

Cambridge IGCSE · Business Studies 0450 · Notes

Location decisions

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Read first: [Production of goods and services](#), [Costs, scale of production and break-even analysis](#)

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What you need to know

By the end of this topic you should be able to:

1. **Manufacturing location.** Explain the factors that matter when a manufacturing business decides where to put (or move) a factory.
2. **Service location.** Explain the factors that matter when a service business, such as a shop, restaurant or hotel, decides where to locate (or move).
3. **Choosing a country.** Explain the factors a business weighs up when deciding which country to put its operations in.
4. **Legal controls.** Explain how laws and planning rules affect where a business can locate and how it can operate there.
5. **Recommend a location.** Use the information about a business to recommend the most suitable location for it, and justify the choice.

The same factors apply to **relocation**: moving operations that already exist to a new site, a new part of the country or a new country.

Understand it

Why location matters

Where a business puts its factory, shop or office decides what it pays for the site and its workers, how easily it gets materials in and products out, and how many customers it can reach. The decision is hard to undo: building a factory or fitting out a shop costs a lot, so a poor choice can raise costs or cut revenue for years.

Every location factor works through one of two routes:

- **Costs:** rent, wages, transport, taxes, utilities. A cheaper site raises profit, as long as revenue does not fall.
- **Revenue:** how many customers can reach the business, and what they can afford to pay.

So exam answers about location end with what the factor does to **costs, revenue or output**. "It is near the suppliers" is a point; "it is near the suppliers, so transport costs are lower and the profit on each item rises" is a point with analysis. The best location is the one where the gap between revenue and costs is biggest **over time**, allowing for risks; it is rarely simply the cheapest or the busiest site.

Factors for a manufacturing business

A manufacturer buys materials, turns them into products and sends the products out. Its customers rarely visit the factory, so what matters most is the cost and ease of producing and moving goods.

Factor	Why it matters to a manufacturer
Raw materials and suppliers	being close cuts transport costs and delays; heavy or bulky materials (rock, timber, metal ore) are expensive to move, so factories using them often locate near the source
Transport links	good roads, rail or a port get materials in and finished goods out quickly and cheaply; a port matters if materials are imported or goods exported
Labour	enough workers, with the right skills, at wages the business can afford; a labour-intensive factory needs many workers, a capital-intensive one needs fewer but more skilled ones
Land and site	a large site, with room to expand, at a rent or price the business can afford; rent is a fixed cost
Power, water and other utilities	production stops without a reliable supply; power cuts mean lost output
Nearness to the market	matters when finished goods are heavy, bulky or fragile, so delivering them far is costly or risky
Government influence	grants or lower taxes may be offered in some areas, often where unemployment is high; legal controls may forbid factories in other areas
Security of the area	a high crime rate raises the risk of theft and the cost of insurance and guards

Mainly manufacturing	Both	Mainly services
Raw materials and suppliers nearby	Rent or cost of the site	Customers nearby (footfall)
Transport links for bulky materials	Workers: number, skills and wages	Competitors nearby
Large site with room to expand	Power, water and internet	Parking and easy access for customers
Near the market if goods are heavy or fragile	Legal controls	
	Grants and taxes	
	Security of the area	

Factors for a service business

A service business (a shop, café, hairdresser, hotel, bank, dental clinic) usually sells to customers face to face, so it must be where its customers are. Raw materials matter little.

Factor	Why it matters to a service business
Customers and footfall	footfall is the number of people who pass a site; more passers-by in the target market mean more potential sales; a business that relies on passing trade needs a busy street, shopping centre or tourist area; tourist footfall can be seasonal, so revenue is high at some times of year and low at others, which can cause cash-flow problems
Who the customers are	the people nearby must be in the target market and able to afford the prices; an area of high unemployment has lower incomes
Competitors nearby	many rivals can mean customers are shared out and prices pushed down; but rivals can also bring footfall (people go to a street known for restaurants or clothes shops)
Rent and taxes	busy city-centre sites cost much more; high rent raises fixed costs, and a small business may not afford it
Access and parking	customers who drive need parking; others need bus or train links
Labour	enough workers with the right skills (chefs, trained staff for good service), at wages it can afford
Suitable premises	enough space to serve or display products, and the right kind of building
Legal controls and government influence	planning rules on where shops or bars may open; limits on opening hours; grants in some areas
Infrastructure and security	power, water, internet; a safe area that customers want to visit
Owner's personal preference	a sole trader may want to work close to home

Some services do not need to be near customers at all: an online business or a call centre deals with customers by internet or phone, so for them rent, labour and internet links matter more than footfall.

Examiners check that your factors suit the business in the question. Raw materials are not a sensible factor for a service business, and footfall and competitors nearby are not sensible factors for a factory.

Choosing a country

A business may build operations abroad, or move them there, for **lower costs** (wages, rent or taxes), **raw materials** found there, a **new market** to sell in, **grants or lower taxes** offered to businesses that create jobs, or to get round **trade barriers**. A **tariff** is a tax on imports and a **quota** is a limit on how many goods may be imported; a business that makes its products inside the country avoids both.

The factors to weigh up when choosing a country:

Factor	What to think about
Labour	wage rates, skills and whether enough workers are available; low unemployment makes recruiting harder and may push wages up
Raw materials and suppliers	can materials be bought locally, or must they be imported? Imports bring transport costs, delays and exchange rate risk
Land and rent	the cost and availability of a suitable site
Trade barriers	tariffs or quotas on goods sent from that country to the business's main markets, or on materials brought in
Grants and taxes	grants lower start-up costs; lower taxes on profit leave more for the business
Legal controls	rules on where and how a business may operate, on pollution, on working hours and pay; some countries require more than others
Market and competition	how many customers there are, what they can afford and how many rivals there are
Infrastructure	roads, ports, power and internet: without reliable power a factory cannot operate efficiently
Language and culture	a different language can lead to mistakes in communication between head office and the new site; customs may differ
Exchange rates	if the currency changes in value, imported materials or profits sent home can become worth more or less

The country with the lowest wages is not automatically the best choice. Low wages can be outweighed by tariffs, transport costs, low skills, unreliable power or a market too poor to buy the product.

Legal controls on location

Legal controls on location are laws and planning rules that decide where a business may build and how it may operate there. Governments use them to protect people who live nearby and the environment, and to steer businesses to some areas and away from others.

How they affect a business:

- **Where it can locate:** planning rules may forbid factories in residential areas or in protected countryside, or allow them only in industrial zones.
- **How it produces:** limits on noise, waste or pollution may mean changing production methods or materials, or fitting equipment such as filters.
- **When it can operate:** rules on opening hours or night working, for example a shop that may not open late, or a factory that may not run a night shift near homes.
- **Higher costs:** meeting the rules (equipment, permits, extra checks) adds to costs.

The government can also **encourage** a location: grants, lower taxes or help with training costs for businesses that locate in areas of high unemployment, because new jobs there lower unemployment.

When a question asks how legal controls affect a business, give the **effect** on the business (where, how or when it can operate, or its costs), not the name of a law. And keep to laws about location: laws about employment or advertising are a different topic.

Relocating

A business already in one place may move because:

- its rent has risen or its lease is ending;
- it needs more space to expand, and the current site has none;
- costs (wages, land, taxes) are lower elsewhere;
- its customers have moved, or the area has declined, so sales have fallen;
- it wants to be closer to suppliers or a new market, or to avoid trade barriers.

Moving has costs of its own: the move itself, lost output while it happens, and staff who will not move and must be replaced. Deciding which shops to close uses the same factors in reverse: close the sites with low demand, high rent or strong competition.

Weighing factors and recommending a location

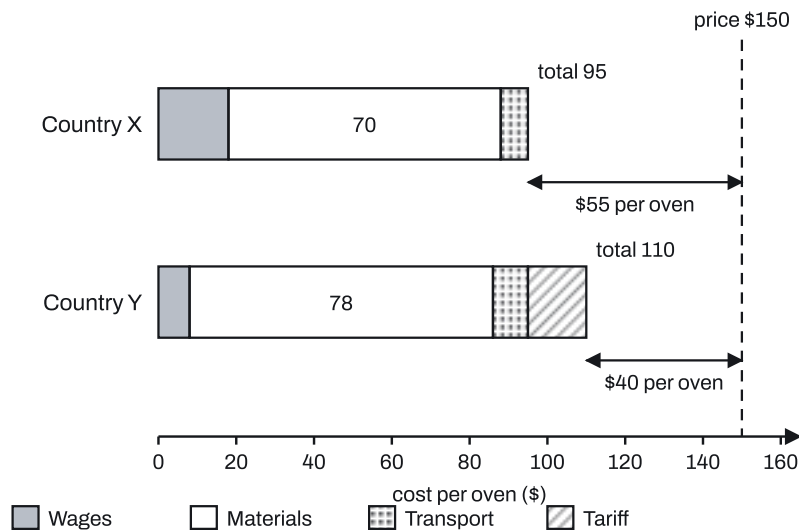
No single factor always wins. Which matters most depends on the business:

- **What it makes or does.** A factory using heavy raw materials needs to be near them; a shop needs footfall; an online business needs neither.
- **How it produces.** A labour-intensive business (many workers, handmade products) depends on the supply of labour; a capital-intensive one (mostly machines) depends less on the number of workers and more on power and space.
- **Skilled or unskilled labour.** Unskilled workers are usually easy to find; skilled ones may not be, though a business can train workers, at a cost.
- **Whether the factor can be changed later.** A business can train workers, raise prices or advertise, but cannot change a country's laws or move a raw material. A factor that cannot be worked round, or that stops production altogether, usually matters most.
- **Short term or long term.** A grant helps once, at the start; rent and wages are paid every month.

When you recommend a location from data:

1. **Compare, don't copy.** Work out what the figures mean: total cost per week, cost per item, profit per item, a percentage. "Site A rent is \$500, Site B rent is \$300" is copying; "Site B's rent is \$200 a week lower, so its fixed costs are lower, which matters for a new business short of cash" is analysis.
2. **Weigh both sides of each option:** its advantages and drawbacks, each with a consequence for costs, revenue or output.

3. **Read the data carefully.** Check what the numbers really say (40% of customers being businesses means 60% are not), and use only what the data gives: if no selling price is given, you cannot work out profit.
4. **Recommend one** with a reason linked to the business's aims and situation, and **say why the others were rejected**.



The chart is from Example 4 below: Country Y's wages are lower, but its higher materials and transport costs and the tariff more than make up for it, so each oven costs \$15 more to make there and earns \$15 less.

Key facts and formulas

This topic has no formula list in the exam. "Learn it" means you must remember it.

Fact or formula	Status
Location factors for a manufacturer: raw materials and suppliers, transport links, labour, land and site, power and water, nearness to the market for heavy or fragile goods, government influence	Learn it
Location factors for a service business: customers and footfall, competitors nearby, rent and taxes, access and parking, labour, suitable premises, legal controls, infrastructure, owner's preference	Learn it
Factors when choosing a country: labour, raw materials, land, trade barriers (tariffs and quotas), grants and taxes, legal controls, market, infrastructure, language and culture, exchange rates	Learn it
Legal controls on location: laws and planning rules that decide where a business may build and how it may operate there; they affect where, how and when it operates, and its costs	Learn it
Footfall: the number of people who pass a site	Learn it
Cost per item = $\frac{\text{total cost}}{\text{output}}$	Learn it
Profit per item = selling price – cost per item	Learn it

Fact or formula	Status
New value after a rise of $r\%$ = old value $\times \left(1 + \frac{r}{100}\right)$	Learn it

How to do it

We have tagged 25 questions on this topic (2021–2026), on Paper 1 and Paper 2. One of them (Paper 2, June 2021) asks for both a factor discussion and a choice of site, so the counts add to 26.

Question type	Questions
Choose between given locations or countries using case data	7
Explain location factors applied to the case business	6
Explain two location factors and judge which is most important	5
Judge whether one named factor is the most important location factor	3
Identify or state location factors, or effects of legal controls on location	3
Weigh three given location factors and pick the most important	2

The mark scheme codes are **k** (knowledge: a correct point), **app** (application: a detail from the case), **an** (analysis: a developed consequence) and **eval** (evaluation: a justified judgement).

Part	Marks	What earns them
Paper 1 "Identify" or "State"	1 each	short, different factors or effects; only the first ones asked for are marked
Paper 1 "Explain" (d)	6	each factor: k + app + an
Paper 1 (e) "Explain two ... Which ...?" or "Do you think ...?"	6	2 k + 2 an + 2 eval; general, so no app
Paper 2 (a) "Explain four factors"	8	each factor (1) + one explanation (1)
Paper 2 (b) "Consider ... Which ...? Justify"	12	levels: applied discussion of every option, then a choice that says why the others were rejected

1. Choose between given locations or countries using case data (7 questions)

Paper 2 (b), 12 marks, levels. An appendix gives facts and figures for two or three sites or two countries.

1. **For each option**, pick out two or three advantages and drawbacks from the appendix and the case.
2. **Develop each one**: what it does to the business's costs, revenue, output or ability to recruit. Use the numbers: work out a total, a difference, a cost per item.
3. **Recommend one**, with a reason tied to this business, and **say why each other option was rejected**. Do not just repeat earlier points.

Level 1 (1–4): options outlined with little explanation. Level 2 (5–8): at least one option discussed in detail, in context, with some judgement. Level 3 (9–12): two or more options in detail and a well-justified recommendation; the top of the band needs **every** option in detail and why the others were rejected.

Variations you will meet:

- **Three sites for a restaurant** (0450/23/M/J/25 Q2, part (b)): a city-centre site visited by tourists (high footfall and prices, but seasonal demand, high rent, strong competition and low unemployment), a shopping-mall site with no restaurants but limited opening hours, and a small-town site with local customers all year, lower rent and easier recruiting but lower incomes.
- **Two sites for a new factory, with figures** (0450/22/F/M/25 Q2, part (b)): a rug maker comparing total costs and output, with power cuts reducing output at both sites. Better answers worked out the cost per rug before and after the power cuts; with no selling price given, profit could not be used.
- **Three sites for a paint factory** (0450/22/F/M/23 Q2, part (b)): near the existing factory and customers; near a port, useful because most raw materials are imported; or on cheap land with grants but unreliable power.
- **Two countries** (0450/22/O/N/24 Q3, part (b); 0450/21/M/J/23 Q2, part (b)): selling price, variable and wage costs per item, competition, unemployment and how much material is imported. High unemployment makes recruiting easier but means lower incomes, so fewer customers can afford the product.
- **Two sites for a replacement shop** (0450/23/M/J/22 Q2, part (b)): a city-centre site near offices and a bus station with higher rent and taxes, or a shopping-centre site with parking that suits a drive-through.
- **Three factors, then a site** (0450/22/M/J/21 Q1, part (b)): customers in the area, rent and types of shops nearby, used to pick a site for a toy shop. Better answers linked the customers to the target market (could they afford the toys?) and argued that high rent can be covered by high sales.

2. Explain location factors applied to the case business (6 questions)

Paper 1 (d), 6 marks: each of two factors earns k + app + an.

1. **Name a factor that suits this type of business** (k). Check first: manufacturer or service? New site, relocation, or closure?
2. **Tie it to the business** (app): what it makes or sells, its size, its workers, its plans. Words already in the question, such as "factory", do not count.
3. **Give the consequence** (an): higher or lower fixed costs, transport costs, wages, revenue, or production being delayed.

Example of one factor for a bakery making bread for supermarkets: "Availability of power and water (k), as its ovens must run every night to bake fresh bread (app); a power cut would stop production and supermarket orders would be missed (an)."

Variations you will meet:

- **A new shop** for a sole trader who sells T-shirts online (0450/12/F/M/24 Q4, part (d)): customers and demand, competition, rent, labour, space, parking, distance to suppliers.

- **A new factory** for a multinational mobile phone maker (0450/13/O/N/23 Q4, part (d)): rent, space, 1200 jobs to fill, distance to suppliers given import quotas, utilities, grants and legal controls.
- **Two given factors when relocating within a country** (0450/12/M/J/24 Q4, part (d)): for a maker of cups and plates, explain why suppliers and the suitability of land matter. For land: space to expand, a continuous power supply for flow production, rent, transport links.
- **Deciding which shops to close** (0450/11/O/N/23 Q4, part (d)): for a food retailer closing 80 shops: demand and sales at each shop, rent, competition nearby, an area in decline.
- **A new factory in the same country** for a small maker of handmade tables (0450/12/F/M/21 Q4, part (d)): cost of land, trained labour to keep quality up, government influence, suppliers. Proximity to customers or competitors was not credited here, as these suit a service business.
- **Paper 2 (a), four factors for a tertiary sector business** (0450/23/M/J/21 Q1, part (a)): each factor (1) and one explanation (1). There were no application marks, and answers kept general scored more easily. Raw materials did not fit a tertiary business.

3. Explain two location factors and judge which is most important (5 questions)

Paper 1 (e), 6 marks, general (no business named, so no application).

1. **Two factors** (k) that suit the type of business in the question.
2. **Develop each** (an): rent → fixed costs; labour → wages or recruitment; suppliers → transport costs; utilities → production delayed.
3. **Decide** (eval, 2 marks): which factor is more important and **why**, comparing the two. A bare decision ("labour is more important") with no reason earns little.

Good reasons for a judgement: one factor can stop production altogether while the other only raises costs; one can be worked round (train workers, hire translators) and the other cannot (laws, raw materials); one is paid every month and the other only once.

Variations you will meet:

- **A manufacturing business choosing a site for a new factory** (0450/12/F/M/26 Q3, part (e); 0450/11/O/N/25 Q1, part (e)): labour, raw materials, land and rent, transport, market, utilities, grants, legal controls.
- **A service business choosing a location** (0450/13/O/N/22 Q4, part (e)): premises and rent, customers, competitors, employees, government influence.
- **Relocating to another country** (0450/11/O/N/24 Q1, part (e), a manufacturer; 0450/13/M/J/24 Q3, part (e), a factory): add trade barriers, grants and taxes, legal controls, language and communication.

4. Judge whether one named factor is the most important location factor (3 questions)

Paper 1 (e), 6 marks, general. The 2/2/2 split is the same, but evaluation is only awarded if you discuss the **named** factor.

1. **The named factor**: one or two points about it, developed.

2. **Another factor**: one point, developed.
3. **Decide** whether the named factor is the most important, and why, usually by saying **when** it would be and when it would not.

Variations you will meet:

- **Access to employees, for a new business** (0450/12/O/N/25 Q3, part (e)): number of workers available, distance from workers, skills, local wage rates. Write from the business's point of view, not the employee's.
- **Access to labour, for a new factory** (0450/11/M/J/22 Q3, part (e)): the strongest answers argued that a labour-intensive factory cannot produce without enough workers, while for a capital-intensive one other factors matter more.
- **Legal controls, when choosing a country** (0450/12/O/N/22 Q4, part (e)): laws may stop a business locating somewhere at all, force changes to production methods, or limit imports and exports. Many candidates could not say how legal controls affect a business.

5. Identify or state location factors, or effects of legal controls on location (3 questions)

Paper 1, 1 mark each. Short, different points; only the first answers asked for are marked.

- **Factors for a service business** (0450/12/F/M/22 Q2, part (c), four factors for a new bookshop; 0450/11/M/J/21 Q3, part (b), two factors for a printing business): customers and demand, rent, competitors, labour, parking and access, legal controls, infrastructure, owner's preference. Raw materials were not accepted for a service business, and single words such as "transport", "access" or "cost" needed more detail.
- **Ways legal controls over location affect a business** (0450/13/M/J/25 Q3, part (b)): where it can or cannot locate; how it produces; when it can operate; higher costs. Naming a law, or giving laws about employees or marketing, did not answer the question.

6. Weigh three given location factors and pick the most important (2 questions)

Paper 2 (b), 12 marks, the same levels as type 1.

1. **Discuss each of the three factors** in context: how it would help or hurt this business, with a chain of reasoning.
2. **Conclude**: the most important factor for this business, and **why the other two matter less**.

Variations you will meet:

- **Raw materials, transport links and government influence for a new factory** (0450/21/M/J/25 Q2, part (b)): for a shoe maker using locally grown natural rubber. Knowledge of government influence was weak: grants, subsidies, schemes to create jobs and rules on emissions or land use could all have been discussed.
- **Customers in the area, rent and types of shops nearby** (0450/22/M/J/21 Q1, part (b)), ending with a choice of site (see type 1).

Worked examples

Example 1

- (a) State two location factors that matter more to a manufacturing business than to a service business. [2]
- (b) Identify two ways a government could encourage businesses to locate in an area with high unemployment. [2]

(a) Being close to raw materials and suppliers (1). Having a large site with room for machinery and to expand (1).

(b) Give grants towards the cost of building or equipping a site there (1). Charge lower taxes to businesses that locate there (1).

This is a general question, so no business is named. Each part earns 1 mark per point ($2 + 2 = 4$). Total 4 marks.

Example 2

HappyPaws is a vet clinic with 3 vets and 9 other staff, in a town centre. Most clients bring their pets by car, but parking in the town centre is difficult. HappyPaws pays \$36 000 a year in rent, and its landlord plans a 25% rise. A unit at a retail park on the edge of town, with free parking, would cost \$30 000 a year. Buses to the retail park run only once an hour.

(a) Calculate how much rent HappyPaws would save each year by moving to the retail park, after the rent rise. Show your working. [2]

(b) Explain one advantage and one disadvantage to HappyPaws of moving to the retail park. [6]

(a) New town-centre rent = $36\,000 \times 1.25 = 45\,000$ dollars (1). Saving = $45\,000 - 30\,000 = 15\,000$ dollars a year (1).

(b) Advantage: lower rent (k). The retail park would save HappyPaws \$15 000 a year compared with the higher town-centre rent (app), which lowers its fixed costs, so more of its revenue from treating pets becomes profit (an).

Disadvantage: harder to reach for some clients (k). Clients without a car would have to rely on a bus only once an hour to bring a sick pet to the vets (app), so some may switch to a clinic nearer the centre, and HappyPaws would lose revenue (an).

Part (a) earns 1 mark for each step (2 marks); part (b) earns k + app + an for each point ($3 + 3 = 6$). Total 8 marks. The two applications use different details from the case (the rent saving, the hourly bus).

Example 3

Do you think being close to customers is more important for a service business than for a manufacturing business? Justify your answer. [6]

A service business such as a hairdresser or café serves customers face to face, so it depends on footfall: the more people in its target market who pass by, the more sales it can make (k). If it is in a quiet street, few people will see it or find it, and revenue may not cover the rent (an).

A manufacturing business needs to be close to its raw materials and suppliers (k). Its customers rarely visit the factory, but the cost of bringing in heavy materials is paid on every item made, so a site near them lowers the cost of each unit (an).

I think being close to customers is more important for a service business, because for many services it decides whether there are any sales at all, while a manufacturer can deliver its products to customers who are far away (eval). The exception is a manufacturer of heavy or fragile goods, which is costly to deliver far, and a service sold online or by phone, which can be anywhere; but for most shops, cafés and salons, a site away from customers would fail whatever else it offered (eval).

This is a general question, so no business is named and there are no marks for application: 2 k + 2 an + 2 eval = 6. The two points are about different factors, so they are not mirror points.

Example 4

Cookwell makes microwave ovens and sells them for \$150 each, mainly in its home market. It plans to build a new factory to make 50 000 ovens a year, in Country X or Country Y.

	Country X	Country Y
Wage cost per oven	\$18	\$8
Materials cost per oven	\$70 (most parts made locally)	\$78 (60% of parts imported)
Transport cost per oven to the home market	\$7	\$9
Tariff on ovens entering the home market	none	10% of the selling price
Factory rent per year	\$300 000	\$150 000
Unemployment	3%	11%
Government grant	none	\$900 000 once, when the factory opens
Language	the same as head office	different from head office

Cookwell's directors say Country Y is the better choice because its wages are much lower. Do you agree? Use the data to justify your answer. [12]

Country Y: the case for it. Wages are \$10 lower per oven (\$8 against \$18), saving $10 \times 50\,000 = 500\,000$ dollars a year in labour costs. Unemployment is 11%, so Cookwell should find workers easily and may not need to raise wages to attract them. The rent is half that in X, and the \$900 000 grant lowers the cost of opening the factory.

Country Y: the drawbacks. The tariff adds $150 \times 10\% = 15$ dollars to each oven, and materials and transport cost \$10 more. So each oven costs $8 + 78 + 9 + 15 = 110$ dollars, leaving $150 - 110 = 40$ dollars per oven. Over a year that is $40 \times 50\,000 = 2\,000\,000$ dollars, or $2\,000\,000 - 150\,000 = 1\,850\,000$ dollars after rent. Because 60% of the parts are imported, a fall in Country Y's currency could make them dearer, and deliveries could be delayed. A different language could lead to mistakes in instructions between head office and the factory.

Country X: the case for it. Each oven costs $18 + 70 + 7 = 95$ dollars, leaving $150 - 95 = 55$ dollars per oven, so $55 \times 50\,000 = 2\,750\,000$ dollars a year, or $2\,750\,000 - 300\,000 = 2\,450\,000$ dollars after rent. That is $2\,450\,000 - 1\,850\,000 = 600\,000$ dollars a year more than Country Y. Most parts are made locally, so supplies are quicker and safer from exchange rate changes, and there is no tariff to pay.

Country X: the drawbacks. Unemployment is only 3%, so Cookwell may struggle to recruit enough workers and may have to pay more than \$18 per oven to attract them, which would narrow the gap. There is no grant, and the rent is twice as high.

Judgement. I disagree with the directors. Country Y's grant makes its first year better ($1\,850\,000 + 900\,000 = 2\,750\,000$ dollars against \$2 450 000), but the grant is paid only once, while the tariff and higher materials costs are paid on every oven, every year. Over three years Country X gives $2\,450\,000 \times 3 = 7\,350\,000$ dollars against $1\,850\,000 \times 3 + 900\,000 = 6\,450\,000$ dollars, which is \$900 000 more. Lower wages do not make Country Y cheaper overall, because the tariff alone (\$15 per oven) is bigger than the wage saving (\$10 per oven). Cookwell should choose Country X, but plan for recruitment, for example by offering training or slightly higher pay; even \$5 more per oven in wages would still leave X \$350 000 a year ahead ($600\,000 - 5 \times 50\,000 = 350\,000$). Country Y would only be better if the tariff were removed, for example by a trade agreement.

Both countries are discussed in detail, in context and with calculations, and the judgement says why the other option was rejected: **Level 3** (9–12 marks). Agreeing with the directors could also score well, for example by arguing that recruiting in Country X may prove impossible.

Common mistakes

- **Ignoring the type of business.** Reports in 2021, 2022 and 2026 all say this. Raw materials or nearness to suppliers were not credited for a service business; proximity to customers or competitors was not credited for a furniture manufacturer, and competition was called a service factor in questions about manufacturers. Underline "manufacturing" or "service" in the question. (Nearness to the market does appear in recent mark schemes for factories: link it to delivery costs or sales, not to footfall.)
- **Single words.** "Transport", "access" or "cost" on its own needs more: transport links for deliveries, access for customers, cost of rent.

- **Repeating a point in other words.** "Transport" and "infrastructure", or two different examples of costs with the same analysis, are credited once. Choose factors that are clearly different.
- **Listing more than asked.** Only the first answers are marked; extra ones waste time.
- **Listing factors without developing them.** In a 6-mark (e) question, a list of four factors scores at most 2. Without analysis there can be no evaluation.
- **A decision with no reason.** "Labour is more important" earns little; say why, comparing it with the other factor.
- **Application in a general question.** When no business is named there are no marks for application, and examples tied to the case make the analysis harder to earn. Keep it general.
- **Copying words from the question as application.** "Factory" is already in a question about a new factory, so it adds nothing; use what it makes, its size or its plans.
- **Naming a law instead of its effect.** For legal controls over location, say what they do to the business (where, how or when it can operate, its costs); laws about employment or marketing are the wrong topic.
- **Copying the appendix.** "Site A rent is high, Site B rent is low" is not analysis. Work out the difference and say what it does to costs and profit.
- **Simple lists of advantages and disadvantages in Paper 2 (b).** These stay in Level 1. A few points explained well score more than a comment on every item in the appendix.
- **Words without comparison.** "Cheap" or "expensive" on their own do not compare the options; use the figures.
- **Misreading the data.** Check percentages (40% business customers means 60% are other customers) and what the case says the business already does. Only use what is given: with no selling price, you cannot work out profit.
- **Forgetting both sides of unemployment.** High unemployment makes recruiting easier and wages lower, but means lower incomes, so fewer customers can afford the product.
- **A conclusion that repeats earlier points, or no choice at all.** The recommendation must choose, give a reason linked to the business and say why the others were rejected.
- **Weak knowledge of government influence.** Know grants, subsidies, job creation schemes and rules on pollution and land use.

How to get the marks

- **Identify / State** (1 mark each): a short, specific factor that suits the business type ("cost of rent", not "cost"). Different points; only the first ones count.
- **Explain, Paper 1 (d)** (6 marks): factor (k), a case detail that is not just a word from the question (app), and the consequence for costs, revenue or output (an). Use a different case detail for each factor.
- **Paper 1 (e)** (6 marks): general, so no case details. Two developed factors (or the named factor and one other), then a decision that compares them and says **why**, or **when** each matters more.
- **Paper 2 (a), four factors** (8 marks): a factor and one clear sentence of explanation for each, four different factors.

- **Paper 2 (b)** (12 marks): discuss **every** option, advantages and drawbacks, using the data and the case; work out totals, differences and cost per item; then a recommendation that gives a reason from the case and says why the others were rejected. Either option can score full marks if it is well justified.
- **"Justify your answer"** means a reason for the choice that compares, such as "a grant is paid once, but a tariff is paid on every item".
- **"Consider the following ... Which is most important?"** wants a conclusion about all of them: the most important, and why each of the others matters less for this business.
- Use the exact terms: **footfall, fixed costs, transport costs, labour-intensive, capital-intensive, tariff, quota, grant, legal controls**.

Quick check

1. Is each factor mainly for a manufacturer, mainly for a service business, or both? (a) Footfall. (b) Access to raw materials. (c) Rent. (d) Number of competitors nearby. (e) Legal controls.
2. A coffee shop is choosing between two sites. Site P: rent \$2400 a month, an expected 3000 customers a month. Site Q: rent \$1500 a month, an expected 2200 customers a month. Customers spend \$6 each on average at both. (a) For each site, calculate the monthly revenue minus rent. (b) Give one reason why the owner should not decide on this figure alone.
3. Give two reasons why a manufacturer might move production to another country, and two problems it might face there.
4. Asked how legal controls over location affect a business, a student writes "health and safety laws". Explain why this earns no mark and write a better answer.
5. Explain why access to labour may matter less to a capital-intensive factory than to a business making handmade products.

Answers

1. (a) Service: passers-by become customers. (b) Manufacturer: services use few raw materials. (c) Both: every business needs a site. (d) Service: rivals share out customers who visit, which does not apply to a factory. (e) Both: planning rules apply to factories and shops.
2. (a) Site P: $3000 \times 6 = 18\,000$, so $18\,000 - 2400 = 15\,600$ dollars a month. Site Q: $2200 \times 6 = 13\,200$, so $13\,200 - 1500 = 11\,700$ dollars a month. P is $15\,600 - 11\,700 = 3900$ dollars a month higher. (b) Any one: the customer numbers are only forecasts; other costs, such as wages for the extra staff that more customers need, are left out; competition, parking or opening hours may differ.
3. Reasons (any two): lower wages, rent or taxes; raw materials there; a new market to sell in; avoiding tariffs or quotas; government grants. Problems (any two): different language leading to mistakes; different laws to follow; shortage of skilled workers; exchange rate changes; transport costs and delays to the home market.
4. It names a law, and one about workers, rather than saying what location controls do to the business. Better: "They can stop a business building in some areas, such as near homes" or "they can limit the hours it may operate".
5. A capital-intensive factory uses mainly machines, so it needs relatively few workers, and machines can do work that would otherwise need many people. A business making handmade products needs many skilled workers; without them it cannot produce at all, or quality falls.

Past questions to try

- **0450/21/M/J/25 Q2**: part (b), weighing raw materials, transport links and government influence for a shoe factory.
- **0450/22/F/M/25 Q2**: part (b), choosing between two factory sites for a rug maker, using costs and power cuts.
- **0450/11/O/N/24 Q1**: part (e), two factors for a manufacturer relocating to another country, and which matters most.
- **0450/12/M/J/24 Q4**: part (d), why suppliers and suitability of land matter when a maker of cups and plates relocates.