

THE IMPORTANCE OF LOCATION FOR A BUSINESS

A.V. Zinchenko

Language advisor: N.A. Nikolaenko, docent, candidate of philological sciences

Scientific advisor: M.E. Abushaeva, senior teacher

Abstract: The article is investigated the importance of location for a business. In practice the right location can contribute to the success of a business. In this article we are going to notice key points of choosing the best place for your business. For instance, some of the things that should be considered include the accessibility from highways and mass transit for employees and customers, as well as significance of company's image and role of relationships with competitors. The set of key points depends on type of business and its needs.

Keywords: Business, factors of location, The Four P's.

It does not matter what type of business you decided to set up, what type of goods to produce or what type of the services to provide people with, one of the first questions you will face with - WHERE to set up a company? You will have to consider where to open your first premises. This is often close to the owner's area of residence because the owner knows the area well and feels most comfortable there. But such decision is not always right.

Have you ever thought about a shop or restaurant near where you live that has closed down? Maybe it happened because it was in the wrong place?

One of the basic concepts taught in almost every introductory marketing course is The Four P's: Price, Product, Promotion and Place. Ironically, while "place" is often the most permanent of the four P's, it is also often the most overlooked.

Many studies have often been discussed and considered in their research the question - why in some conditions, the development of business is fast enough and well, while in other conditions, businesses have difficulties?

Nowadays it is not an assumption but it is a fact that the location of the business has a great impact on the business itself. For this reason, the entrepreneurs should be very careful when choosing the location, and evaluating their abilities and accumulated experience of the predecessors in this field.

But what is a "location" or a "place"? For a home, the location is where you live. For a business, it is where you work. Depending upon the type of business, it can be a place where customers come in to speak to you, where they shop or where they dine – ultimately, it is a place where customers receive product or service.

Finding the right location is more than just choosing a building. There are many factors to consider.

Labor (human efforts provided in the creation of products) is often and increasingly the most important factor. Unemployment has a big impact on the choice of the entrepreneurs. In some cases if there is high unemployment locally, you might find it easier to recruit workers, and maybe you will not have to pay them as much as you would elsewhere. For example, in such countries as India labor costs will accept lower pay for the same amount of work than in more economically developed countries.

But at the same time the productivity can decrease if certain types of labor are in short supply, which increases the costs by requiring either more pay to acquire the labor that is available, the recruiting of labor from other areas, or the use of the less productive labor that is available locally. So the right type of workers must be available locally, or must be willing to travel to work. You probably may have a question – what does a "right worker" mean? The employees must have the necessary set of knowledge; have certain skills and abilities needful to the specifics of your business. Experience of work is also very valuable. High-qualified employees increase labor productivity that provides an opportunity to operate effectively and cut costs. Often a location becomes a centre for related industries, and the local people have particular skills.

Other factors that must be taken into account when choosing a location for a business are land and buildings. The right amount of land and buildings must be available. Demand for land depends on the type of the firm. As for some businesses, you need a lot of space in order to store finished goods. Such businesses as manufacturing firms need a big amount of space and tend to prefer suburban locations where land is relatively less expensive and less difficult to develop.

The right type of land and buildings must be available. Perhaps your business is noisy or creates fumes so it needs to be well away from where people live. Or in case business involves chemicals that might fall under the zoning restrictions. Others, on the contrary, need to be near to their customers or suppliers. Nobody will go to the store for the goods that can be bought in the convenience stores or corner-shop.

No doubt that you might need to transport materials and products in and out of your business. Accordingly transport and communications links are also regarded as key factors influencing the activity of the company. Transport is crucial for all businesses especially businesses that have perishable goods. For example, you are supplier of vegetables. If it takes you 5 days to get to the market place and the vegetables goes bad after 2 days is it smart to be that far away? Because of the costs of transport of raw materials, the closer you are to the suppliers the better. Furthermore, it has been demonstrated that travel time, instead of distance, is the determining factor in choosing communications links. For that reason warehousing and distribution firms need to locate close to intercity highways.

Bear in mind that telephone, postal and Internet services might be better in cities than in the countryside. If the production or functioning of the firm requires a continuous connection to the Internet, the location of the company far away from the city may cause additional problems and, as the result, additional costs.

As the company's image and its location are closely tied, finding the right place to set up premises can be critical to success. So image of the company and potential customers make its contribution in looking for location of the business. Every business needs to be in a location that suits its image. For instance, you would not want a restaurant in a manufacturing area of the town as well as it is not rational to build a huge plant in the center of the city among different shops, cafes and restaurants. Remember, though, high class location tends to have high rents.

Every business needs to be able to reach its customers. For a retail shop, you might want potential customers to be walking past all the time. A high-traffic location is best for businesses that thrive on walk-in sales. A good example of this is MacDonald's. While choosing the location of the business the entrepreneur should think from his customers' point of view. For example, a retail store in an industrial area may be affordable, but may not attract enough customers. On the other hand, if your business involves manufacturing, wholesaling, or selling strictly over the Internet, then selecting a location will not depend on customers visiting your business.

The relationships with competitors also play an important role in operation of the business so in choosing the location. In some cases, you might want to be the only business of your type nearby. Perhaps this would be good for a petrol station or a news agent. Other businesses cluster together such as fashion shops and jewelers or sporting goods store and gym. Products of such stores are not in direct competition with each other. On the contrary, the purchase of one product may lead to the purchase of complementary goods. There is high probability that after buying a new evening dress you will want to get an appropriate necklace or shoes. This is the basis of work of the businesses that cluster together.

To sum it up, every business has different needs and different people dealing daily with. But for all businesses getting the right location can make your business profitable. Location of business plays a vital role in the possibilities for use to its advantage in a particular area. The right choice of place of the business is one of the factors that can lead a company to success. You may not find a place that meets every single criterion I have covered, but the closer you get, the better your business will be.

References:

1. Scott Allen, *Choosing a Location for Your Business* [Электронный ресурс]. – 2012. – Режим доступа: <http://entrepreneurs.about.com/od/gettingstarted/a/chooselocation.htm>
2. Charen Smith, *Importance of Location* [Электронный ресурс]. – 2008. – Режим доступа: <http://ezinearticles.com/?Importance-of-Location&id=1344799>
3. Tyrone Campbell, *The Importance of a Business Location* [Электронный ресурс]. – 2008. – Режим доступа: <http://ezinearticles.com/?The-Importance-of-a-Business-Location&id=1075723>
4. The importance of location for business [Электронный ресурс]. – 2011. – Режим доступа: <http://www.sa.gov.au/subject/Business,+industry+and+trade/Starting+and+managing+a+business/Starting+a+business/Locating+the+business/The+importance+of+location+for+business>
5. *WHAT IS THE Importance of location?* [Электронный ресурс]. – 2012. – Режим доступа: http://wiki.answers.com/Q/WHAT_IS_THE_Importance_of_location
6. *Choose the Best Possible Business Location* [Электронный ресурс]. – 2012. – Режим доступа: <http://www.atouchofbusiness.com/guides/start-up/choosing-the-best-location-for-your-business.html>

7. *Choosing A Business Location* [Электронный ресурс]. – 2012. – Режим доступа: <http://www.atouhofbusiness.com/guides/StartingABusiness/09a-ChoosingBusinessLocation.html>
8. *Choosing the Right Business Location* [Электронный ресурс]. – 2012. – Режим доступа: <http://www.atouhofbusiness.com/acey-gaspard/business/business-location.html>
9. *Factors of production* [Электронный ресурс]. – 2012. – Режим доступа: <http://www.econguru.com/econ/production-factors.shtml>

Zinchenko Anna Vladimirovna – Student at the Institute of Social and humanitarian technologies of TPU.

E-mail: ann26.90@mail.ru