TOP 10 REASONS WHY BUSINESSES RELOCATE

By: Expansion Management

 # 1 — To acquire more room. The No. 1 reason a company will move to another facility is because their current facility no longer has enough space for them to do the things they need to do. One of two factors comes into play: either the surrounding property does not have enough open space to accommodate a physical expansion of the building, or management has determined that such a facility expansion on the existing site would not be cost effective.

Any future site location decision should always factor in enough additional land to ensure that there is room in the future to expand that facility, should circumstances dictate. It's a lot less expensive, and less time-consuming, to acquire a little extra land when you first build or buy a facility — enough to accommodate at least one or two future expansions — than it is to have to start over in an entirely new location.

 # 2 — To lower operating costs. While the need for more space may be the No. 1 reason, right behind it is the fact that high operating costs have made a company or plant uncompetitive. Sometimes it's the cost of labor: average salaries, benefits, workers comp and unemployment insurance costs, etc. Or it could be the onerous environmental regulations, or high taxes.

The reasons for these high costs are important for you to know because you sure don't want to repeat any of them in your new location.

Communities trying to attract manufacturing operations like yours will tout their strengths — lower taxes (be it sales, corporate income, inventory, or whatever the company is most vulnerable to), lower workers comp rates, more room under the EPA's air quality cap — and market those advantages to the fullest.

Just about every one of the factors causing a company's high operating costs will vary from location to location — some lower, some higher — so you'll have to be prepared to strike a balance.

 # 3 — To modernize equipment and facilities. Sometimes a company's existing facility, its equipment, or both, have become so antiquated that the company is put at an impossible disadvantage compared to its competitors.

Moving to a new location obviously gives a company new — and hopefully better — facilities, but it is important to remember that most companies use this opportunity to install newer equipment, as well as develop and implement new procedures.

Remember, if you can't dramatically improve your manufacturing facility's productivity and costs in your new facility, you probably did something wrong in your site location due diligence.

 # 4 — To move closer to a large segment of their market, or to establish a presence in a new market. Long distances to market mean two things: time and money. If a significant portion of a company's market is in a particular region, that company may be able to save a lot of money in transportation costs — and also reduce their product delivery times — by establishing an operation in that region.

This is where the trade-offs really begin to kick in. Quite often, the lowest cost locations are nowhere near the market you are trying to serve. If you need to serve the West Coast or Northeast markets, your costs will be higher than they would be for the Southeast or Southwest. It is what it is.

If a company is striving to attract a new market, rather than simply moving closer to one of the company's existing markets, cost pressures on the new facility will be a lot tighter.

 # 5 — To consolidate into fewer facilities. Sometimes a company just has more manufacturing facilities than it needs.

This is the flip side of expansion, and is not limited to businesses in financial difficulty. In fact, it is almost always a byproduct of M&A activity, as new owners create savings by consolidating functions and facilities.

 # 6 — To be closer to certain suppliers or natural resources. The same market forces that apply to a company's customer base also apply to its suppliers. Long distances mean higher transportation costs and longer response times.

With major manufacturers moving to just-in-time supply systems in order to save money, proximity to suppliers has become an increasingly critical factor. If a company is big enough, it can simply require that the supplier(s) come to them, rather than vice versa. Raw materials are another thing altogether. Transportation and response times are the main drivers in this instance.

 # 7 — To access a better or larger labor pool. These days labor is top concern expanding or relocating companies have when they look at locations. Sometimes, a company or facility grows to the point where the local community can no longer supply a work force in sufficient numbers and quality.

Before a company starts looking at new locations, it's important for the site location team to understand the work force issues in their current location. Is it a matter of quantity ... there just aren't enough workers to fill all the jobs? Or is it quality ... the local labor force is not skilled enough?

Whatever the reason, make darn sure that the future location offers a quantum improvement over their current situation. After all, you don't want to find yourself in the same situation five years from now when your company has outgrown even its new location.

 # 8 — To eliminate specific labor-related situations. Sometimes a company or facility is having a bad experience with unions — recent strikes, costly benefit packages, or whatever — and the only solution is to move as far away as they can.

If this is the reason a company is moving, they should make sure their due diligence goes beyond whether or not a state is "right to work." Two specific areas to focus on are the history of work stoppages in the new area, and the trend in National Labor Relations Board representation elections (how many, and what percent are won by the union). This will enable you to better predict your future plant's union status, say, five years from now.

 # 9 — To be closer to similar-type companies (clustering). Many companies like to cluster around other companies within the same industry. Silicon Valley and Detroit are classic examples, but there are plenty of other examples all over the country.

The reasons they do this are many: the work force is there, the suppliers are there, the infrastructure is there and, most of all, companies are able to benefit from an "intellectual cross pollination" with their competitors and peers. Clustering also provides enhanced job prospects for working spouses, without creating nepotism problems.

 # 10 — To improve quality of life. Some companies just want to improve their quality of life. This may be the personal choice of the owner for certain privately-held companies, or it may be to so that the company can better attract certain types of employees (engineers, scientists, graphic artists or whatever) by being in "high quality of life" location.

All of us feel that the place we live has the best quality of life in the world. The important thing is how other people perceive the quality of life in a particular location. If a company recruits nationally, or internationally, for high-talent employees, then being in a location generally perceived to be "cool" is a definite asset.