

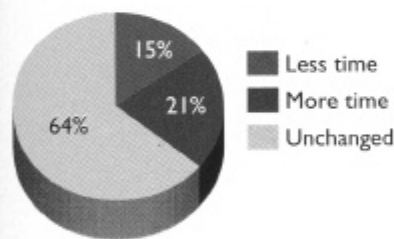
NEW FACILITIES

Our 1997 survey reveals that 46 percent of the respondents are planning to open new facilities within two years (Figure 13). Last year, the figure was 41 percent. Again, we see an increase in plans for activity. Of those planning new facilities, 40 percent expect to open just one facility, 32 percent plan to open two facilities, and 15 percent say they will open five or more facilities within the next five years — a sizable proportion (Figure 14). Last year, the corresponding figures were 39 percent, 37 percent, and 9 percent, respectively.

As to where new facilities will be located in the United States, a direct

Figure 17

Has turnaround time changed significantly over the past several years?



comparison cannot be made between this year's survey and last year's. In 1996, we asked our readers to name the states where they were planning new facilities. This year, we just asked for the regions, as shown in Figure 15a. The majority of new facilities are planned for the Southwest (12 percent), South Atlantic (13 percent), South (13 percent), Midwest (18 percent), and West (11 percent). If these figures are compared with those in Figure 6a (which shows where the respondent companies are currently operating), slightly shifting percentages seem to indicate that the survey respondents expect to make some moves into new territories.

As for new foreign facilities (Fig-

ANALYSIS OF THE SURVEY

Dr. C. R. (Buzz) Canup, Managing Principal,
Fluor Daniel Consulting

Cost factors continue to drive most site location studies. This trend is reflected in the 1997 site selection survey results. Occupancy and construction costs, labor costs, cost of land, and cost of utilities comprise half of the top-eight site selection factors. By adding state and local incentives as a cost factor, i.e., cost reduction or cost avoidance, then half of the top-10 factors in the 1997 survey relate to cost. This finding does not imply that all companies are making location decisions based purely on the cost of doing business. It does, however, have a significant impact on the methodology and process that companies use in performing a site location study.

The remaining top-10 items, i.e., highway accessibility, availability of skilled labor, availability of telecommunications services, availability of land, and nearness to major markets, are factors one would expect to be rated highly in any site location study. The slight changes that may have occurred in the scores are not as important as the presence of these factors in the top 10.

The availability of skilled labor continues to be a major factor and a critical issue in nearly all site location studies. It is not surprising to find this factor among the top-five for 1997. There is a general shortage of skilled labor in nearly all parts of the United States. Many states have recognized the shortage of skilled labor in their region and the value of implementing an effective training system to assist a new plant start-up. Companies are tending toward greater reliance on state and local training systems to assist in developing their skilled work forces.

One observation concerning the 1997 site selection survey deserves special note. It appears from the overall ratings the majority of factors dropped in value from 1995 to 1997. It is our opinion this decrease in value does not reflect a decrease in the importance of these factors, but rather presents an image of greater understanding of the site location process on the part of the respondents. Companies are placing value on a larger number of factors than ever before.

Site selection is a highly complex and dynamic decision-making process. The number and type of factors evaluated during a site location study can range to over 200, varying with the requirements of a specific project. Various factors may have different values during a site location study based on the time frame during which the factor is evaluated. By way of example, incentives may have a low value at the beginning of a site location study but a high value in making the final location decision. Most companies accept the thesis they should not make a location decision based purely on the value of incentives. During the initial screening, incentives may not play any role in identifying the finalist alternatives. However, when given two finalist locations, both of which meet all other project criteria, the client can not be criticized for selecting the alternative that offers the greatest opportunity for improved profitability.

Findings of the survey related to international activity are somewhat contrary to our experience over the past year. We have experienced an increase in activity in Asia, a decrease in Europe, and an increase in Latin America. We see these trends continuing into 1998.

Findings related to the length of a site location study are also counter to our experience over the past couple of years. More clients are seeking location decisions in less time. The increase in technology in the site location process and the availability of improved information systems and databases enable our consultants to perform location studies in nearly half the time it took three to four years ago. Many clients expect to make a final location decision in less than three months.

Overall, 1997 has been an excellent year in site location for both domestic and international projects. The economy continues to encourage strong growth and expansion. Forty-six percent of survey respondents plan to open new facilities within two years. This forecast parallels our projections for 1998. We anticipate a continued growth in location projects around the world as companies continue to position themselves for current and future global markets.