

# [The importance of location in business](https://assignbuster.com/the-importance-of-location-in-business/)

[Business](https://assignbuster.com/essay-subjects/business/)

The importance of location

Location is the place where a firm decides to site its operations. Location decisions can have a big impact on costs and revenues. A business needs to decide on the best location taking into account factors such as: Customers - is the location convenient for customers?

Staff - are there sufficient numbers of local staff with the right skills willing to work at the right wage? Support services- are there services offering specialist advice, training and support? Cost - how much will the premises cost? Those situated in prime locations (such as city centres) are far more expensive to rent than edge-of-town premises.

The importance of infrastructure

Infrastructure refers to the facilities that support everyday economic activity, eg. Roads, phone line and gas pipes. An efficient transport network enables staff to get to work easily. It also allows supplies to be brought in from far afield and permits finished products to be moved to market cheaply and quickly. The impact of location depends on the type of business. For example, it is important for shops and restaurants to be conveniently located for customers. A delivery-only takeaway may prefer to locate in inexpensive premises on the edge of town close to good transport links.

Government and location

The government offers grants and assistance to businesses that locate in areas with high unemployment. Incentives include: Grants to help with the cost of setting up a business. Grantmoneydoes not need to be repaid. Loans, which are repayable over many years at low rates of interest. Tax breaks, for example firms may be made exempt from paying business rate

Overseas location decisions

Setting up a business overseas involves a number of challenges including: Cultural and language barriers where managers are unfamiliar with local customs. Legal issues where local laws are different.

Exchange rate issues. Unexpected changes in the value of sterling can have an impact on prices, costs and profits

Factors affecting the location of a business

Market:
Need to be near to transport goods
Need to be near to cut transportation expenses

Raw Materials / Components:
If the raw materials are bulky and expensive to transport it will clearly be in the entrepreneur's interest to locate near to them.

Transport costs:
The two major influences are the pull of the market and the pull of the raw materials and these are determined by whether or not the industry is bulk-increasing or bulk-decreasing.

Land:
Land costs vary considerably nationally and some firms, e. g. wholesalers, might need a large square-footage. They might, therefore, be influenced by the cheaper rents and property prices found in some areas.

Labour:
Wages of the labourers
How skilled they are

Safety:
Some industries have to locate their premises well away from high density population levels and their choice of location is limited.

Power:
Need a reliable source of power to operate effectively

Water supply:
Cost of water
A lot of water is needed in the production process

Government:
Government provides special assistance to areas of high unemployment.

Grants/subsides
Restrictions on dumping, etc.
A convenient location