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1 Fixed costs (don't vary with level of production activity)

- The cost of the site is important. Is it in the city or the country? What is the rent? How much will the interest be on a loan to buy the site? What is the cost of services, e.g., water, electricity?
- Management salaries: salaries may depend on the place. For example, a high salary is needed to attract managers to an unpopular place.
- However, costs may be reduced if there are government grants for establishing a business, for example, in a poor area.

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2 Variable costs (vary with level of production activity)

- Transporting products to markets: businesses should locate near the market if the product is 'heavier' or 'bulkier' than the raw materials needed to make it (e.g., bread, soft drinks). Services (e.g., shops) must locate at the marketplace.
- Getting raw materials: businesses should locate near the source of the raw material if it is 'heavier' than the product (e.g., food production is located near farming areas).
- Labour: costs will vary according to place and production levels.

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3 Revenue

- Convenience for customers: higher prices can be charged if a place is convenient.
- Quantity of sales: some places may result in increased sales. Therefore, high fixed costs may be justified.
- The 'image' of the location: if a place has an 'upmarket' image, high prices can be justified (e.g., holidays in parts of the Caribbean).
- Local economy: if a shop is located in an area which is in decline, there will be poor sales.

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4 Qualitative factors

- Is there room for expansion? Businesses need to consider possible market growth.
- Environmental effects: is the production process safe for the environment?
- Quality of life: is it a good area? Will managers be happy to move there?
- Local transport systems: are there road and rail links, ports, airport, etc.?