

Choosing a location: Part one

Location, location, location.....

We've all heard the cliché, but the saying is true and couldn't be more important for a new business. How will you sell your amazing products, market your wonderful services, or bring in patrons to a new dynamic restaurant if no one can find you? In the exciting planning stage, picking a location is often given short shrift over more interesting details such as determining inventory, developing a menu, or designing the interior space. All important pieces to the whole puzzle – but easy to change if adjustments need to be made after opening.

Your business location is somewhat permanent, and therefore demands careful and deliberate thought when deciding on the right spot. In some towns with few commercial properties available, your choices may be limited. But this is a big investment you're making, so be cautious if you feel the need to sign on the dotted line of a lease agreement for fear that the space will be snatched up by someone else. If you are in a situation with limited spaces available, doing your homework first is even more crucial. By determining your location needs early on, if something does come up you can go through your check list with confidence and know that when you sign on that dotted line the space does meet your needs.

Now obviously your location needs will depend on the type of business you plan on opening. Retail, customer service, and food establishments, have different requirements than say manufacturing or an internet business. So understanding your particular needs is the first step.

STEP ONE – Answer the questions below. You probably already know many of the answers, but I recommend writing them all down. Some of the items might be “wants” rather than “needs”, and so this exercise is to help you identify each, and have a good understanding of both before you start looking at properties. Many of the questions are geared more towards retail, customer service, or food establishments; because for these businesses, picking the right location can be a life or death decision! So if you're setting up a telemarketing or internet based business, consider yourself lucky and skip the questions that don't apply.

- 1. How much space do you need?** Best to be conservative on this one. A 5,000 sq. ft. retail store selling high end bikes is nice, but also means a ton of expensive inventory to fill the space.
- 2. How much space can you afford?** If you're a new business, hopefully you've done some preliminary pro forma financials (breakeven analysis is essential!) and know what you can afford for rent. Remember to be conservative in your revenue estimates, and then cut those in half. Better to underestimate and come out ahead rather than be stuck in a 3 year lease you can't afford. Also consider the build-out cost (the construction needed to get your space into move-in condition).

- 3. Who and where is your customer base?** Determine your target market and be specific! Can't tell you how many times I've read business plans where the entrepreneur has listed "women of all ages" or "all the townspeople" as their potential customers. Narrow your target and they will be easier to hit!
- 4. Do you need to be close to your customer base or are they willing to drive?** If they are willing to drive, how far? Two miles? Five miles? Ten miles? More? Some of this depends on how unique your business is and where your competition is located.
- 5. Does the location need to be close to where you live?** Consider commuting time.
- 6. Will customers come to your location or will you interact over the phone or internet?** No customers coming into your location means you can look at cheaper locations in less desirable areas of town. But beware of your own safety and that of your establishment. If you need more insurance to protect your business from theft, the cheaper location may not be worth it.
- 7. Do you need to be visible to people driving by?** Is coming to your location an impulsive action or do people plan ahead to come to your location? Are you a very unique business that people will search out or more of a "spur of the moment" thing?
- 8. Do you need a large outdoor sign or plan on attracting customers with colorful flags waving or maybe a sandwich board out on the sidewalk?** If you do, check with city codes & regulations first. If that type of display is vital to your business getting customers, better to know up front what you can and can't display. Cities control the regulations on outdoor signage for commercial property – and each city is different.
- 9. How many customers will visit at a time? At what time of day? What are your anticipated rush times?** If you think customers are more likely to visit your location on their way home from work, is there any rush hour traffic that may make it harder to access your location?
- 10. What are your parking needs? For customers? For employees?** Remember that employees shouldn't take up parking spaces for potential customers.
- 11. Do you need to be easily accessible by public transportation?** Are your customers elderly people that rely on public transportation?
- 12. What type of businesses do you want around you? Are there certain businesses that would complement your business? Are there businesses that are detractors?** When I was looking for locations for a chocolate shop I opened, I strongly considered going in next door to a very successful beauty salon/spa. Our customers were the same – women who enjoyed indulging themselves – so it made sense to locate myself next door. Unfortunately the lease terms didn't meet my needs, but I'll discuss lease terms a little later. As for detractors, there may be business neighbors that contradict one another. An obvious example is a religious book store next to the town porn shop. Probably not a good fit for either business.

- 13. What type of neighborhood do you want to be in?** This goes back to who are your customers, where they live, and how far will they travel to get to you. Will your customers feel comfortable walking into your shop?
- 14. Do you need warehouse space? A storeroom? An office? Customer bathrooms?** Do you have inventory that needs to be stored away? An office for bookkeeping and figuring out employee schedules? Customer bathrooms must be ADA (Americans with Disabilities Act) compliant – it can be expensive to retrofit older bathrooms. Do you need an employee break room? Conference room for presentations or meetings? Customer waiting area?
- 15. Do you need to be close to major highways?** This could factor into transportation costs for shipments.
- 16. Do you need any special zoning?** Check with your city on this one. Best to ask questions up front rather than claim ignorance when the city finds out you're operating your business in the wrong commercial zone or worse in a residential zone. They say ignorance can be bliss, but it can also cost you a lot of money when you're forced to comply.
- 17. Do you have any particular electrical, drainage, or structural needs? Do you have equipment that requires three phase electrical power? Are you working with a product that requires special disposal?** Restaurants need to have grease traps so that all the left over grease doesn't end up in the city sewer system. I was using a lot of gelatin in my business – didn't realize until later how much that can mess up a septic system.
- 18. Do you need a loading dock? Overhead doors?** If you have big deliveries or shipments going out, some trucking companies require a loading dock.
- 19. Do you need anything special for vendor deliveries? Or customer pick-ups? (e.g. drive-thru window)** Special parking for quick pick-ups or a drive-thru window are handy when customers are in a hurry.
- 20. Do you have any particular space requirements (e.g. high ceilings, natural light, lots of windows so people can see in, no windows so no one can see in, high speed internet)?** A gymnastics studio would definitely need high ceilings; and a retail store needs lots of large windows.

The next step is to label which are needs and which are wants, and then prioritize both. Which of these are items you must have and you consider “deal breakers” if the location can't provide? Make a checklist with the items ranked by importance. This way you have an easy, systematic way to assess properties. Don't let emotions guide your decision! You may really like the look of a particular location, but if it doesn't fit your needs look elsewhere. Use your checklist and you'll be much happier in the long run.