



# Choosing the Perfect Location



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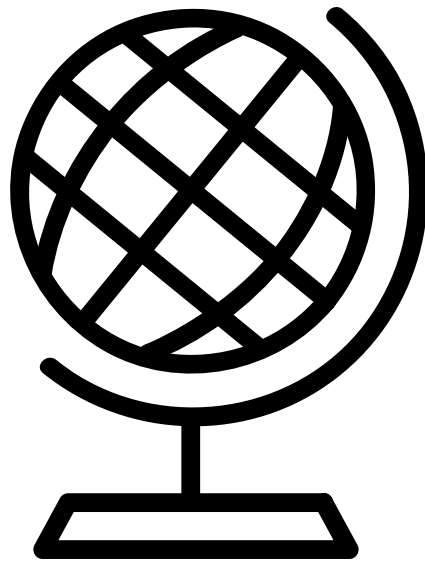
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section 1

# LEARN



The Basics to Get Started

# How to Choose the Perfect Location For Your Business

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You walk into an empty business space and your imagination automatically takes over.

You can envision everything from where your new office would go, to where you could put your new sign. You can see how everything could be.

It could be where you make your dreams come true.

Although it's really hard not to jump into "what could be" mode, it's essential that you take a step back before you sign any papers. Take the time to consider this location, from a variety of angles, to make sure it's really the right place for your new business.

Remember this old real estate saying: Location, location, location. And when it comes to your new business, location is everything.

Although your first thought may be how cheap (or expensive!) the space may be, it should never be your only thought. This guide will walk you through the most important aspects to consider when choosing a new business location, based on your unique business and financial situation.

# Why Location Matters in Any Business: Profit, Customer & Branding

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It doesn't matter what type of business you have, location truly matters.

What makes one location good for one type of business, may be horrible for another. For example, a retail strip mall would be great for a high-end thrift store. But a location like that would be horrible for a garage or dance school.

The real challenge is finding a location that matches all your needs: business, customer and branding.

## **Profit:**

Your business needs to be profitable – or there is no business.

Therefore, you need to keep your overhead as low as possible. But your location overhead is more than simple rent or mortgage calculations. It's also your utilities, taxes, insurance, maintenance, janitorial, etc. It's how much that exact location would cost to maintain each month.

For each potential business space you consider for your new business, make sure you calculate how much the space would cost each month.

You may also need certain spaces for offices, employees, supplies, inventory, or retail displays. Make a list of the essential components your business needs to operate. Finding the perfect location is tough, so know exactly what you need before looking at any location.

Let's use a new flower shop as an example. A simple flower shop needs retail space, office space, space for supplies or inventory, space to create flower arrangements, employee and

customer parking, and be highly visible. You'd want to be able to change your sign or decorate your storefront to attract the attention of passing traffic.

### **Customers:**

On the other side of the equation, customers want different things at different times. Sometimes they want convenience, and sometimes they just want cheap. Other times they want to shop in a welcoming, well-decorated environment. And sometimes they just don't care either way.

The result is that a business has to do a balancing act. You have to ask yourself what your potential customers need.

Let's go back to our new flower shop as an example. Potential customers want it to be a convenient location, but they would also want to shop in a well-decorated store. But some may be willing to drive a few extra miles for a cheaper flower arrangement.

What do your potential customers value: price or location?

You have to decide if your customers would go out of their way to purchase a cheaper product or service, or if they would pay more to shop in a high-end location? The location you choose will impact the types of customers you are hoping to attract.

### **Branding:**

You'll never get a second chance to make a first impression.

And your physical location is one of the first things a potential customer sees. They'll have an overall impression of the neighborhood, storefront, signage, etc. Your location, regardless of where it is, will contribute to their brand perception of your business.

You may think branding doesn't matter, but it absolutely does. It matters in any business, regardless of industry. You don't even have to consciously create your brand – branding happens anyway. So your best bet is to try to manage your brand image and create the

type of brand you actually want. It's much easier than trying to change an established brand down the road.

What image do you want your location to project? Is your business going to be:

- Cheap? Think low-price over quality. (Walmart)
- Average? Think quality and convenience. (Target)
- High-End? Think upscale, quality and reputation. (Macy's)

Before you decide on a location, figure out what brand image you want to project. Then choose a location that supports the brand you envision.

# Factors to Consider when Looking for the Right Business Location

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There are many factors when choosing the right location for your new business. But remember – every business, market, location, industry and situation is unique. Therefore, you may have factors not on this list. The following is a good place to start determining what factors are most important for your business.

## **Proximity to your market:**

For a retail business, you want to be located smack dab in the center of your market. But many times this isn't possible. Maybe you can't afford rent in that part of town, or maybe there is no space available.

Even professional service businesses (law, accounting, insurance, IT, etc.) need access to their market. Your new location also has to be within your potential clients market. How far would any potential client travel to receive your services.

Naturally, being close to customers is less critical for industrial businesses. A factory, for example, cares more about availability of large spaces, reliable power supply and good transport infrastructure, than proximity to customers.

## **Accessibility & Convenience:**

Being close to customers does not necessarily mean being accessible. Your business could be perfectly close to where your customers live, work or shop, and still be inaccessible. What if there is no parking or the traffic is a nightmare? Even simply being on the wrong side of the street – like a breakfast place located on the side of road that takes you towards home – can kill a business.



What it all comes down to is customer convenience. Will customers go out of their way to reach your location? Are the directions confusing? Is your location too out of the way? Do customers have to search for parking?

Put yourself in the mindset of your target market – will they make the extra effort to reach your location based on these factors?

### **Proximity to supplies:**

For certain businesses, proximity to the source of raw material and production supplies trumps accessibility and proximity to customers. If you are in a business that requires processing bulk raw material, for instance, it makes sense to locate as close to the source of that raw material as possible.

Or the location must support the types of trucks that routinely supply your business.

### **Proximity to other businesses:**

Depending on your area and industry, there may be a “neighborhood” that caters to your new business. Retail businesses thrive together, while struggle at the end of a lonely road. Bars and restaurants often stick close together and feed off one another.

On the other hand, sometimes it just doesn't matter. [Research the market](#) in your area to determine what area would best suit your business.

### **Competition:**

But proximity to other business has to be balanced against the need to avoid unnecessary competition. Usually, there is advantage in being near direct competitors because it creates an industry hub which attracts customers.

Sometimes, however, it is best to be on your own, particularly if you can find a location closer or more convenient to customers than your competitors. Research the competition – is there a way your new location could be leveraged in your marketing efforts?

**Cost of setting up shop:**

No location will be perfect – it will need some renovations, customizations or special supplies or equipment. How much will this location cost to set up? Include everything from network installation, office furniture, electrical customization, custom displays, new signage, etc. Sometimes the property manager will pay for some of this, so be ready to negotiate.

# Zoning and Why it Matters

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A less talked about factor in choosing a good location – and which often has huge advantages – is zoning. For small businesses and medium size businesses in particular, locating in the right zone can be a major business boost.

The thing to remember about zoning is that it is mostly about government economic policies. Different governments make laws and regulations that they consider best for their economic development. Internationally, economic policy differences are huge, ranging from capitalism to various variations of socialism and communism.

In the US, of course, economic policy differences are really no more than variations on capitalism with a strong emphasis on free enterprise. The idea is usually to boost the economy of certain areas, and sometimes, at persuading existing businesses not to leave.

There are, for instance, over 80 HUBZones and Renewal Communities and Empowerment Zones in the US – set by the federal government or state governments – that offer incentives such as government contracts quotas, tax credits and deductions to businesses that locate there.

But such zones are usually set in areas with historically low economic investments, which means the areas often have business challenges not normally existing in other areas. That may include security or social breakdown issues, but may also include poor infrastructure and amenities. It is when the incentives trump the disadvantages that a zone becomes a good bet.

Zoning is also both formal and informal. The formal zoning is what you will find somewhere in a law or regulation. Informal zoning is the differences in the cost of doing business in different locations, not necessarily because of laws or regulations.

A good example is the cost of labor, availability of raw materials or specialized talent, rental rates and ease of transportation of goods. It is partly these informal zonings that explain

why business hubs such as Silicon Valley and Wall Street never seem to lose their edge against newer, usually cheaper locations.

Zones are sometimes also about social or community interests as in, for example, the residential and commercial restrictions that many cities have. It's the same logic that partly explains the existence of industrial and agricultural zones, sometimes with sub-zones for certain industries or agricultural businesses that are considered potentially risky to public health.

It therefore helps – and may even make the difference between a successful business and a flop – to know the different formal and informal zonings in your potential markets. It helps, too, to project ahead: a location that currently has poor infrastructure, for instance, will probably improve once businesses begin moving in.

A good place to look for information on available incentives in an area is to check out the local Small Business Development Center or get in touch with the local branch of the chamber of commerce.

# The Two Key Things to Look for in the Right Business Zone

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Different zones have different advantages and disadvantages. But they also have similarities. Usually the similarities and differences come down to following four issues:

## **Taxes:**

Different states and localities have different sales and income taxes. For big businesses with high revenue, the difference in taxation can have a huge impact on return on investments, which in turn can give a business a big competitive advantage. For small businesses, a few less percentages in taxation can be the difference between success and failure.

The usual way to know the tax differences across different states and localities is to consult tax experts. But you can get an idea of the your tax requirements by looking at the Federal Tax Guidelines for Small Business or checking up with the Chamber of Commerce of any state you are considering to locate your business in.

## **Regulations:**

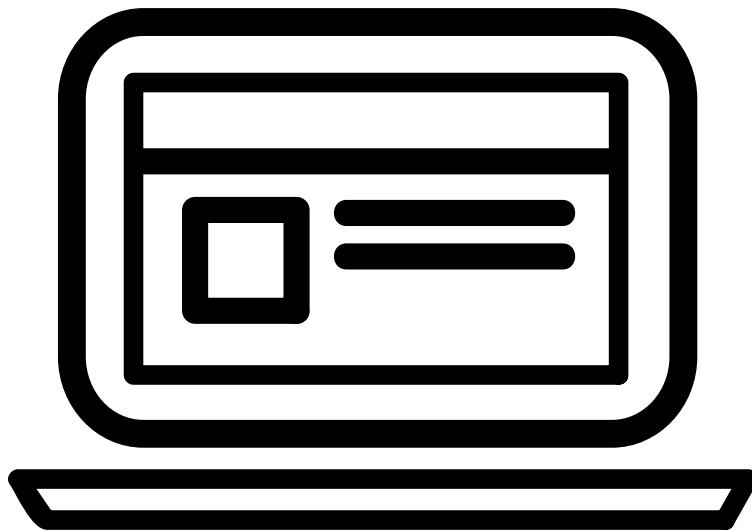
The really big business regulations are federal and therefore cut across the states. The better known are those from the Environmental Protection Agency (EPA), which sets the rules on industrial waste among other things, and the Federal Communications Commission (FCC) which regulates advertisement and, by extension, marketing.

But different states have their own regulations. A good place to look for the different regulations in the US is the small business index from the Small Business and Entrepreneurship Council. Most cities also have local Small Business Development Centers that offer information on government regulations and incentives.



section 2

# HELP



Time-Saving Resources

Here's a list of apps and websites that will help you find the perfect location for your new business:

1) [Sitegeist](#) is one of those apps that can have a multitude of uses depending on what you need to know. Wherever you are, it immediately provides interesting data about the surrounding area: average age of residents, political contributions, average temperature, commuting trends, and popular nearby places.

2) [Vert](#) is an "anything and everything" conversion tool. On your search for the perfect location, you may need to convert different metrics: size, weight, volume, length, and sometimes even currency. Vert turns your smartphone into an all-in-one converter so you have accurate data.

3) [LoopNet](#) is about the closest thing to the MLS for commercial real estate, so the App is helpful for searching for the latest and greatest commercial properties listed for sale. This could include multifamily properties, restaurants, shopping malls, or more. This app is an extension of the [LoopNet Website](#).

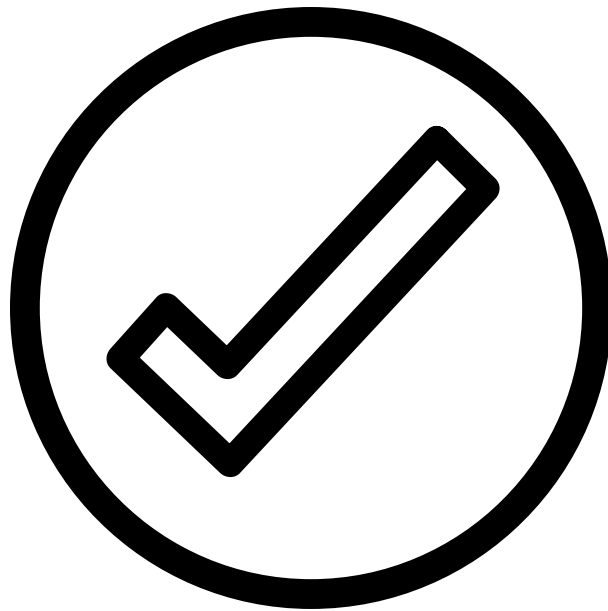
4) [MagicPlan](#) is a really cool app that allows you to create custom floors plans by just moving your phone or iPad around the room taking pictures. You just use the camera to move around the room, and it automatically maps out the room. To see a video of this thing in action, [click here](#).

5) [HammerPoint](#) is an iOS app that allows you to quickly create detailed repair estimates for any job. You can create new reports for each project, and the app will actually walk you through each item that may need repairing, auto filling a description of the work details (fully edit-able) and even offers a suggested cost for that repair. Finally, you can export the list of repairs to yourself and create PDF reports of all the repairs required.



section 3

# START



Steps to Take Today



# Finding the Perfect Location is Tough – Take Your Time!

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The bottom line is that it takes a carefully balancing act to select the best location for a business. It requires balancing costs, business needs, customer needs and the existing regulations and incentives.

That is because the best locations cost money. So do advertisements. If a good location is costly and there is not enough money to spare for promotions, the normal thing is to find a cheaper place and cut down on advertisements.

Take your time to find the perfect location the first time. Unless moving locations is in your business plan, you want to find the right location now. Moving or being forced to move can be challenging, stressful and expensive.

Although it may take a lot of time to find the perfect space, doing it right the first time is essential to the success of your new business. Good luck!

# 5 Action Steps to Take Today

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## 1. Create a Needs & Wants list

- List everything you actually **need** from a location
- List everything you would **want** from a location (but could live without)

## 2. Create a Spreadsheet

Include sections for:

- Proximity to your market
- Accessibility & Convenience
- Proximity to supplies
- Proximity to other businesses
- Competition
- Cost of setting up shop
- Taxes
- Zoning

## 3. Start looking

- Start calling real estate agents
- Look online, in local papers, etc.
- Ask friends & acquaintances if they know of any available properties
- Add information to your spreadsheet on each location you check out

## 4. Cross references from your Needs/Wants list

- Do any properties meet needs list?
- Do any of these properties include items from your wants list?
- Create a short list of possible locations

## 5. Start negotiating

- Don't forget you have power
- You'll never know unless you ask
- There will always be another opportunity – don't settle for something you know isn't right!