9.1 Location and scale

Name: ______________ Class: __________ Date: ____________ **Total: 29 marks**

Objective

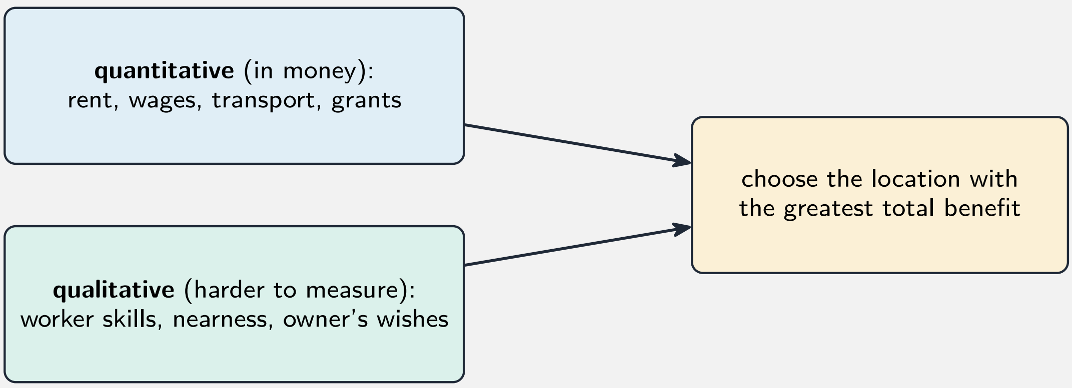
Build the skills to answer exam questions on **location and scale** 选址与规模—**quantitative and qualitative** 定量和定性 location factors, **offshoring** 离岸外包, and the **optimum scale** 最优规模 of operation.

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

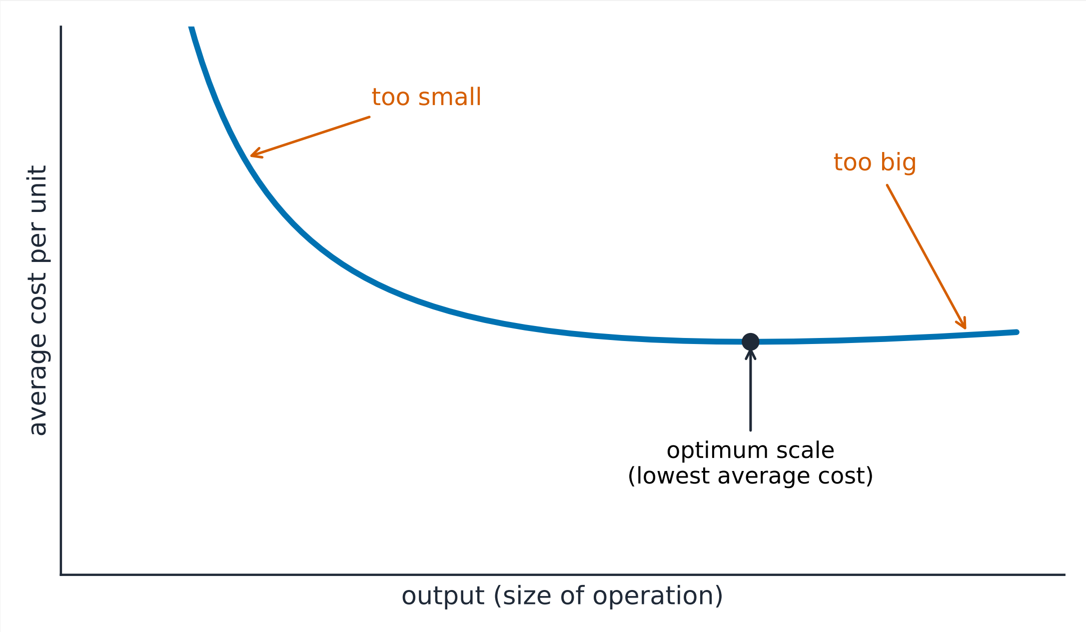
1 Worked examples

■ 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.



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]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **9.1 Location and scale** past-paper sheet in the Library, or try this Paper 3 case-study question in **Practice mode**:

- 9609/32 N25 —Q3 (payback period for a new location)

Solutions

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

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.