere.
- Once you've done a thorough research you can now take it upon yourself/ partners to make your final decision, knowing that you've done your research such as the communities in the surrounding areas, environment and quality of production will you know you are making the correct choice.

In order to have efficiency and for your company to be a success, you need to ensure that your supply chain strategy and competitive strategy fits together. This will ensure they have aligned goals and can work hand in hand with each other. This refers to the customers priorities is met in terms of goods/ services, and from the supply chain strategic side the company is more efficient and capable of growth. Each stage needs to support the supply chain strategy that's put into place. According to (Chopra and Meindl, 2010).

This is why the design of the competitive strategy and supply chain strategy needs to be aligned. Consequently, achieving strategic fit from strategy to facility location improves supply chain performance. One of the most important strategic decisions in the supply chain network made by many companies

is where to locate their operations (Van Mieghem, 2001). The facility location does have a long-term impact on supply chain performance, risks, and profit of the business as it is very difficult to just up and leave your business due to costs and a different venue. The main risk here is the costs, as it is extremely expensive to start afresh elsewhere, this could also affect your business customer base.

This is an important decision as it will have an effect on the organizations production cost as well as the customers, (and therefore its revenues). By choosing incorrectly this will have a negative impact and could incur a huge amount of loss with cash, customers and production time. Revenue comes from the sales whereas costs come from production and processing such as transportation, facilities, raw materials and inventories. (Chopra and Meindl, 2010). The decision you take on where to manufacture, assemble, storage, transport, consolidate can make a difference between profit and loss. Location decisions are a basic tool to determine whether which site will be most profitable local/ nationally and internationally. (According to (Christopher (2005))).

## **Conclusion**

Seven Key Factors to a Facility Location.

The expansion of your organization is not just about customer base and revenue, but it also is for making your company more efficient by getting more space for office and workstation's, facilities to manufacture and store your tools and products. Choosing a location requires a lot of planning as this is one of the biggest financial investment you will be making in your

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business, this is to ensure that the operation and production of your business is at a functional level. Make sure you have a broad financial view of each site, remember once again this is a long-term investment, so take into account how much the purchase of the property, the amount to build and develop, or the lease cost and how much you're willing to spend during the duration of this period.

### Layout

The layout of the location will be able to determine depending on the production and customers whether, future expansion can take place such as facility buildings or enlarging manufacturing space within this site or elsewhere. Also, if development can take place within the site at minimal costs.

### Cost

Costs can involve the renovation of an existing building or purchasing a site, and starting from scratch, which you will then need to take tools and labour as well as materials into account for purchasing.

### Logistics

When choosing a site, make sure that you take into consideration of transport, not only for your business but also for your customers. This needs to be easy access and not cause a drift between your customers or other businesses you supply with stock. Also designated safe routes should be taken into consideration as to which one is most efficient and accessible as

well as safe and quick. The site must have adequate transportation routes to get goods to and from the site. The facility itself must come equipped with adequate electrical and plumbing to run an effective operation; if they don't yet exist they must be cheap enough to install at the site.

### Labour

Any organization requires labour, without labour there won't be any production and without production there will not be any income in revenue. Its best to employ labour staff from surrounding areas as this is more accessible, however it would be different for management as they can be from different areas.

### Political Stability

Companies that locate internationally will benefit from a cost of perspective. However locating locally near an unstable government could put the business at risk.

### Regulations

Strict local environmental regulations that limit the nature of business operations can affect you're your decision in choosing that specific location. Government taxes and regulations of various kinds can prove to be costly but could also be an incentive to encourage corporate development and benefit certain locales.

### Community

Facility locations are not temporary; having or building a good relationship with the surrounding communities is a vital aspect as this also makes it easier to obtain or maintain your licenses, the choice you make on the location will indeed affect not only your business but the community, and environment. Being able to give back to the community also helps as it decreases the unemployment rate, builds a relationship with the people and government or local municipality. Maintaining the relationship with the locals helps to ensure a greater lifespan of the site. According to (Catherine Lovering) Lovering, Catherine. “ Seven Key Factors to a Facility Location.” Small Business – Chron. com, <http://smallbusiness.chron.com/seven-key-factors-facility-location-33442.html>. Accessed 09 August 2018.

Load distance technique

Compute (Load x Distance) for each site

Choose sites with the lowest (Load x Distance) <https://www.youtube.com/watch?v=nfJGtDLZVW4> Distance can be actual or straight line See the example below.