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Far-flung business: Making all the right moves

Business these days is in a nomadic mood, and as companies pursue the lowest costs they are ending up in some pretty unlikely places

By Gareth Chadwick

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They don't do things by halves in the States. Whether it is cars, burgers or waistlines, Americans like to think bigger.

So when James Johnson decided that California was not the best location for his wireless antenna technology company, Vortis Technologies, he didn't check out the new development in the next town. He didn't venture into neighbouring states like Nevada or Oregon and see what they had to offer. He didn't even take a trip to New York and see if the buzz of the Big Apple better suited his company. No. Johnson decided that the best location for his fledgling business was 5,000 miles away in Scotland. And so in July 2005, he moved the company - and his family - to Glasgow.

"We chose Scotland for a number of reasons. First, there's a strong electronics sector here, so we could hook into a good supply base of local design and manufacture; secondly, the overheads are lower; and thirdly, because it is a smaller market, it is easier for us to stand out and build a higher profile," says Johnson.

Silicon Valley to Glasgow might be extreme, but Johnson and his company are proof of the business benefits to be gained by relocating your business to a more favourable location.

Its recruitment costs and property costs are lower. Since moving to Scotland with three employees, Vortis Technologies has grown to 10 staff and Johnson envisages employing up to 60 within two years. It has also been able to tap into around £300,000 of investment through a seed funding round led by investment agency Scottish Enterprise.

Relocation doesn't have to be international to be worthwhile, though. The benefits of moving within the UK can be just as tangible. According to Douglas Clark, a director at location consultancy Tenon Techlocate, the key factors that drive business relocations are labour force, transport and communication, industry expertise and property. All the costs of these factors can vary a lot from one part of the country to another.

"Companies are under constant pressure to get best value and part of that analysis has to include the question, are we in the best location for what we do? Whether in terms of customers, suppliers or costs," says Clark.

Labour costs in areas of Yorkshire, for example, can be up to 30 per cent cheaper than in south-east England. Property savings, too, can be considerable. Prime office space in Sheffield city centre is around £19 per square foot; in Inverness, it can be as low as £4; compared to the £45 per square foot and upwards regularly paid in London.

Apart from costs, factors such as local industry expertise, supply chains, customer base and transport infrastructure can all make a big difference. It was the desire to be nearer the supply routes of its Dutch supplier that persuaded HM Plant, a distributor of excavator equipment, to move 320 miles from Somerset to Hebburn, just outside Newcastle, in 2004. Chairman John Jones says "our new base is easily accessible from the docks, on a high quality development. The A1(M) is easily accessible, which provides a quick link to Scotland and the rest of England, and Newcastle has the eighth largest airport in the UK. There is also a major rail station on the east coast mainline, so we feel we've got all aspects of travel and transportation covered."

Clark says an increasing number of companies, like HM Plant and Vortis Technologies, are recognising that the location of their business is a variable cost that can change like any other. It makes good businesses sense, he says, to regularly assess whether that cost is appropriate for any given location.

"The process often starts through necessity. A company has outgrown its premises or they are not modern enough. They decide to move and start looking to see what is available locally. But crucially, once the decision to move is taken, they realise that there is huge range of relocation opportunities all over the UK, and that if they are going to move, they should move to the best place, not just the nearest," says Clark.

All roads lead to Rotherham

In South Yorkshire, the traditional metal-bashing foundries and steel-making plants may have closed down, but in their place has developed one of Europe's leading advanced engineering and metals clusters. Centred on the 100-acre Advanced Manufacturing Park (AMP) in Rotherham, it is hi-tech manufacturing hub to rival any in Europe, and one which is attracting businesses from all over the UK.

Excited by the proximity of such niche expertise, Dr Graham Cooley, chief executive of hi-tech metals processor Metalysis, moved his business from Cambridge to Rotherham in 2005.

"There is a strategy to develop the materials, metals and advanced manufacturing sector in South Yorkshire and we fit into that perfectly. I didn't know the area before we moved here, but nowhere else in the country can match the expertise and understanding of the metals industry. It has the right skills, the right partners, and the right end users for our business," he says.

Metalysis had very specific property needs, requiring a massive 1.5 megawatts of power. It spent a year working with local development agencies Sheffield First and Rotherham Investment and Development Office (RIDO) before finally finding something suitable - a former telecommunications switch centre. Cooley says that such a building just wouldn't have existed in his former base of Cambridge.

"If our business had been in pharmaceuticals, electronics or chemicals, we probably would have stayed in

Cambridge. But as we are in metals, it made a lot of sense to move to South Yorkshire," says Cooley.

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