

Exercise walk-through

Location decisions ■ 4.4

eXercise

You must be able to

- state the factors a manufacturing business considers when choosing a location
- explain how a service business's location factors differ
- analyse a location or relocation decision

Method — Choosing a location

- **Manufacturing factors:** nearness to **raw materials** 原材料, nearness to the **market** 市场, land cost, suitable labour, transport links, government grants.
- **Service factors:** mostly nearness to customers, passing foot traffic, nearby shops, rent.
- **Locating abroad:** reach new customers, lower wages/rent, or avoid **tariffs** 关税 — but face different laws and languages.

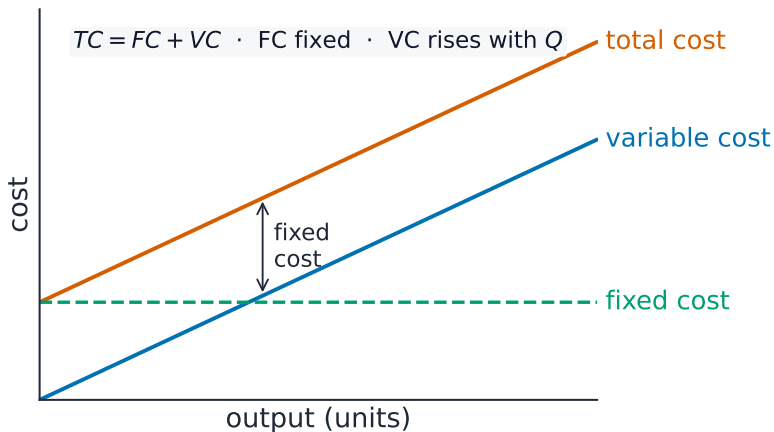
Answer shapes: $K + App + An + Ev$ (a justified judgement, for “do you think” questions).

Method — Choosing a location



Where a business locates affects its costs and service

Method — Choosing a location



Fixed costs stay the same; variable costs rise with output; total cost is their sum

Practice 2.1 ■ 2 marks

Identify two factors a manufacturing business considers when choosing a location.

Solution 2.1

Method: Choosing a location

Worked steps

any two of: nearness to raw materials; nearness to the market; land cost; suitable labour; transport links; government grants ($1 + 1$).

Practice 2.2 ■ 1 mark

State one location factor that matters most to a service business.

Solution 2.2

Method: Choosing a location

Worked steps

nearness to customers (or passing foot traffic) (1).

Practice 2.3 ■ 1 mark

State one reason a business might locate in another country.

Solution 2.3

Worked steps

any one of: reach new customers/markets; lower wages or rent; nearer raw materials; avoid tariffs (1).

Exam-style 3.1 ■ 2 marks

Identify two factors that affect the location of a shop.

Solution 3.1

Method: Choosing a location

Worked steps

any two of: nearness to customers; passing foot traffic; nearby shops; the rent ($1 + 1$).

Exam-style 3.2 ■ 6 marks

Explain two factors a manufacturer should consider when choosing where to locate its factory.

Solution 3.2

Method: Choosing a location

Worked steps

[6] For **each** of two factors: K 1 + An up to 2 — e.g. *nearness to raw materials*: heavy materials are costly to move → locating nearby cuts transport costs. *Suitable labour*: enough skilled workers nearby → the factory can be staffed → it runs smoothly. Maximum 3 each.

Exam-style 3.3 ■ 6 marks

A manufacturer is deciding whether to move its factory to a country with lower wages. Do you think it should move? Justify your answer.

Solution 3.3

Method: Choosing a location

Worked steps

[6] Both sides + judgement. **For moving:** lower wages cut costs and raise profit, and it may reach new customers. **Against:** different laws, languages and customs, higher transport of finished goods back, and possible loss of quality and control. **Judgement (Ev):** moving can cut costs sharply, but only if the savings outweigh the added risks and quality can be kept — it depends on the size of the wage saving and how well the firm can manage a distant site.