

FACTORS AFFECTING LOCATION OF A BUSINESS

1. Closeness to customers:

For businesses that sell consumer products, it is crucial that the business is within the consumer's reach in terms of cost & time.

Example: a bakery.

2. Competition:

Consumer oriented businesses have to ensure that there is no or limited competition in the area that they want to locate.

Example: grocery store.

3. Cost:

Cost involves 2 decisions -

(i) whether to rent or buy a place.

(ii) how much will either of the options cost.

Example (i): business that wants to run for 2-3 years.

(ii): want to try a business & know the response.

4. Skilled workforce / Labour:

specially crucial in businesses that include manufacturing where the process

is labour intensive. In case of service industry which requires a large amt. of skilled employees, this factor becomes important.

5. Supplies / Raw Materials:

For businesses where major purchases are in the form of a natural resource, it is cost effective for them to close to that natural resource

Example: for a steel maker, iron ore & coal.

6. Climate / Environment / Weather:

For a variety of businesses such as agricultural, there is a heavy dependency on the climatic conditions which determine what can be grown. Over the years, it has become possible to create artificial environment making climate a less important factor for most other business.

7. Clustering:

It's an advantage if similar business that aren't consumer oriented are located near each other. This allows all of them easy access to employees, services, machinaries

or any other source required. ex.

Example: diamond polishing in surat.

8. Infrastructure:

This includes availability of power, tele-communication, roads, ports & airports, water suppliers etc. What element of infrastructure is crucial depends on the business.

Example: An export oriented business would prefer to be near a port.

9. Laws/Legislation:

These are policies or laws applicable in a given country or state. Laws may offer incentives such as a special economic zone or can sometimes be destructive such as preventing the exports of certain products.

10. Management Preference:

It purely depends on the choice of the management where they want to locate the business. It is possible in business such as training institutes, designing business where regular intersection with the customers isn't very important.

TYPES OF PRODUCTION METHOD:

1. Job:

- Each product is unique & separate.
- Demand for these products is relatively low & therefore lesser of these products are made.
- Higher level of skills are required for making these products.
- Cost of production is high.
- Prices are high as well.
- Example: local tailors, construction business.

Demand - ↓	Price - ↑
Skills - ↑	Cost - ↑
Production - ↓	Customization - ↑

2. Mass:

- Demand for these products is high.
- No higher level skills are required.
- Cost of production is low.
- Prices are low as well.
- These products are produced in relatively large numbers.
- All products are the same.

Demand - ↑	Skills - ↓
Cost - ↓	Production - ↑
Price - ↓	Customization - ↓

3. Batch: DATE: 11/11/21

certain Products with similar features are produced in a defined/limited quantity.

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