

Chapter 34: Worksheet mark scheme (12 marks, HL 12 + 12)

- 1 List **ten** factors that managers may take into account when deciding where to locate their business. (10)
- raw materials sources
 - market location
 - laws
 - planning restrictions
 - transport
 - economies of concentration (external economies of scale)
 - cost
 - industrial inertia (too much bother to move)
 - personal reasons
 - climate
 - government incentives
 - ethical/environmental considerations
 - room for further expansion
 - labour supply with appropriate skills
 - safety (if factory dangerous)
 - any other relevant factor(s)
- 2 Define the expression 'optimal location'. (2)
- This is a location that gives the best combination of qualitative and quantitative factors.
- 3 (HL) What is offshoring? (2)
- This is the relocation of a business process done in one country to the same or another company in another country.
- 4 (HL) What is outsourcing, and how is it linked to offshoring? (2)
- This is the transfer of a business function to another company. If the other company is based in another country, then this is also offshoring.
- 5 (HL) List **four** major reasons for offshoring or outsourcing. (4)
- avoidance of trade barriers
 - circumventing restrictive laws
 - cost reductions
 - to access global markets
 - defensive actions in response to competitor location decisions
 - government incentives, e.g. tax

6 **(HL)** List **four** potential limitations on decisions about international locations for businesses.

(4)

- language
- distance
- technical communication issues
- cultural differences
- maintenance of standard of customer service
- supply-chain concerns
- ethical considerations
- bad publicity