

4.4 Location decisions

Name: _____ Class: _____ Date: _____

Total: 14 marks

Objective

Build the skills to answer exam questions on **location decisions** 选址决策—the factors that affect where a **manufacturing** 制造业 or **service** 服务 business locates, and locating in another country.

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

1 Worked examples

■ Choosing a location

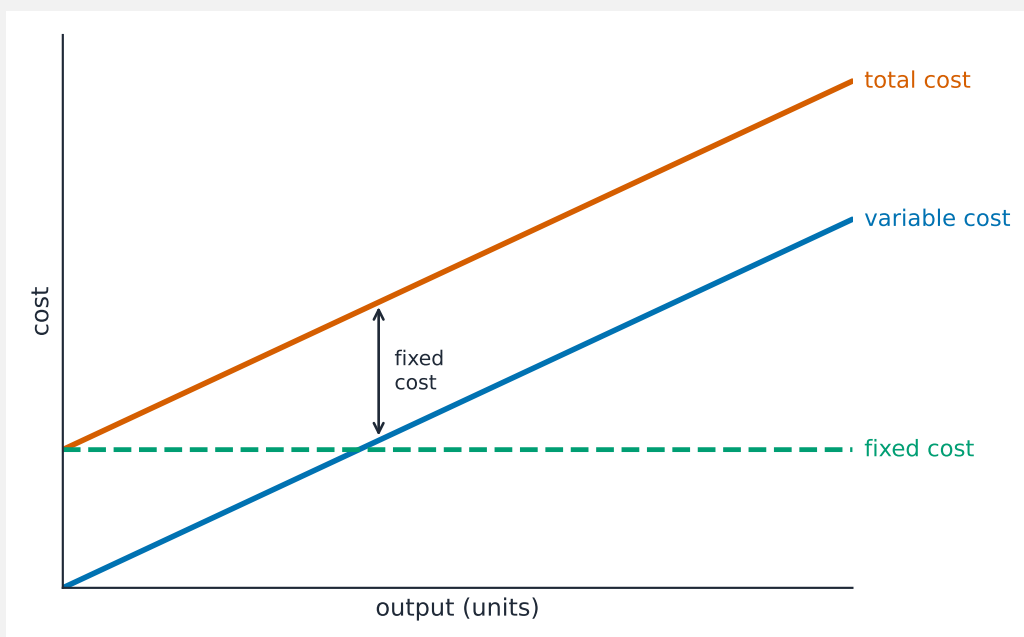


The best location gives the greatest total benefit

Image: source

- **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.



Location changes the cost structure —cheaper land lowers fixed costs, nearness to market lowers variable transport

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

2 Practice

2.1 Identify two factors a manufacturing business considers when choosing a location.[2]

2.2 State one location factor that matters most to a service business. [1]

2.3 State one reason a business might locate in another country. [1]

3 Exam-style questions

3.1 Identify two factors that affect the location of a shop. [2]

3.2 Explain two factors a manufacturer should consider when choosing where to locate its factory. [6]

3.3 A manufacturer is deciding whether to move its factory to a country with lower wages. Do you think it should move? Justify your answer. [6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **4.4 Location decisions** past-paper sheet in the Library, or try these in **Practice mode**:

- 0450/11 N25 —Q1 (location)
- 0450/12 N25 —Q3 (location factors)
- 0450/13 J25 —Q3 (locating abroad)

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

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

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

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

3.2 [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.

3.3 [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.