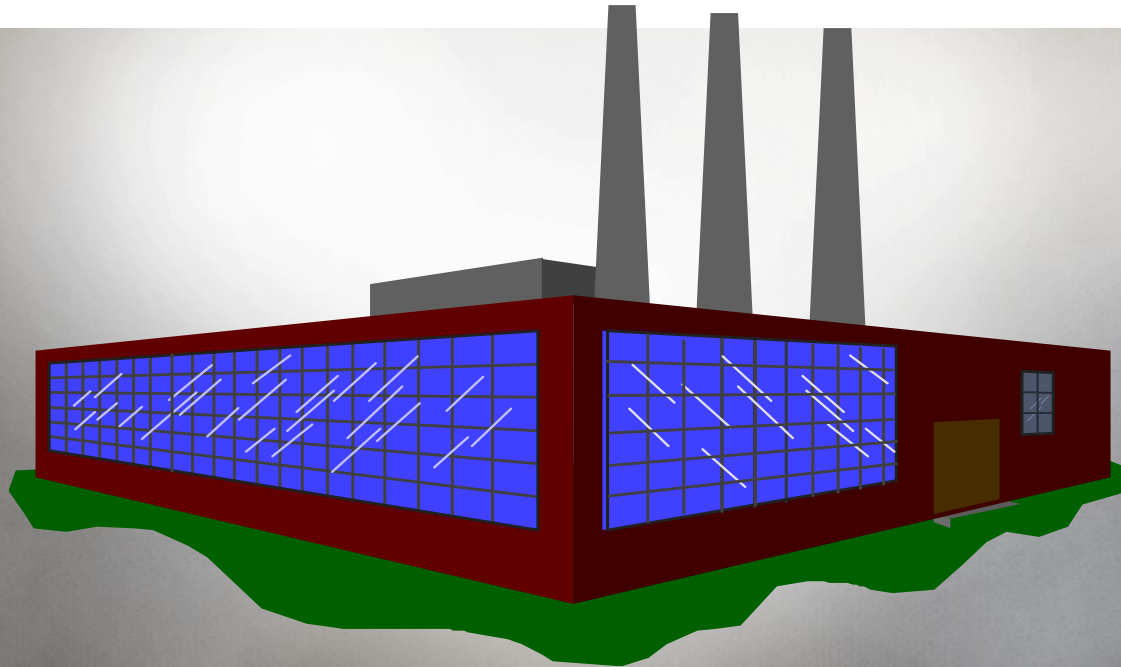


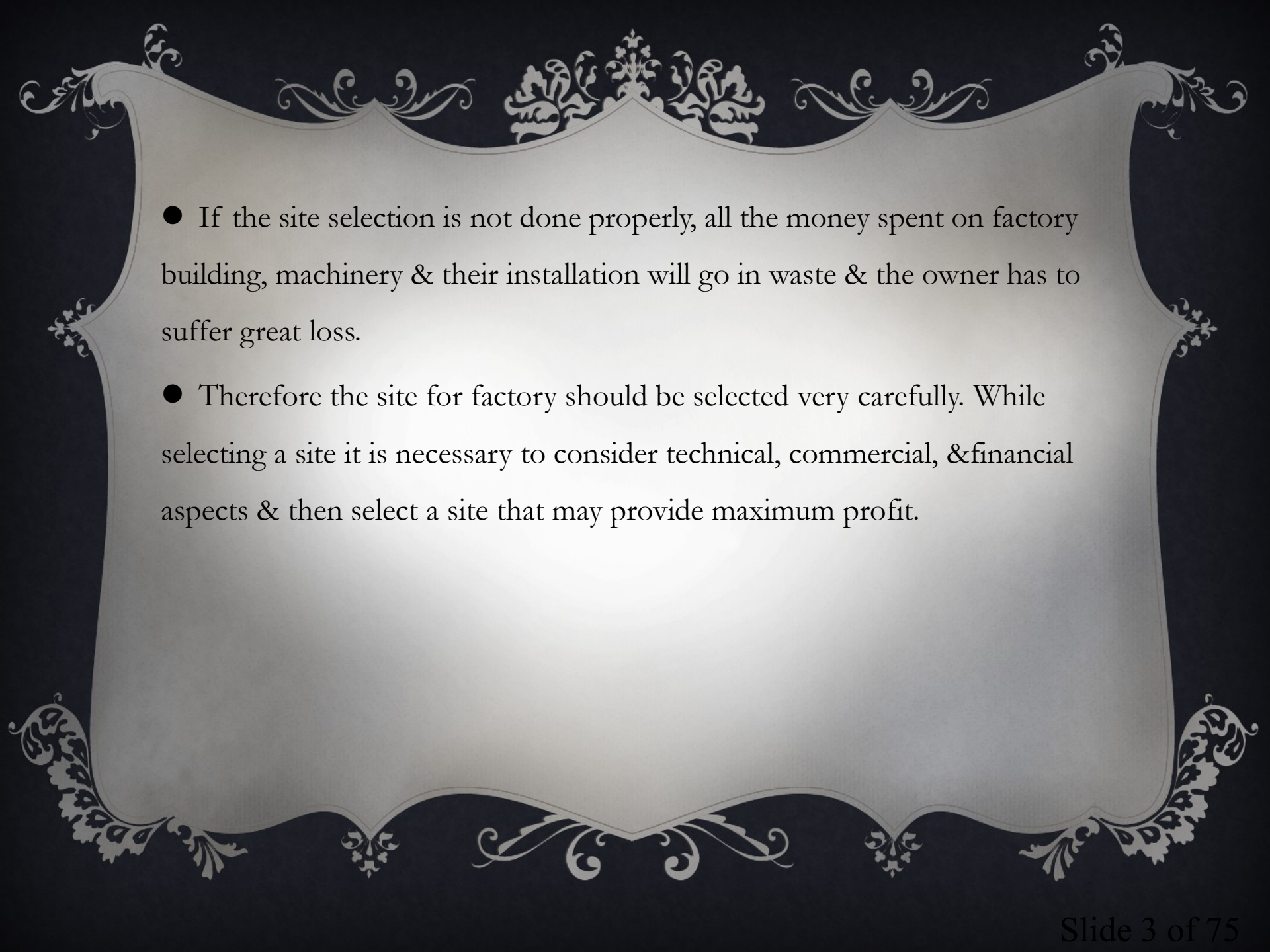
PLANT LOCATION



INTRODUCTION.



- Site selection is an important activity as it decides the fate of the business.
- A good location will reduce the cost of production & distribution to a large extent. The reduction of cost of distribution helps in elevating either the competitive strength or the profit margin of business.
- Locating of business involves large & relatively permanent investment.

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- If the site selection is not done properly, all the money spent on factory building, machinery & their installation will go in waste & the owner has to suffer great loss.
 - Therefore the site for factory should be selected very carefully. While selecting a site it is necessary to consider technical, commercial, & financial aspects & then select a site that may provide maximum profit.

NEED FOR LOCATION

- While starting a new factory
- During expansion of existing plant
- When existing plant is to be re-located at some other place

STEPS(PROCEDURE) IN CHOOSING LOCATION

National Decision

Political, social, economic stability;
Currency exchange rates;

Regional Decision

Climate; Customer concentrations;
Degree of unionization;

Community Decision

Transportation system availability;
Preference of management;

Site Decision

Site size/cost; Environmental impact;
Zoning restrictions;





FACTORS AFFECTING LOCATION



SELECTION OF REGION - FACTORS



- Availability of raw materials
- Nearness to market
- Availability of power
- Transport facilities
- Suitability of climate
- Govt. policy
- Competition between states



SELECTION OF COMMUNITY/LOCALITY (FACTORS)



- Availability of labour
- Civic amenities for workers
- Existence of complementary & competing industries
- Finance & research facilities
- Availability of water & fire-fighting facilities
- Local taxes & restrictions
- Momentum of early start
- Personal factors
- Disposal of waste

A decorative border with intricate scrollwork and floral patterns surrounds the text. The top border is a wide, light-colored band with a central floral motif. The bottom border is a similar wide band with a central floral motif. The sides are decorated with vertical scrollwork.

ANALYZING LOCATION DECISIONS/METHODS OF EVALUATING LOCATION ALTERNATIVES

- Quantitative Approaches- Break-even analysis
- Qualitative Approaches-factor rating & point rating methods

QUANTITATIVE APPROACHES BREAK EVEN ANALYSIS.

- The measures of evaluating & making competing sites are team appraisal system. Multidisciplinary teams comprises of operations manager, town planners, project managers, lawyers, marketing managers, financial experts, etc. they visit sites & carry out their assessment of factors chosen to form the basis of evaluation.
- All the competing sites are evaluated & their overall weighted average is arrived at.

Sr.	Factors	Agreed	Individual Rating			Avg. Ind.	
No.		weight	1	2	3	Rating	W.A
1	Market	30					
2	R.M -1	20					
	R.M -2	5					
3	Tech-Water	8					
	-Road	8					
	-Rail	8					
	-Power	8					
	- MP.	8					
4	Fiscal Inc.	5					

SUMMARY TABLE

Sr. No.	Factors	Agreed Weightg	Weighted Avg.		
			Site 1	Site 2	Site 3
1	Market	30			
2	R.M – 1	20			
	R.M – 2	5			
3	Techg-Water	8			
	-Road	8			
	- Rail	8			
	- Power	8			
	- MP	8			
4	Fiscal Inc.	5			
		100			

QUANTITATIVE APPROACHES

● It is easy to understand that decision in site selection is an economic one. The site that offers least cost of operations should be the one selected for implementation. Total operation cost can be classified in two broad categories.

- Fixed Costs
- Variable Costs.

BREAK EVEN ANALYSIS

- Where Total Cost can be split up into Fixed & Variable Cost ,it is easy to prepare the BEP as it would facilitate for optimal decisions by taking into account volume of business
- BEP are drawn for different locations to compare the sites. Fixed Costs, Variable Costs & Revenue / Output are taken into account to do so. Mathematically,
- BE Volume:
$$\frac{FC}{\text{Contribution.}}$$

SUBJECTIVE APPROACH

- **Precedence:** Assumption is that if a particular location was suitable to similar firms in the past, it would be a preferable site too. The decision is guided by the principal of precedence.
- **Preference:** The decision is based on personal preferences. It is entirely dependent on owners whims & preferences. These are not based on cost or profits.
- **Dominant factor:** Site selection can sometimes be reduced to an exercise based on a single but most dominant factor.



RECENT TRENDS IN THE LOCATION OF INDUSTRY



- Priority for sub-urban areas
- Industrial development in notified backward areas
- Establishment of Industrial estate
- Decentralization of industries
- Increased role of government in the decision of location of industries
- Competition between Government & Industries