

Business Intelligence

Location Analysis and Site Selection



Introduction

Choosing a location is one of the first decisions that companies must make when entering a new market. However, it is particularly challenging in emerging Asia as the factors affecting site selection are rapidly changing. Everything from labor costs, logistics connections, customs practices, and the state of infrastructure in East Asia, Southeast Asia and India are evolving. Location and a strategic site selection plan can have a major impact on the success of a business, affecting production, operations and sales. Therefore, companies must take steps to ensure they have the right information before committing their time and money.

Key business challenges

Land availability, lease cost, labor cost, tax incentives, regional connectivity, quality of infrastructure, entry costs and government regulations – there are multiple considerations that companies must grapple with when choosing a location. This can be particularly difficult in markets like China, Vietnam and India, where the regulations are complex and reliable data is scarce.

Assessing zones

Investors should not assume that all industrial zones are created equal. Companies entering emerging Asia for the first or expanding into new markets can benefit immensely by reviewing multiple options to find a zone suited to their needs. Investors should consider the following, among other factors, when deciding to establish in a particular country and industrial zone (IZ).

Location

IZs are readily found throughout emerging Asia at a discount to pricing seen in a company's home market. Management teams considering a zone for its competitive pricing often overlook

the location of the zone and the infrastructure networks linking this zone with national ports. This can easily result in supply chains delays and cost overruns.

Industry clustering

Industry clusters can be a useful indicator that a zone is well suited for investments from a particular industry. Well established clusters often arise due to infrastructure and incentives that pair well with the needs of these companies. A large group of companies in the same industry also helps to attract and skill up workers required by companies within the industry.

Capital requirements

Investors should pay close attention to the size of investment they are looking to make within a country. IZs can impose indirect capital requirements on investors by setting limits on the minimum land parcels available for lease.

Space availability and requirements

Limited capacity in IZs can present challenges for investment in Asia's most popular IZs. Availability of land and existing facilities can prohibit investment, presenting challenges for investors seeking to expand their operations into an investment.

Incentives

All Asia Pacific economies are focused on maintaining an enterprise-friendly tax regime amidst the growing economic uncertainty. In some Asian countries, the law provides incentives and tax breaks for foreign companies. With the intention of attracting foreign capital to sectors of strategic interest, many emerging Asian countries offer tax incentives for the industries of environmental protection, agriculture technology, advanced manufacturing, biotechnology and more.

Many incentives are based on the company's registered capital and tax contribution and are subject to multiple rounds of negotiation with the IZ.



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DEZAN SHIRA & ASSOCIATES

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How we can help

Business Intelligence (BI) provides market entry and expansion reports for clients in China, India and ASEAN. Through research and analysis, clients are able to better understand their options in new markets and make informed decisions on where invest.

Finding the right location

To find the right location, the first phase is to identify the location needs and set search metrics. Then, an initial screening for potential sites based on search metrics will follow. When the first phase is finished, a report with data metrics and analysis of property options will be sent to the client.

Key features of our process include:

Real estate

What is the rental or purchasing cost? What's the most suitable location? What about site and building amenities, as well as utilities?

Connectivity

What are the major infrastructure and transportation options and how easy is it to access customers and suppliers?

Workforce

What's the availability of skilled or non-skilled labor? What are average salaries, and how much does social insurance cost?

Regulations

What certifications are needed? Are there tax and policy incentives?

Site visit support

In phase two, BI will shortlist and provide "best-fit" analysis on top matches in a final report sent to the client. BI will then schedule site visits, and DSA will facilitate negotiations and formal due diligence on site and landowner certifications.

Why Dezan Shira & Associates

Since 1992, Dezan Shira & Associates has helped foreign firms and organizations in China face and overcome market entry and expansion challenges. Dezan Shira & Associates' Business Intelligence team works alongside in-house legal, tax, HR and technology teams, and our multi-disciplinary advisory taskforce is equipped to advise clients in the pre- and post-investment stages, including finding the right location for your business. Dezan Shira & Associates professionals can assist with various avenues of research needs, and the market entry process.

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