

ANALYSIS OF THE SURVEY

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The results of the 1995 survey are not surprising based on the business goals and objectives seen during the past 12 months. There are currently three primary trends in site location studies: reduce operating costs, reduce investment costs, and penetrate/expand global markets. Economic conditions within the United States are very positive; profitability of most companies is solid; and the opportunity to expand market share on a global basis is now!

The ranking of labor costs as the number-one priority represents two objectives: (1) reduce labor costs as a part of reducing overall recurring costs (to become the low-cost producer of goods and services), and (2) eliminate existing high labor costs and benefits by relocating operations to lower cost areas. The latter is supported by the fact that more than 26 percent of the respondents plan to relocate existing operations within the next two years, and approximately 80 percent are interested in a low union profile and a right-to-work state.

The ranking of highway accessibility as the number-two item reinforces a continuing trend of seeking effective transportation links with both suppliers and customers. "Just-in-time" delivery requirements, reduced inventories, and reduced costs of materials on hand are driving this requirement.

The ranking of occupancy or construction costs in the top three is consistent with trends over the past two years. Companies investing in capital construction want to minimize the amount of up-front costs as much as possible. "No frills" design for offices and manufacturing plants is becoming

the standard rather than the exception. Lease versus purchase is also evolving as a preferred method of occupying new facilities since it minimizes capital expenditures and reduces cash flow.

One item that was not included in the survey, and which is becoming a driving factor in site location decisions, relates to the speed with which companies want to make a location decision. Site location studies are becoming more compressed (in time). Reduced "time to market" is critical for the success of many companies. "Speed" in the site location decision is being driven by companies who are winning new customers, expanding market share, and delivering new products, but not making any capital commitments until new contracts are in hand.

The global marketplace is influencing several of the other trends in site selection decisions. One-third of respondents have existing foreign manufacturing operations, almost one-half not currently exporting plan to begin exporting, and nearly half have foreign sales, distribution, or warehousing. Today, almost every company is looking toward global markets as a part of their business plan and objectives. Many are evaluating new facilities in Asia, South America, Central America, and/or Europe. "Hot" countries, including India, China, Brazil, Argentina, Malaysia, and Mexico, are becoming everyday conversation, not only for U.S. companies, but also for foreign companies looking for new investments and expanded markets.

Site location factors within the United States have changed for 1995, but only slightly compared to the trends evolving on a global basis. Site location decisions of the future will be dominated by conditions within the global marketplace more than any other single factor.

The improving productivity of American labor is good news for the nation's ability to compete in the world marketplace. However, the nation continues its massive trade deficits. A surge in exports cut the U.S. trade deficit sharply in August to \$8.8 billion — a \$2.4 billion reduction over the previous month. Despite this lower August trade gap, economists point out that the trade deficit so far this year is 17 percent higher than in 1994 and is expected to exceed last year's total of \$106.2 billion. Then, too, there is the problem of America's national debt, which is approaching \$5 trillion.

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In last year's survey, our readers placed a higher value over the previous year on 21 of our 23 site selection factors. This year, our readers placed a higher value on only eight of the site selection factors. As in previous years, the two leading site selection factors are **labor costs** and **highway accessibility**. Last year, **highway accessibility** was the leading factor with a combined rating of 96.8 — the highest rating any site selection factor has achieved over the 10 years of this survey. This year, **labor costs** regained the lead, increasing to 94.2 as compared to 93.5 last year. **Highway accessibility**, with a 93.6 rating this year, moved to the number-two spot.

Low union profile and **right-to-work state** were among the few site selection factors rated higher this year by our readers. **Low union profile** was rated 82.8 this year, compared to 80.1 last year. **Right-to-work state** was rated 77.8 this year,