9.1 Location and scale

Name: _____ Class: _____ Date: _____ **Total: 29 marks**

KEY WORDS location • location and scale • optimum scale • offshoring • relocation

Objective

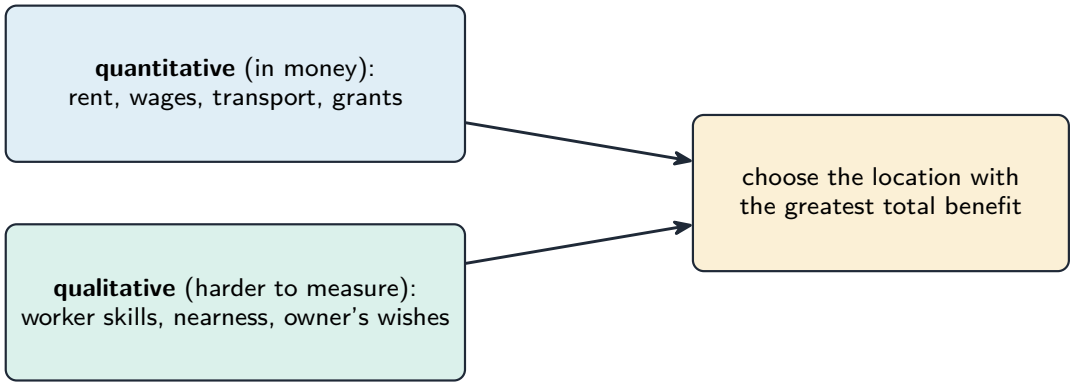
Build the skills to answer exam questions on **location and scale** – **quantitative and qualitative** location factors, **offshoring**, and the **optimum scale** of operation.

You must be able to:

- classify location factors as quantitative or qualitative
- explain offshoring and the optimum scale of operation
- analyse and evaluate a location or relocation decision

1 Key knowledge and worked examples

Choosing a location

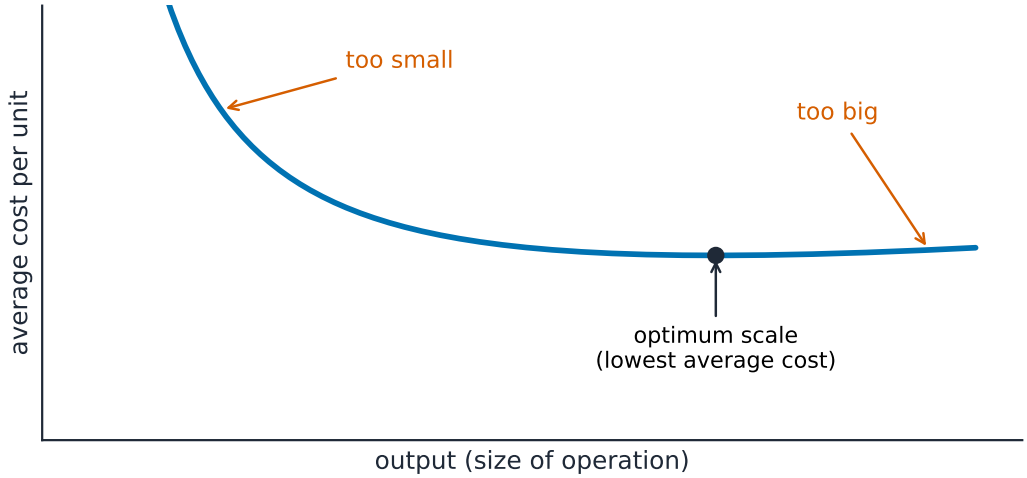


Quantitative (rent, wages, transport, grants) and qualitative (skills, nearness, owner's wishes) factors

- **Quantitative factors:** measurable in money – rent, wages, transport, grants.
- **Qualitative factors:** harder to measure – worker skills, nearness to customers, owner's wishes.
- **Offshoring:** moving production abroad (lower wages, new markets) – but longer

supply lines and culture risk.

- **Optimum scale:** the size where average cost per unit is lowest.



optimum scale = min average cost

The optimum scale is the output where average cost per unit is lowest

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the difference between a *quantitative* and a *qualitative* location factor. [2]

2.2 Define the term *offshoring*. [2]

2.3 Define the term *optimum scale of operation*. [2]

3 Exam-style questions

3.1 Explain one factor a business should consider when choosing a location. [3]

3.2 Analyse two reasons why a business might **offshore** its production. [8]

3.3 A manufacturer is deciding whether to relocate its factory to a lower-wage country. Evaluate this decision. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- a quantitative factor can be measured in money (rent, wages, transport); a qualitative factor is harder to measure (worker skills, nearness, owner's wishes) (2 for a clear difference; 1 for a partial idea)

2.2

- moving production to another country (2 for a clear definition; 1 for a partial idea)

2.3

- the size of operation at which the average cost per unit is at its lowest (2 for a clear definition; 1 for a partial idea)

3.1

- *[3]* **AO1** 1 – name a factor (rent/wages; transport; nearness to customers or suppliers; grants; worker skills). **AO2** up to 2 – develop it, e.g. locating near customers cuts delivery time and cost
- faster service
- an advantage over distant rivals (2 developed / 1 limited)

3.2

- *[8]* For **each** of two reasons: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains – *lower wages*: labour costs less abroad
- lower cost per unit
- higher profit or lower prices. *Nearer a new market*: producing close to new customers
- lower transport cost and faster supply
- more sales there. Maximum 4 per reason, 8 total

3.3

- *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For:** lower wages and costs, nearer new markets, possible grants. **Against:** longer supply lines, language and culture problems, quality and control risks, possible damage to image and home job losses. Judgement: relocation can cut costs sharply, but only if the savings outweigh the added risks and the quality can be maintained – it depends on the size of the wage saving and how well the firm can manage a distant site