

## Location of production

### **Location of production**

Production activity should be located where a firm can be most productive, and yield the highest revenues per unit of investment. A highly productive plant:

- \* Is one that is near to the market, so that the demand for units of output (and hence price) is high relative to costs of making that input.
- \* Is one that is close to a skilled labour force. The easier it is for the firm to attract labour with appropriate skills the more likely it is to produce high value outputs and low costs per unit of output.
- \* One that locates close to high value raw materials. The further materials have to travel the lower the productivity of the plant will be.

An ideal location for production will include some or all of the following ingredients:

1. Closeness to point of sale. The higher the sales revenue - the higher the productivity will be.
2. Closeness to raw materials.
3. Away from centers of population - for noisy, environmentally unfriendly plant.
4. Near to skilled labour source.
5. Have room for expansion.
6. Have good communication links.

### **Revenue output**

A company like BIC that has developed huge superfactories to serve large geographical areas of the globe needs the ingredients outlined above. It needs to be near to its [skilled highly](#) productive labour force, on a site with room for expansion, while having ease of access for its inputs, coupled with ease and speed of distribution to customers.

Although productivity can be measured in physical terms i.e. units of output per employee, it can also be measured in terms of the revenue output. For example the value of the production of each employee in pounds/euros etc.