

### Location

The [location of a business](#) is where it is situated e.g. in Central London, Silicon Valley, etc. Where to locate a business is a crucial decision because this will have an important impact on profits. Typically businesses will seek locations that maximise revenues and minimise costs.

High revenue - Low cost = High profit.

In the course of time there are a number of push and pull factors drawing firms towards certain locations and away from others.

Push factors include: Rising competition in an area, rising costs, poor communications systems, [falling demand](#).

Pull factors include: Government incentives, low labour costs, good communication systems, developing markets.

Factors influencing the [location of industry](#) in this country have changed over time.

\* Manufacturing industries often needed to be close to sources of raw materials, transport links and markets.

\* Manufacturing industry became increasingly less significant in this country during the twentieth century to be replaced by service industries as the driving force behind the economy. Services to people and businesses typically need to be located near to centers of population - e.g. cinemas, insurance, banking, retailing, etc.

\* The development of the Internet since the mid-1990's has meant that business generally is less tied to centers of population. Online banking and insurance for example can be conducted online using web based and telephone communications. Call centers that serve these service industries do not have to be located in urban centers anymore - so that many jobs have been relocated where labour costs are lower e.g. Northern Ireland, Scotland, etc. There has also been a growing trend to outsource service work overseas to countries like India.

### Push and pull factors

In choosing a business location therefore firms need to weigh up the following range of push and pull factors:

1. Closeness to market. This is the case with fresh produce - so that for example, many supermarkets operate their own bakeries. A business like Hazlewood Sandwiches needs to have good transport links to sizeable markets. Hence it's new factory in the Midlands at Manton Woods near Worksop (close to both the M1 and A1 roads).
2. Communications links. Transport is an important factor supporting access to markets. One of the reasons Nissan chose to set up in Sunderland because it was close to a deep water port for the export of cars, as well as good road links. Modern companies also need to locate where they have access to excellent information technology links. BT is currently making broadband (high speed links) available to 90% of the country.
3. Closeness to raw materials. Locating close to the raw material supplies can reduce where raw materials are heavy and large quantities are used up in production costs. This is particularly true for industries like steel, which uses large quantities of iron ore in the production process.
4. Availability of appropriately skilled employees. Some industries rely heavily on a [highly skilled workforce](#). Nissan, chose to locate in Sunderland partly because of the availability of highly skilled engineering workers. In contrast, other industries that require cheap labour will seek locations where there are a lot of people looking for work that are prepared to accept low wages.

5. Opportunity for waste disposal. Waste is an important side effect of modern industrial processes. Firms that produce a lot of toxic material (e.g. some chemical plants) will seek to locate where there are facilities available for recycling and safe disposal of their products.
6. Availability of power supplies. Energy supplies can typically be found in most parts of the UK - e.g. electricity pylons and cables. Large firms are able to negotiate bulk discounts when they purchase power from energy retailing companies. Being able to negotiate a good deal in a particular location might be influential as a locational factor.
7. Availability of land is increasingly important today. Land is becoming increasingly scarce particularly in urban locations, forcing rental prices up. Property prices are particularly high in major city areas such as Central London and Birmingham. Companies like Land Securities are developing new sites that are suitable for modern businesses to locate to.
8. Government incentives are important in reducing costs of locating in certain areas.

### **Footloose business**

These incentives are in effect subsidies provided by European Regional Funds (from the [European Union](#)) and by the UK government. For example, when Nissan located in Sunderland there were generous subsidies to encourage the creation of jobs in an area of relatively high unemployment.

A footloose business - is the term used to describe a business that is not tied down by particular locating factors. It can more or less set up anywhere. Industrial inertia - describes a situation where a business sets up in a particular location and then the original factors that led it to locate there become no longer significant - but the firm does not move.