

The Strategic Importance of Location

Location options include: 1. Expanding an existing facility instead of moving, 2. Maintaining current sites while adding another facility elsewhere, 3. Closing the existing facility & moving to another location.

Objections: *maximizing the benefit of location to the firm*

Importance: *location & cost, because location is such a significant cost & revenue driver*

Factors Affecting Location Decision

Selecting a facility location is becoming much more complex with *globalization*

Globalization has taken place because of the development: 1. market economics, 2. better international communication, 3. more rapid, reliable travel & shipping, 4. ease of capital flow between countries, 5. high differences in labor costs

other factors: labor productivity, exchange rates & currency risk, costs, political risks-values-culture, proximity to markets, proximity supplies, proximity competitors

Methods of Evaluating Location Alternatives

1. The factor facing method, 2. Locational Cost=volume analysis, 3. Center-of-gravity method, 4. Transportation Model

The factor facing method education>recreation>laborskills

Locational cost=volume analysis technique for making an economic comparison of location alternatives

center-of-gravity method a mathematical technique used for finding the location of a distribution center that will minimize distribution cost

Transportation model to determine the best pattern of shipments from several points of supply (sources) to several points of demand (destinations) so as to minimize total production & transportation

Service Location Strategy

The focus in industrial-sector location analysis is on minimizing cost

the focus in the service sector is on maximizing revenue

eight major determinants of volume & revenue for the service firm:

1. Purchasing power of the customer drawing area
2. Service and Image compatibility with demographics of the customer drawing area
3. competition in the area
4. quality of the competition
5. Uniqueness of the firm's and competitor's locations
6. Physical qualities of facilities & neighboring businesses
7. Operating policies of the firm
8. Quality management

Geographic Information System

GIS, Stores, accesses, displays, and links demographic information to a geographical location.

Some geographic databases:

1. Census data
2. Maps of every street, highway, bridge, tunnel in the u.s
3. Utilities
4. Aquatic areas
5. Airports, college, etc.

