

If there is a single finding or trend to be derived from the 1996 *Area Development* magazine annual survey of site selection factors, perhaps the derivative should be, "There is no single finding or trend!" And this type of interpretation of the data is not significantly different from the broad range of activities and projects we have experienced over the past year.

The numbers and types of projects within the United States and across the global marketplace are more diverse and unique today than they have ever been. Many companies are moving across several business fronts concurrently in order to capture or expand new markets and new customers. These companies are diversifying their markets, expanding their global locations, leveraging capital investment, and positioning themselves for the twenty-first century.

The amount and type of activity within the site location arena could be compared to a three-ring circus. A lot is going on at the same time, but no two acts present the same show. In ring one, there have been a large number of companies that have relocated during the past year, including relocating their headquarters, research-and-development, and manufacturing operations. In ring two, there are quite a few companies that are currently locating multiple numbers of new facilities to meet their evolving business requirements, both near-term and long-term.

ANALYSIS OF THE SURVEY

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And in ring three, there are a larger number of companies that are expanding their worldwide locations and operations to address the growing global markets. If you have been a spectator in the site location arena and you focused on only one of the three rings of activities, you have missed quite a bit during the past year.

Results of the 1996 survey reflect the above statements. Some 24 percent of respondents increased their number of facilities last year, with a significant portion increasing the number of facilities by more than one location. More than 50 percent expect to open new facilities within the next three years, with nearly one fourth opening more than two facilities within the next five years. And over 25 percent of respondents expect to relocate a facility within the next three years. Of those companies looking toward new foreign locations, more than 60 percent are targeting the emerging markets of Asia, Mexico, and South America. Less than 20 percent are targeting Western Europe. These trends are highly representative of the international opportunities we have seen this year.

Labor issues, i.e., availability, cost, quality, and skill levels, continue to be of primary concern for site locations within the United States. Nearly 90 percent of respondents indicate they have to

provide internal training to get the skilled labor they need. Two out of three are having difficulty finding skilled employees. And nearly one out of four companies recruits labor from areas beyond normal commuting distance. These site location issues are becoming more the norm than the exception throughout the United States. Finding skilled labor at competitive wage rates is becoming extremely difficult. There are many areas within the United States where labor is available at competitive wage rates; however, employers must be prepared to screen applicants carefully and provide specific, job-related training in order to develop a qualified work force.

The survey would tend to suggest a softening in importance of the labor posture issues, i.e., union versus nonunion operations. Only one of three respondents indicated right-to-work laws affected their site selection decisions. This finding is contrary to our experience over the past year. We have seen the majority of our clients seeking strategies and methods to minimize the risk of becoming organized in a new location. We have also seen a greater emphasis placed on developing an empowered work force and developing multiskilled employees who operate outside traditional hourly classifications.

According to the survey,

access to effective transportation methods, i.e., highway, rail, airport, waterway and ocean port, continues to rank high among respondents. Access to markets, customers, raw materials, and suppliers also ranks among the top-three factors that will influence future site selection decisions. These factors are always important to companies seeking new locations and will continue to be dominant factors in the future.

An interesting turn from last year was the lower emphasis placed on real estate factors and annual cost factors, i.e., cost of investment and annual recurring cost reductions. This trend was reflected in several studies we conducted this past year where clients rated investment costs and operating costs in the mid to lower levels of importance. We do not anticipate this indicator to become a trend for future site location studies. In fact, we are projecting companies will place even greater importance on controlling investment costs, reducing cash flow, and achieving reduced annual operating costs.

The factors affecting site location decisions have not changed significantly over the past year, nor has the level of activity changed significantly. As indicated by the results of the survey and supported by our own investigations, we are projecting positive growth for 1997. Look for a slow start in the first quarter but a rapid acceleration by mid-year.