

PROBLEM 1

Insurance Company of Latin America (ILA) is considering opening an office in the United States. The two cities under consideration are Philadelphia and New York. The factor ratings (higher scores are better) for the two cities are given in the following table. In which city should ILA locate?

Factor	Weight	Philadelphia	New York
Customer convenience	.25	70	80
Bank accessibility	.20	40	90
Computer support	.20	85	75
Rental costs	.15	90	55
Labor costs	.10	80	50
Taxes	.10	90	50

	RATES%	Differences
Customer convenience	+2,5%	+10
Bank accessibility	+10%	+50
Computer support	-2%	-10
Rental costs	-5,25%	-35
Labor costs	-3%	-30
Taxes	-4%	-40

FINAL RATES	Philadelphia	New York
	14,25 %	12,5%

ANSWER

Latin America should choose Philadelphia because the aggregate difference is greater than New York.