

4.4 Location decisions

Name: _____ Class: _____ Date: _____

Total: 18 marks

KEY WORDS market 市场 • manufacturing 制造业 • raw materials 原材料 • service 服务 • tariffs 关税

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

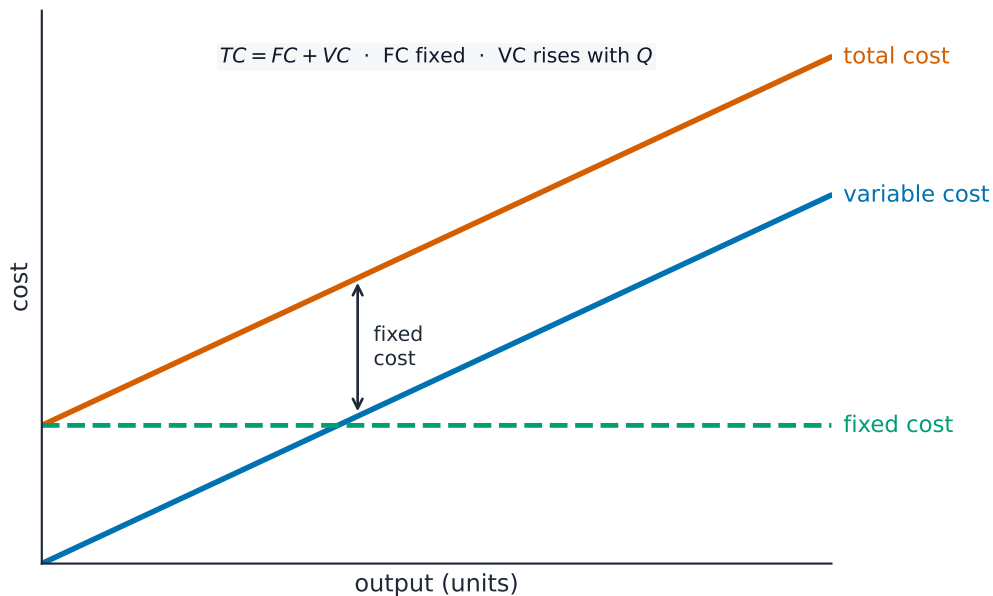
■ Choosing a location



The best location gives the greatest total benefit

- **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]

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.