

# ***COMPANY LOCATION SELECTION IN DIGITAL TECHNOLOGY ERA, DOES IT STILL MATTER?***

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## ***ABSTRACT***

*Some locations are considered good for business and some other being accused and responsible for failure of a company. In early 90s many companies was willing to invest more to have a location that believed to contribute in generating companies' competitive advantages. During location selection process many factors are being carefully calculated to support decision making, some of those factors are: Labor Productivity; Exchange Rates and Currency Risk; Cost; Political Risk, Value and Culture; Proximity to Markets; Proximity to Suppliers; Proximity to Competitors. There are even more factors to consider in specific region, after that more factors for specific site. How about today, a time that considered as Digital Technology Era, are those factors still relevant? Or more essential question, is company location selection still matter? This literature research has purpose in evaluating some factors that generally considered in making decision related to location selection.*

*Keywords: Location Selection, Operation Management, Digital Technology*

## **ABSTRAK**

Lokasi seringkali dianggap menjadi penyebab dari kegagalan sebuah perusahaan, namun terdapat pula lokasi yang dianggap baik bagi perusahaan. Pada awal tahun 90an, banyak perusahaan yang bersedia melakukan investasi di lokasi yang diyakini dapat berkontribusi untuk menciptakan keunggulan bersaing bagi perusahaan. Proses pemilihan lokasi memperimbangkan banyak faktor yang diperhitungkan dengan hati-hati untuk mendukung keputusan yang akan diambil, beberapa faktor yang menjadi pertimbangan antara lain: Produktivitas tenaga kerja, nilai tukar mata uang serta risiko mata uang, biaya, risiko politik, nilai dan budaya, kedekatan dengan pasar, kedekatan dengan pemasok, kedekatan dengan pesaing. Terdapat pula faktor-faktor yang harus diperhatikan lebih lanjut di tingkat regional, dan lokasi spesifik. Bagaimana dengan saat ini, di era Teknologi Digital, apakah faktor-faktor tersebut masih relevan? Atau pertanyaan lebih mendasar, apakah pemilihan lokasi masih perlu diperhatikan? Penelitian ini memiliki tujuan untuk mengevaluasi beberapa faktor yang secara umum dipertimbangkan ketika mengambil keputusan berkaitan dengan pemilihan lokasi.

Kata Kunci: Pemilihan Lokasi, Manajemen Operasi, Teknologi Digital

## INTRODUCTION

In Digital Technology era, digitalization has become common part of our daily life. The usage of digital technology has change interaction between consumer and business, consumer behavior shifted from traditional to digital technology dependent (Kaplan & Haenlein, 2010; Taiminen & Karjaluo, 2015).

For a long time location selection for a company is very essential decision to take, since location selection contribute in significant cost and revenue driver (Artikis, 1991; Heizer, Jay; Render, Barry; Munson, 2017; Krajewski, Mallhotra, & Ritzman, 2016). Wrong decision could ruin company's strategy because it can be critical to future success and can involve substantial legal and financial complexity (Mazzarol & Choo, 2003), vice versa, right decision could be a competitive advantage for a company (Porter, 2000).

While consumer behavior has changed because of rapid technology development, are those location selection factors still relevant?

## LITERATURE REVIEW

### LOCATION SELECTION

There are some factors that being considered carefully when a company making its decision regarding location selection. These factors summarized from several authors

(Heizer, Jay; Render, Barry; Munson, 2017; Karakaya & Canel, 1998; Krajewski et al., 2016; Reid & Sanders, 2013; Schmenner, 1994). In Global perspective for selecting location some factors are being evaluated during country selection. Country selection factors are: Political risk, government rules, attitudes, incentives; Cultural and economic issues, Location of markets, Labor talent, attitude, productivity, costs; Availability of supplies, communication, energy; Exchange rates and currency risk.

After country selection, next part will be selecting region, some factors being considered in selecting location are: Corporate desires; Attractiveness of region (culture, taxes, climate, etc.); Cost and availability of utilities; Environmental regulations of state and town (pollution control); Government incentives and fiscal policies; Proximity to raw materials and customers; Land or construction cost; Growth potential; Attractive place to live.

Final part after choosing country and region in making decision for location is site decision. Factors that need to be evaluated are: Site size and cost; Availability of local airports, seaports, rail, highway, and waterway system; Zoning Restriction; Proximity of services or supplies needed; Environmental impact issues; Customer density and demographics; Adequate parking; Attractive building.

Beside common factors (for each level: country, region, site) described above, regarding type of company, there are also specific consideration factors for

## Manufacturing Based Company and Service Based Company.

Despite all factors, the main purpose in selecting location is to maximize the benefit of selected location to support company's competitive strategy (Heizer, Jay; Render, Barry; Munson, 2017).

### Manufacturing Based Company

Manufacturing in brief is producing a tangible product. For manufacturing company main factors in selecting location are:

Favorable labor climate; Proximity to markets; Impact on environment; Quality of life; Proximity to suppliers and resources; Utilities, taxes and real estate cost; other factors.

### Service Based Company

Service is activity that produce mostly intangible product. Just like manufacturing company, Service Company also has its own factors evaluated during location selection decision making process, those factors are:

Proximity to customers; Transportation cost and proximity to markets; Location of competitors, Site specific factors.

## BUSINESS IN DIGITAL TECHNOLOGY ERA

Internet as one of Digital Technology Era most powerful invention, has substantial impact in changing how businesses doing their operations. The usage of digital communication slowly but undeniable will replace traditional way of company communicate to its stakeholders. Even with awareness that using digital technology will improve how business operations, still there are companies that resistance to change, it's all because of differences in technology acceptance level (Davis, Bagozzi, & Warshaw, 1989; Lisa, 1994). Other factor that might cause a company not adopting technology is the size of the company (Hamilton & Asundi, 2008). The usage of Website including social media website for a company can benefit in some ways such as increasing awareness and inquiries; enhanced relationship with customers; increasing numbers of new customers; ability in reaching customer in global scale (Jones, Borgman, & Ulusoy, 2015).

Further usage of digital technology specially internet has given birth to E-Business, E-Business offers a new market place for any company to move its business operations online using internet (Baltzan, 2017). Some of advantage operating in E-Business (Baltzan, 2017; Soliman & Youssef, 2003) are: Expanding global reach; Opening new markets; Reducing cost; Improving effectiveness; Process simplification; Improving customer service; Generating new revenue; Taking faster decisions. Besides its advantages, just like a coin E-

Business also facing challenges (Soliman & Youssef, 2003) such as: Security issues; payment tools.

## CONCLUSION

Digital Technology era has offer many advantage that can make company running its operational more effective and flexible. Reaching wider customer as one of its advantages has created disruption and doubt, whether location selection still make an important role for company to gain its competitive advantages?

Not all company can take advantages offered by the digital technology in term of location selection. Consideration factors in location selection decision making are still relevant for most companies. Mostly Manufacturing based company for sure, still need to examine some factors before it choose location. Nor Service based company, most of it also still need to carefully consider factors in selecting location. So which company can take benefit from digital technology in selecting location? Company who offer goods or services that can be sell over the internet regardless directly to the customer or using mediating platform, with specific condition that its target market segment already has high level in technology acceptance level. For such companies, location doesn't really matter since all transaction can be settled over the internet, and the good delivery will be using logistics companies' services, and the service will be done remotely or thru the internet. Further research can examine more details

about type of company and its criteria which will benefit more during location selection because of digital technology.

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