A-LEVEL BUSINESS • EXERCISE SHEET

9.1 Location and scale

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

KEY WORDS location 选址 • optimum scale 最优规模 • relocation 迁址 • location and scale 选址与规模 • offshoring 离岸外包

Objective

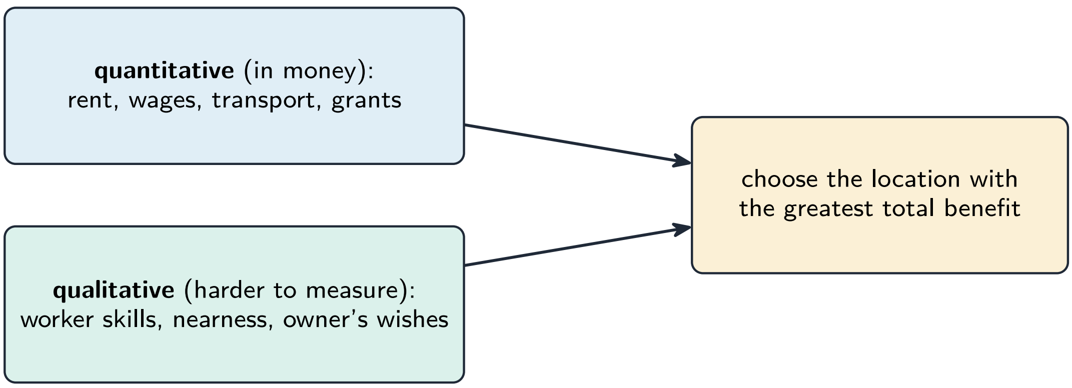
Build the skills to answer exam questions on **location and scale 选址与规模** — **quantitative and qualitative 定量和定性** location factors, **offshoring 离岸外包**, and the **optimum scale 最优规模** of operation.

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

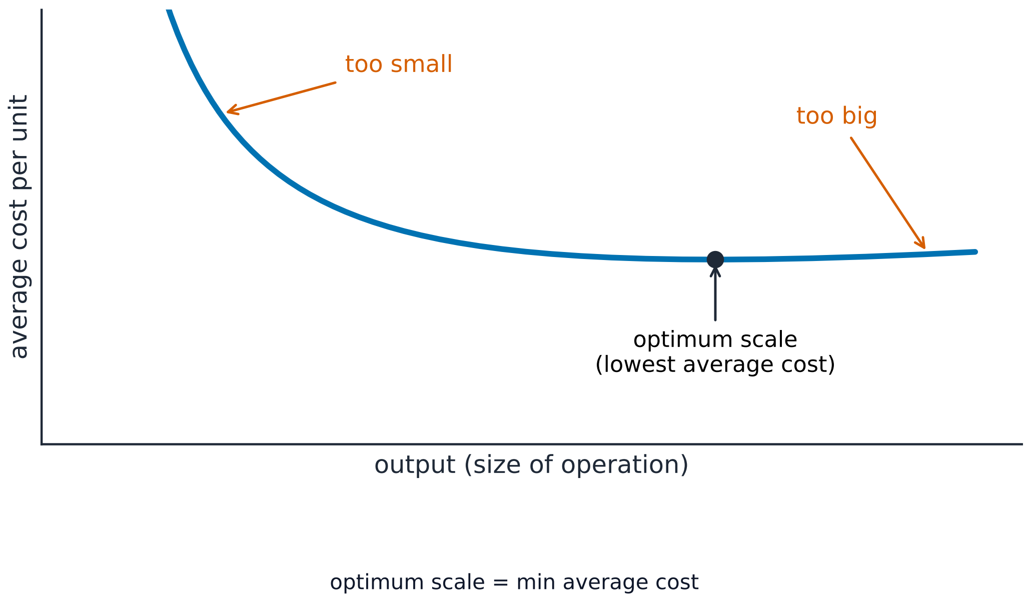
■ Choosing a location



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]

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.