

Regional Location - The Main Determinants

Access to markets

For some businesses it is the availability of, and access to, markets that is the prime consideration that determines the location of the business.

- For most bricks and mortar retailers the **business must be near customers**. More recently this locational relationship between retailer and customer is being broken down by the growth of e-commerce and online purchasing.
- **Manufacturers of components in many industries (suppliers) need to be located close to the users of their products.** This has become increasingly true with the increased use of just-in-time systems, where being 'on the doorstep' is now the expected norm.
- **Access to markets** can be limited because of trade restrictions, or the existence of 'trading blocs', such as the EU. To overcome these restrictions, it is often necessary to set up a manufacturing base within the trading bloc.
- **Infrastructure** used to mean roads, rail, and shipping. But a more modern definition includes electronic communication systems, training agencies, financial services as well as the traditional components.

Cost and nature of factors of production

- When businesses use bulky, difficult to handle **raw materials**, then a location close to the source of these raw materials can substantially reduce costs.
- As a factor of production, '**labour**' can be a deciding factor in determining location. This includes the cost, availability and skills of labour.
- The availability of **land** is also an important factor. Most large investments are based on 'green field' sites. Local government, along with development agencies, often work hard to ensure that planning permission is available to allow large developments to proceed.

Social reasons

Managers might want to live in an environment that suits them and their families. They want leisure facilities, good schools and low crime. Therefore, it can be difficult to attract businesses to deprived areas.

Historical reasons

The original reason for choosing a business location might have disappeared, but they remain in the locality where they were originally established. For example, around the country there are steel and tin plate plants that had their historical origins in the availability of local raw material. These raw materials were exhausted decades ago, but the plants remain.

International Location - The Main Determinants

Large businesses have the alternative of locating their production facilities virtually anywhere in the world. If there is a stable political background and an available work force, most countries will offer the possibility of hosting a production base. The main influences are:

- **Maximising economies of scale**

If businesses can have a single plant supplying all their requirements for a type of product or range of components, then their average costs of production can fall. That is why huge factories are built to produce products that are sold in many different countries.

- **Access to international markets**

Access to a trading bloc such as the EU or NAFTA (North American Free Trade Association) may depend on setting up a production facility within that trading bloc.

- **Tax advantages**

Companies sometimes establish operations where taxation levels are lower than their home base. This can allow transfer costing to take place.

- **Freedom from restrictions**

Businesses can reduce their costs if they locate operations in countries where red tape is less present, or employment law is less complete. Practices or systems that would have been unacceptable in economically developed countries may be the norm in less developed nations.

- **Footloose businesses**

A business that is not tied to a location or country can relocate across national borders in response to changing economic conditions. This allows them to follow cheap capital, low-cost labour and tax advantages.