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PERSONAL PLANNING

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“I found the perfect place to start our business dear. It’s affordable and practically next door!”

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FINDING THE BEST BUSINESS LOCATION

FINDING the right location for your business is one of the most challenging tasks you will undertake, regardless of the type of business you plan to start. In fact, time and time again, it has been shown that businesses flourish or flounder simply because prime or bad locations were found.

Therefore, be prepared, before making any long-term financial commitments, and before investing even a modest amount of time and energy into any location, to roll up your sleeves and conduct some serious research into all the factors that might affect the success of your decision. Remember, a little sweat now can help prevent a big headache later on.
CHOOSING A LOCATION SITE

FIVE GENERAL factors your need to consider when choosing a business location are:

- selection of country
- selection of an area within a country
- selection of a city
- selection of an area or neighborhood within a city
- selection of a specific site within an area

NOTE Use the “Location Anyalysis Worksheet” on page 56.

Which Country?

With global and international trade treaties constantly under negotiation, as well as fluctuating political and economic climates, favorable conditions within various countries change yearly. However, in general choosing a country to establish your business depends mostly on its market potential, labor pool, and cost of materials. For some, choosing a country may also depend on its tax benefits.

Offshore Corporations – Setting up an offshore corporation, in perhaps Aruba, Bahamas, British Virgin Islands, Cayman Islands, Curacao, Gibraltar, Hong Kong, Isle of Man Jersey, Panama, St. Martin or Turks & Caicos Islands, can be as difficult or as easy as set-
ting up a corporation within your own country. You may decide to take this route for tax advantages, to protect your assets, or to gain corporate and bank secrecy. However, before finalizing your decision, make sure you consult a lawyer or corporation specializing in these types of company formations (see Guidebook #86 "Reducing Your Taxes" for more information on offshore corporations).

Which Part of the Country?
Traditionally in the U.S., the north-east part of the country has offered more business opportunities than other areas. But this has changed. Now, the lower southwestern areas offer better opportunities, due to their closer proximity to the Pacific Rim and Mexico.

Likewise, in Canada, an east to west trend has become apparent with Quebec corporations moving west to places like Toronto (due to political uncertainty in Quebec), and other companies opening up offices in Calgary and Vancouver in the hopes of cashing in on the Pacific Rim Explosion.

Other factors to consider when choosing which part of the country you should locate your business include:

**Availability of Employee Housing** – In some cases it will be necessary to provide employees with housing. Make sure it is available what type, and at what cost. This is especially important for isolated areas.

Ideally, the location you choose should permit a good quality of life.
Quality of Residency – Ideally, the location you choose should permit a good quality of life. There should be little air, noise and water pollution, as well as parks and restaurants to go to and relieve stress. Others factors to consider are climate and amount of rainfall.

Tax Advantages – Find out what the local rate is and if there any incentives for startups.

Which City?
When selecting a city or town for your business, factors you need to consider include, its population and population trends, total purchasing power, total retail potential, number and size of competitors, and aggressiveness of the competition. Other factors you need to consider include:

Distance to Suppliers and Raw Materials Providers – Your location should be as close as possible to suppliers and providers of raw materials. Suppliers provide electricity, water, natural resources, the manufactured goods necessary for your manufacturing process, and everything else you need to operate. A poor location in relation to your suppliers will mean higher operating cost.

Environmental Restrictions – You should be aware of local by-laws and constraints that might limit the level of production or expansion, especially if you plan to start a manufacturing business. In fact, many cities and municipalities discourage certain types of manufacturing because of noise, pollution concerns and waste disposal complications.
Labor Pool & Market – Most businesses need a convenient source of labor in their area from which to hire machine operators, office workers, supervisory personnel, technicians and so forth. If your operation requires skilled technicians, you should locate in or near a center with skilled workers. Likewise, if unskilled workers are required, you should locate in an area where unskilled labor is abundant.

NOTE Keep in mind that pay scales vary from city to city and even from one area of a city to another. Find out what other businesses in the area pay their employees.

Major Economic Activity – Below is a list of industry centers throughout North America and other parts of the world. The advantage of locating in these cities is the existence of strong already established markets.

There is no perfect place to start a business; only favorable places to start certain types of business (e.g., don’t sell surfboards in Switzerland).


 Gambling Centers – Monte Carlo, Bahamas, Yukon, Nevada and Atlantic City.

Home Based Business Centers – According to a 1993 survey by Home Office Computing, the ten best American cities for running home-based businesses are as follows: Gaithersburg, MD; Atlanta, GA; Phoenix, AZ;
AZ; Provo, UT; Austin, TX; Seattle, WA; St. Peters, MO; Burlington, VT; St. Petersburg, FL; and Aurora, CO. These cities were rated according to the local and state economy, population base, home business environment, accessibility to larger markets, business costs, taxes and overall livability.


Media Channels – Assess the advertising & publicity channels that exist in the city and key areas. What are their rates, circulation and coverage?

Municipal Services – Make sure the city or town provides adequate water and sewer services.

Trade Support – Is there a local Chamber of Commerce, Merchants’ Association or other pertinent trade group?

Which Area Within a City?

Once a city or town has been chosen, factors you need to consider within the various areas or neighborhoods of the city include: the power of the shopping district to attract customers, the number and quality of competitive stores, the general appearance of the area, and the expansion and rebuilding potential of the area. Other factors you need to consider include:

Accessibility to Customers – Try to locate as close to your customer base as possible. Make it easy for your customers to get to you or for you to get to your cus-
customers. Your location should also be convenient for staff. You want to attract the best people to your business, especially if you are starting a service company. They too, will appreciate a convenient location. If you are running a manufacturing business, it is necessary that your location be close enough to your customer base to reduce shipping costs and transportation time, as well as allow person to person contact when necessary.

**NOTE** To help determine how accessible a potential location is to your target customers, answer the following question: “Do my customers come to me or do I go to them?” If customers come to you, e.g. you plan to open a barber shop or clothing retail outlet, then easy accessibility is vital. If customers come to you and you come to them, e.g. you plan to open a consulting or carpet cleaning business, then easy accessibility is also important but not as vital. If however, you go to customers e.g., you plan to open a plumbing or landscaping business, than customer accessibility is not as important. However, to keep your transportation costs down, it is still desirable to locate as close as possible to your target market.

**Make it easy for your customers to get to you or for you to get to your customers.**

**Age, Family & Income Demographics** – Find out what the people’s ages are in the area. An older, established community generally has different shopping needs and tastes than a younger developing area consisting of many families with small children. Also determine the income levels of the people in the community. Obviously, families of low, medium
and high incomes will have different spending habits that could make or break the acceptance of your retail outlet or service establishment.

**Area Trends** – Before making the commitment to buy or lease a site in a particular area, determine whether the area is progressive or stagnant. Find answers to questions such as: Are there any changes planned for the area by city planners? Are any schools, roads, highways, stadiums or shopping centers planned for the near future? Will changes in other areas of the city affect this area? Will these changes cause people to move in or out of the area? What is the overall potential for economic growth in the area?

**Community Services** – Find out what kinds and quality of schools, places of worship, recreation facilities, hospitals and so forth are in the area.

**Convenience to Related Businesses** – Specialty shops and service businesses should locate near related businesses. For example, a flower store may choose a site near a hospital, mortuary or hotel; a sports shop may locate near a golf course or other athletic facility; a gift shop may be better located where tourists congregate, such as near large hotels or special attractions.

**Customer’s Perceptions** – The building and the area should fit the perceptions of your customers e.g., if your customers are wealthy the area should look wealthy.
Ethnic Group Saturation – Some areas with a city serve specific ethnic communities that could be to your advantage or disadvantage. For example, it might be pointless to open a McDonald’s in San Francisco’s China town.

Friendliness of Business Climate – Find out how the neighborhood has supported other merchants, what its history is relative to businesses, and whether the demographics of the community are agreeable.

Insurance Costs – If you need certain kinds of insurance to protect your business, make sure it’s available in the area at a competitive rate and without unfavorable restrictions.

NOTE Some areas in New York City and L.A. which are susceptible to rioting and have high crime rates, won’t extend theft coverage.

Mortgage Costs – Find out what mortgages are available and at what rate and duration.

Nature of the Product or Service – The nature of your product/service influences which area of the city you should locate your business. For example, if you sell goods that are for the most part purchased on impulse, e.g., you sell flavored popcorn, then high traffic and visibility are critical factors to consider when choosing your area and location. On the other hand, this concern is less important for products/services that customers are

The building and the area should fit the perceptions of your customers.
willing to go out of their way to find (e.g., restaurant supplies).

**Support Systems** – Find you what support systems are available near the location. You will need access to electrical, banking, communication, professional, maintenance, repair, janitorial and other services. Verify the rates for cellular, Internet, and cable TV services, if required.

**Trading Area Size** – When choosing a location in a certain area, you need to consider whether the area and its surroundings can support your type of business, in other words, has enough shoppers from which to draw upon. For the average small “in-city” shop that sells convenience goods and impulse items, your trading area need only extend for a few blocks in one or two directions and for even less in other directions. However, the trading area for a high-image specialty goods store that caters to an elite clientele, must be far larger as these types of customers are less concentrated. Likewise discount houses, department stores, and large planned shopping centers need even larger trading areas that often extend into rural areas.

**Transportation Routes** – Access to transportation is essential for distributing your products to your markets and for getting the raw materials and supplies you need, as well as allowing customers to get to you. Good transportation routes are particularly important for manufacturing and wholesaling firms. Determine

*A city is like a magnet – the bigger it is, the greater the drawing power.*

SAMUEL TENENBAUM
what is available such as buses, taxies, railways, and freeways and at what costs.

Zoning Regulations – Check area zoning regulations. Find out if there are any local area ordinances or regulations that might restrict your options.

Which Specific Site?
Once an area of town has been selected, the following factors need to considered before you make a final decision (see page 58 for a “Choosing the Area & Site Checklist”):

Building Appearance – If there is a building or storefront located on the site

Choosing a Location

- Environmental Restrictions
- Transportation
- Distance to Customers
- Environmental Restrictions
- Cost of Premises
- Support Services
- Distance to Suppliers
- Area Trends
you have chosen, it should blend in with the other nearby businesses. For retail business especially, the building should have good windows for displays, powerful signs, and an attractive yet distinctive exterior.

**Building Design and Layout** –
The physical site, fencing, roadways, and the design and layout of the building should suit your needs. If renovations are required, you should be able to modify the building to meet your needs at a reasonable cost. A potential business location that requires extensive renovations may be a poor investment of both your money and time.

**Building Site Utilities and Communications Access & Conditions** – Make sure engineers check the water, soil, sewer, power and other utility conditions. Also make sure that multiple telephone lines are available, if required (so you can avoid installation charges).

**Competitor Saturation** – Find out the number of competitors within various distances of the proposed site. Determine where they are located, how long they have been there, and how strong they are. Too many competitors in your area may mean a saturation level has been reached – obviously, this is no good. However, a little competition is healthy and even beneficial. Having competition allows you to save a little on advertising as customers visiting the competition, are also likely to visit your establishment and do some comparison-shopping.
**Cost of Premises** – Find out how affordable the location will be over a long period of time including the terms and what services, if any, the landlord provides. Also find out, if the site is for sale, whether you can rent or lease it, and if you can rent or lease whether you have the option to buy. When doing this research, keep in mind that a lease can be your single biggest expenditure over 5 to 15 years.

**NOTE** More advertising and promotion dollars will be needed to support a poor location. A better location means spending less. However, if you rent space in a specialty mall at twice the rate of a suburban location, make sure that you make higher revenues to compensate for the higher expense.

**Type of Landlord** – Landlords can be difficult to work with; remember they are trying to make a profit, too. Cordial relationships make it easier to get improvement to the premises and to negotiate late rent payments.

**Type of Lease Agreement** – A long-range lease is usually better if you have long range plans and have chosen your site well.

**NOTE** If a business owner or operator is inexperienced with leases, the service of an attorney is essential.

**Construction Costs** – If there isn’t a suitable building on a location readily available to you, you may have to build or buy out someone else’s business. If so, the ideal solution is to construct premises of the exact dimensions,
type, architectural style, and materials that meet your every need, down to the most minute specifications, with an exacting eye to the future and eventual expansion.

Among the advantages to this approach are a considerable depreciation allowance to help you curtail your tax liability each succeeding year; the benefit of being able to secure a mortgage on your property when you need to improve your cash position, and the delight of anticipating a probable sizable capital gain when you finally dispose of the building, years later. Of course the big negative here is that you’ll need to invest a significant chunk of capital at the very beginning. This is the time when you can least afford such an investment.

**NOTE** If you need to build on the site, make sure you factor in all the costs, such as land, construction materials and labor costs.

*Cost of Renovations Required* – If a possible location for your business, either for rent or for sale, involves a substantial and costly remodeling job, make sure you carefully factor in these costs (see the end of this section for upgrading and renovation strategies).

*Expansion Potential* – Since expanding an existing site is usually much cheaper than moving to a new site, giving it a lot of thought now, could save you considerable trouble and money in the future. Therefore, if you think there is a chance your company will need to ex-
pand, make sure a potential site has that potential. This means checking out the terms of the lease and determining the existing physical limitations of the site.

**Future Land Value** – If you plan to buy the land your building will be on, consider how well it will retain its value and appreciate over the years.

**Occupancy History** – Find out who has owned businesses on the site before. What was their specialization? Did they go out of business or move? If they failed, was it related to the location?

**NOTE** It is also important to find out the occupancy history of other sites in the area and whether other companies failed as well, especially in the past few months.

**Parking Availability** – Customers appreciate convenient, safe and affordable or no-cost parking. There should also be ample parking to meet your customers and staff needs. This is especially important for restaurants.

**NOTE** If it snows heavily in your area it is wise to investigate related snow removal charges.

**Number of Complementary Businesses Nearby** – Businesses with complementary services or products increase traffic flow for the whole area. For example, a pharmacy located next to a doctor’s office has a marketing edge. The more complementary businesses close-by, the better the potential of the site.
Proximity of Fire Department and Police Station – Find out how close the nearest fire department and police station is.

Site Restrictions and Regulations – Many federal, state, country and municipal laws and regulations concerning the operation of a business in the location you are thinking about, can turn a potentially good site into a bad site. When making your final site selection make sure to look into all the possible site restrictions as outlined in the chart on the next page.

NOTE To get the required information, call or visit the zoning office at county headquarters or city hall.

Storage Available – Find out if there are adequate on-premises facilities. If not, are affordable and available warehouse facilities nearby?

Traffic Flow – Count the number of pedestrians and/or automobiles passing the proposed location. How many people pass by during your business hours? Estimate the number of men, women, children or other target group. Count empty spaces in the parking lots of competitors. Also determine if your location is highly visible to passing traffic convenient and whether it if more convenient for vehicular or foot traffic. Also, find out what major businesses nearby that may generate customer traffic? Usually banks, fast food restaurants and theaters generate a lot of customer traffic.

Find out where businesses similar to yours tend to locate and join them. SUPERTIP
NOTE Instead of analyzing a prospective location when the landlord or agent decides to show it, make it a point to visit the location at all hours of the day or night, for a more objective picture of the premises in regards to traffic, lighting, security, sign and display needs and so on.

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<td>Concerns that neighboring businesses or neighboring residents may have about your business being located next or near to them.</td>
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SPECIFIC LOCATION CONSIDERATIONS

THE FOLLOWING types of businesses deserve special considerations regarding where they should be located.

Home Based Businesses
Having a business located in your home has many advantages and disadvantages. To its disadvantage it makes you feel isolated, has space limitations as well as zoning restrictions, creates security concerns and is constantly being threatened by household matters becoming intertwined with business matters. Furthermore, you will likely have to deal with adverse reactions from neighbors and even family members who are not too keen on the idea.

However, to its advantage a home based location has low start-up costs, low fixed costs, life-style flexibility, zero commuting required, and tax benefits (get a free copy of the IRS publication Business Use of Your Home #587 to find out about tax rules regarding a home-based business).

To help you decide whether your home can make a good business location, address the following six questions:

1. **Can you keep business records separate from family papers?** More than one business ledger has gone up in smoke, been chewed by the family dog or thrown out with the
trash. Ready access to business records during work hours is essential, but these records must be protected.

2. **How does the site compare with other nearby locations?** Use the “Comparing Site A to Site B” chart on page 55. This chart is a handy checklist for comparing one home-based site (Site A) with another nearby location (Site B).

3. **Is a home-based business allowed at your location?** Investigate potential legal and community problems associated with operating a business from home. There may be limitations that can make your planned business impossible or require expensive modifications to your property.

4. **Is there a place in your house that can be set aside as a specific work area?** There’s no point starting a home-based business in your kitchen. You need a separate room that is quiet and secure.

5. **Is the site insurable?** You can be sure that significant changes will be required in your insurance coverage when you start a home-based business. When you have written a good description of your business, call your agent for help in properly insuring against new hazards resulting from your business operations, such as:

*Your city or county office for economic development may have materials available to specifically pinpoint key items affecting home-based businesses.*

**SUPERTIP**
business interruption coverage

business use of vehicle coverage

fidelity bonds for employees

fire, theft and casualty damage to inventory and equipment

liability for customers, vendors and others visiting the business

product liability coverage if you make or sell a product

workmanship liability if you sell services; group health and life insurance

6. **Will you be able to discipline yourself to work as scheduled?** Will you need to exercise self-discipline to keep the television off while you are working; limit personal telephone calls; and be diligent in meeting work deadlines when no one is checking?

**Mail Order Houses**

In mail order, location is not as significant as in other businesses. Basement operators survive and prosper because their customers never see where they buy. It is more important how your address looks and sounds on paper as well as how easy it is to remember.

**NOTE** The recent availability of highly segmented mailing lists (purchased from list brokers, magazines, or other companies) has enabled small businesses with a mail order operation to operate almost anywhere.
where – and serve both national or international markets.

Manufacturing Plants
Because of the high cost of space in most North American cities, many of today’s plants are situated in more rural areas, where land costs are relatively low. It is particularly important for manufacturers to have access to cheap raw materials. They must also pay close attention to their shipping costs and access to distribution facilities. If you need to purchase certain raw materials, semi-processed goods, and / or components, it is better to be close to your source to reduce shipping costs.

It is also preferable for the plant to be convenient to a major highway, if truck transport is commonly used, or a railroad spur, if outgoing goods are destined for distribution by train.

Retail Stores
Retail outlets are particularly vulnerable to failure due to the wrong location – e.g., you can’t open a retail location in the outskirts of town by a petroleum plant. Success depends to a large extent on the quantity and the quality of the traffic passing. Most often, this is pedestrian traffic, though in some cases, the number of passing automobiles and available parking facilities can also be of vital significance. In addition, there is a need for sufficient space for the
display and sale of merchandise, and for workroom and storage. Other factors to consider are:

- availability of public transportation; the store building itself
- compatibility of neighboring stores (will other shoppers drop in your store as well); parking facilities
- demographics of the population in the area (your market)
- extent of the store’s trading area
- nature of the competition
- storefront

In cities, you also need to weigh the benefits of a corner location against those within a block, and determine whether you have selected the “right” side of the street.

Small retailers in particular must consider cost and traffic flow as the two major factors in location site selection, especially since advertising and rent can be reciprocal. A low-cost, low-traffic location means you must spend more on advertising to build traffic.  

**POWERPOINT**

More specific considerations depending on the type of goods or merchandise being sold are described below:

*Convenience Goods* – Retail outlets that sell low cost per unit goods such as cigarettes, groceries and other items frequently bought by habit, should be close to your target market (within walking distance).

*Shopping Goods* – Retail outlets that sell higher cost per unit goods that are purchased more infrequently than conven-
ience goods, such as shoes and stereos, usually do better if located near a large department store or within a community shopping center.

**Specialty Goods** – Retail outlets that sell goods where customers may not regard price as a consideration, should be located near shopping good stores but have also been known to do well in isolated areas. Specialty goods stores, such as antique shops, art galleries, and jewelry shops seem to generate their own traffic.

*Small business advisors often say that the success of a retail business depends on three factors: location, location, and location. A bad location usually leads to failure while a good location is an integral part of success.*

**SUPERTIP**

Likewise, motels and hotels also need a location that is convenient to high volumes of traffic. They also need an attractive entrance and building and appropriate furniture and decor. On the other hand, more specialized service businesses need to more seriously consider the expectations and perceptions of their customers.

For example, health care facilities should look soothing and convenient; legal firms must appear solid; and consulting and engineering firms must appear successful.

Service Shops

Service businesses that depend on walk-in traffic and high volume – such as dry cleaners, beauty salons, theaters, dance schools and daycare centers – must be located in highly visible areas of the community. They must also be easily identified by distinctive signs and clean attractive exteriors, entrances and interiors.
Warehouses

Today’s modern warehouses like manufacturing plants are usually located in rural or suburban areas where land costs are substantially less and there is good access to a major highway. More often then not, the modern warehouse is a long, flat one story building rather than an older, multi-story type commonly seen in the downtown section of many cities.

With this type of construction there’s no need to install and maintain freight and passenger elevators nor build staircases and stairwells. There is also no added expense to reinforce floors to increase floor load limits. Because of the excellent layout, within these single-level structures – including wide aisles – forklifts and other equipment can move pallets and skids of merchandise about rather easily. As well, since the internal flow of stock can run a straight course instead of proceeding up and down a number of levels – goods come in at one end of the rectangular structure, are stored in the center, and then depart through the other end – operations tend to be more efficient.
**PROS & CONS OF 20 TYPES OF LOCATIONS**

THE FOLLOWING list describes some of the more common types of business locations:

**Central Business District Locations** – Located in the downtown areas of most cities, the CBD is a bustling area with office buildings, banks, theaters, restaurants, and many types of retail stores including the main branches of department stores and large units of the major chains.

To its disadvantage, however the CBD sales picture has become bleaker over the years as the population mix in many downtown areas has shifted to a less economically advantaged clientele. Rents have also increased at a prodigious rate. These two facts along with the deteriorating “quality of life” in many of these sections has lead many business owners to react negatively toward CBD locations.

Nevertheless, in some cities, there is a trend for wealthier people to move out of the suburbs and into these downtown areas. This has resulted in some downtown areas being revitalized.

**NOTE** Most of the buildings in the CBD district are typically older and unplanned with plenty of window frontage and floor space.

**Clusters and Freestanding Store Locations** – These types of locations are
usually positioned at major intersections or along highways that run through cities. Generally, the stores are located on or near the corner of a city block.

**Community Shopping Center Locations** – There may be twenty or thirty stores in such a center and parking for hundreds. Often, the cornerstone retailer is a junior department or discount store.

**Cooperative Leasing Locations** – Let’s say you’re a one-person operation, and you need to rent an office. You don’t want it to seem as if you’re just renting a tiny little office somewhere, however, so rent a place in a large firm – ride on big coattails.

The optimal situation is when the business you rent from is related to yours, because often clients who hire one company will have a need that the other can fill. It will seem as if this firm includes your services.

A lawyer who is a single practitioner rents space from a group of lawyers whose practice is different from his, so there’s no competition. Not only is he linked in clients minds with a big law firm, he also enjoys real benefits, such as a vast legal library, conference rooms, and the expertise of lawyers with other specialties. The impression is that these people are his partners rather than his landlords.

Entrepreneurs on a budget can also provide certain services for the larger

*New businesses do better in an established shopping centers rather than standing alone. SUPERTIP*
company’s clients in lieu of rent.

**Downtown Locations** – When considering a downtown location, there are both advantages and disadvantages. The biggest advantage is the initial exposure to a greater number of people, especially if your target market is people working in offices. However, to their disadvantage, downtown locations may have limited parking facilities, heavy vehicular traffic, which can deter shoppers, stiffer compassion from large retail stores, and higher rentals and operating costs.

If locating downtown, you should also consider whether the area is “alive,” or suffering from urban decay. If you intend to be open at night, you also need to find out if there is a general exodus of people from the downtown area after normal working hours.

**Executive Suite Packages** – Executive suite packages offer a host of business and support services that can benefit entrepreneurs who need to meet with clients. *InterOffice Management*, the largest executive suite provider in the mid-Atlantic region, has 27 fully equipped and staffed offices in 12 major cities. For $170 per month, *InterOffice* will provide you with a building directory listing at one of their prestigious addresses, receptionist service, use of conference room and office suite, and voice mail.

**Home Office Locations** – You can pretty much establish a home office any-
where. However, while a home office in a central location or close to new retail area is ideal, a home office in a suburb may not be such a good idea. Not only will clients have difficult getting to you, but will also likely feel uncomfortable visiting you. Matters can be further complicated by the simple fact that setting up a home office (where clients actually visit you), in many suburbs is illegal.

Neighborhood Center Locations – These types of locations, smaller than community shopping center locations, usually consist of a row of stores, which complement each other. Frequently, its main attraction (or anchor store) is a supermarket or large variety store. Parking space is usually adequate.

Neighborhood Shopping Street Locations – Dependent for the most part on the density or resident in the vicinity, neighborhood shopping streets may extend from one or two city blocks in length to as many as eight or more. The typical shopping area present a well-balanced assortment of store types: small branches of chain store operations (supermarkets, variety stores, fast-food outlets) a liberal sprinkling of specialty stores; and a much larger number of shops that sell convenience merchandise. Here you find bakeries, hardware stores, dry cleaners, meat and fish stores, bars and luncheonettes, pharmacies, and shoes stores. Rents in the section are usually moderate. Business failures are relatively rare, and empty stores are quickly grabbed up.
relatively rare, and empty stores are quickly grabbed up.

**Planned Shopping Centres & Malls –**
Planned shopping centres and malls are often situated on the outskirts of cities and in the suburbs. Many small retailers locate in these centres because of their built-in traffic. Although rents may be high, a shopping centre is ideal for stores that cater to mass demand such as department stores, popular price specialty stores, variety stores and supermarkets.

Shopping malls also offer the benefits of accessibility, parking facilities and pooled advertising for special days e.g., sidewalk sales. However, if you specialize in a broad distinctive assortment in a narrow line or provide a unique service, which is not in general demand, you should beware of locating in a shopping centre. You are better off locating where the rents are cheaper and your target market more concentrated.

**Regional Center Locations –**
Today’s typical regional shopping center is a huge, one stop shopping complex of thirty to fifty or more acres in size. It contains department store branches, restaurants, banks, theaters, chain store units...
and independent retailers. This type of center draws shoppers from villages and towns as far as an hour away by car. Often, its parking facilities can handle over a thousand vehicles.

**Rural Areas** – Good for warehouses and manufacturing plants.

**Secondary Business District Locations** – Found along the major arteries leading out of downtown districts, secondary business districts often present a more attractive situation than CBD locations. Buildings are newer, growth in the area is planned, and although rents here are comparatively high, the area residents seem to favor these shopping areas because they are closer to where they live and they can buy just about anything they want here.

Traffic tends to be quite heavy, especially during the afternoon rush hour and Saturdays.

*As a retailer, don’t be put off by a high rent – all too often low monthly rent means low monthly sales. SUPERTIP*
UPGRADING & RENOVATING STRATEGIES

NOW THAT you have a business location all figured out, you need to look more closely at any modifications, improvements or renovations that must be made to bring the site up to par. After all, a modern, well-maintained building has a far more favorable impact on customers, suppliers and the general public than a seedy-looking facade.

In fact, peoples’ first impressions of a store, office, showroom or even a barber shop, often don’t get much beyond its style, construction, and overall external and internal appearance. And although, these first impressions can be modified to some extent by the type of merchandise and services you offer, there is no getting around the age-old truth that “people do judge books by their cover.”

NOTE When making renovation plans, make sure your makeover does more than make everything look pretty. Design must be function driven. In other words, your plans must help create an appropriate company image that corresponds with your industry, product line or service, and long-term vision. For example, since having clean interiors and exteriors helps create a positive company image, especially for any retail or service business, consider how any upgrading and renovation plans you have, will help simplify this task.

Design is always function driven first, and image inspired second. SUPERTIP
Exterior Considerations
Well-designed and maintained building exteriors make customers want to enter. Consider the following tips of improving your office, warehouse or retail exterior:

Doorways – Entrances and exits should be clearly indicated and kept cleaned of litter.

Exterior Signage – Signage must be in good repair.

Landscaping – Lawns, hedges, shrubbery and the like, must be neatly trimmed and kept healthy looking.

Sidewalks – Walkways should be in excellent repair.

Steps – If at all possible, steps should be avoided. Steps present a psychological barrier to many people.

Interior Considerations
Well-designed and maintained building interiors make customers want to stay. Consider the following areas when looking at ways to improve your office, warehouse or retail space interior:

Ceilings – With regard to ceilings, an attentive eye is needed for consideration like good acoustics, space requirements, proper lighting. Low ceilings convey the impression of tightness, confined quarters which can psychologically hamper employee productivity. High ceilings create an open, roomy environment.
Floors – As for floors, consider their load-bearing capability, resistance to chemicals, wearability and so forth. Do they have non-skid surfaces to avoid accidents?

NOTE In a store selling expensive clothing, customers will expect carpeting and papered walls. On the other hand, people don’t expect carpet in hardware stores; but they do expect clean, uncluttered aisles and easily accessed displays.

Interior Decor – Interior decor contributes greatly to or takes away from the image of a company. It can make customers feel comfortable or uneasy.

NOTE Gaudy decor reduces customer interest while extravagant decor takes away the focus from the merchandise. Decor should always add to the merchandise, not take away from it.

Walls – Walls serve three functions: that of supporting the building, dividing the inside area into separate compartments for specific business activities, and creating mood. Attractively painted or papered walls are a must.

NOTE Visualize the inside of your premises as a well-lined box or series of boxes.

Windows – It can be said that windows in a retail and service outlet, exist only to lure people inside. However, more than that windows provide natural light and looking space, so that employees and customers inside won’t forget what the sky looks like and won’t go crazy from feel-
ing boxed in. Windows also make spaces inside seem bigger than they really are. However, windows are expensive. They waste heat, break easily, and increase the likelihood of vandalism.

Lighting Considerations

Fluorescent lighting provides a high level of light intensity, does not generate much heat and consumes less electricity than alternatives. Yet, colors often appear different under such lights — a fact of considerable significance in a women’s dress shop or art shop. Incandescent lighting, like the bulbs you burn in your home, reveals warm, lifelike tones in clothing.
DESIGNING A FLOOR PLAN

A FLOORPLAN for your office, retail space, warehouse or factory must be efficient, encourage smooth work flow, and have an organization that is easily apparent to those who use it. Simple, inexpensive solutions – though not necessarily of low quality – should be the rule of thumb. Avoid getting carried away, especially if your budget is limited. Remember, don’t install it or design it unless you absolutely need it.

Internal layout is largely dictated by the functions to be performed. Good design also looks to the future – and to growth.

SUPERTIP

Warehouse & Factory Floor Plans

Special areas are usually needed for receiving deliveries of materials, supplies or merchandise; for storage or stock keeping; for performing office-type activities; and for shipping out goods. A factory must also incorporate space for production machinery and equipment, an area for cleaning materials and tools (a maintenance shop), perhaps even temperature-controlled rooms for certain types of materials or goods and so on.

In the ideal factory or wholesaler’s warehouse, activities are arranged in as straight a line as possible in order to minimize the flow of materials throughout. The receiving department should be at one end of the building, where the raw materials or finished parts are brought in. Here, one or more bays are needed for trucks to draw up and unload. There should also be an unloading platform and a checking area.
where incoming deliveries can be checked off against their bills of loading. At the building’s other end, one should have the shipping department where again bays and loading platforms are required.

An alternate layout might be the common U shape, where both shipping and receiving departments are located at the same end of the building. This enables the company to avail itself of a single or double bay and dock (see diagram on right).

Retail Floor Plans
Retail layout is more important than factory and warehouse layout because it has a direct impact on sales. As a retailer, you need to strive to project not only a particular store image but also a merchandising environment.
Types of Retail Layouts – There are three basic types of retail layouts to keep in mind when designing your floor plan: circular, free-form, and grid layouts.

Circular Layouts – When designing your retail layout it is a good idea to arrange your merchandise so that the customer is drawn first towards the right or left side of the store, and then towards the rear. Attempting to create a circular traffic pattern in your store will expose the customers to as large an assortment of merchandise as possible before they leave.

Free-form Layouts – Free-form layouts, where no attempt is made to direct the flow of traffic, are aesthetically more pleasing to consumers, though sometimes more confusing than grid or circular layouts. In free-form layouts, area boundaries are usually curved or irregular in shape rather than straight (see page 41).

Grid Layouts – Retailers also often utilize a grid layout, where in-store traffic is compelled to follow a prearranged path. Many retailers prefer this layout because it maximizes shopper exposure to the many different products carried in the store (see page 42).

Retail Layout & Design Strategies – In general, every good retail floor plan allows for an ample entrance, preferably opening into an unobstructed view of the selling area; aisles that comfortably permit customer traffic to flow freely; and room for store displays to be located for maximum shopper exposure.
Free-form Layout for Men’s Clothing Shop

- Suits
- Suits
- Dressing Rooms
- Ties
- Belts
- Service Desk and Cashier
- Sports Jackets
- Sports Jackets
- Dress Slacks
- Underwear
- Special Promotion Table
- Sports Shirts
- Jeans
- Show Window
- ENTRANCE
- Show Window

Dressing Rooms

Sports Jackets

Sports Jackets

Leather Jackets

Dress Shirts

Underwear

T-shirts

Special Promotion Table

Sports Shirts

Jeans

Show Window

ENTRANCE

Show Window
Grid Layout for a Grocery Store

- Meats
  - Dairy Products
    - Beverages / Snacks
    - Canned Goods
    - Health and Beauty Aids
    - Housewares / Detergents / Bleaches
    - Baby Needs / Packaged Goods
  - Produce
    - Produce
  - Produce

- Bakery & Deli
  - Checkouts
  - Entrance
  - Exit
  - Courtesy Desk
More specifically, to create an effective retail layout consider the following topic areas of retail layout design:

**Background Colors** – Color helps to set a buying mood. Generally, strong contrasts and loud colors should be avoided. Bright shades get attention but they can also overpower the merchandise. Background colors should suit and blend with the display merchandise.

**NOTE** In experimenting with color, keep in mind that higher-priced merchandise is best displayed in more refined color arrangements, such as blues, greens, grays and blacks. If you are handling low prices bargain items, the vivid shades of yellow, orange and red combined with whites are best for achieving the right decorative touch.

**Cash Registers** – Cash registers should be carefully located to reduce the amount of walking salesclerks will have to do, and to provide control over the selling floor. This speeds up the time it takes to make a sale, thus giving salespeople more selling time, and helps reduce theft.

**Fixtures** – Fixtures and store equipment should be clean, adequate and up-to-date. In some cases, old fixtures can add to the charm of a store, but in most situations, they look unattractive. Self-service fixtures can be of great help to a retailer or fast food operator. People can shop or meet their own needs without having to ask
a employee to show them merchandise. Self-selection fixtures not only save money, they also enhance the display and sale of stock.

**NOTE** There is a chance that your suppliers can provide fixtures designed to display their lines at nominal cost. Furthermore, they can often give you advice on specific display needs and techniques.

*Floor Displays* – Floor displays lose their eye-catching appeal if they are crowded together. If aisles are small and crowded, shoppers cannot see the goods.

*Impulse Goods* – In fashion stores, customers should pass impulse goods on their way to inspect items that are continually in demand. On the other hand, in food, gift and variety stores, it is a good idea to intersperse impulse goods with demand items. Avoid locating impulse goods directly across the aisle from demand items. The impulse item may not be seen at all.

*Interior Signs* – Signs do the talking for displays. They answer customer questions about price and features, and indicate where goods are located in a store.

- Keeps signs timely by changing them often.
- Make your sign informative. The wording should be compact but descriptive.
• Signs should look professional. Poor printing detracts from a sign.

• Signs should not be soiled or marred. Nothing detracts from merchandise quicker than a soiled sign.

Merchandise Displays – In regards to setting up merchandise displays, heed the advice contained in the following points:

• Always consider the productivity of space, vertical as well as horizontal, when locating merchandise.

• Arrange merchandise in each category according to its most significant characteristic – whether color, style, size or price.

• Both advertised and non-advertised specials should be placed at the ends of counters as well as at the point of sale.

• Depending upon the type of store, each merchandise category should be grouped under a separate sign.

• Always consider the productivity of space, vertical as well as horizontal, when locating merchandise.

• Do not overcrowd counters and aisle tables.

• For apparel, attempt to arrange the merchandise by price lines to assist the customer to make a decision quickly.

• Highlight both national and private brands in the floor arrangements and window displays.

• In the case of apparel and home furnishings, items that reflect the store’s sense of fashion get special display at
all times.

- Keep trash bins out of sight.
- More colorful merchandise should receive preference in display.
- Use horizontal space for different items and styles within a category. Vertical space should be used for different sizes; for example, smallest at the top and largest at the bottom.

### Stock Areas and Office Spaces – Non-selling and office activities should be kept out of valuable selling space.

Whether an office is in your house or in a 100 story office tower, the following fundamental design principle should be followed: things that are accessed often need to be closest to the worker; things that are not, should be placed in the leftover areas and be well labeled (for it is easy to forget...
things that are accessed only once in a while).

In other words, there should be the least amount of motion possible moving from one area to another – get a chair with rollers that can easily slide all over the room. As well, try and keep everything within arms reach. Furthermore, being that offices are generally small, and space is at a premium, everything inside must have a reason for being there.

**NOTE** The less time you spend working in an area (especially if it’s a highly important area) the more time you must spend organizing it properly. Otherwise, you will waste many hours reinventing your filing system, or re-learning how to use the information quickly once you have forgotten how it was organized.

According to a survey by Colliers Macaukay Nicoils, Edmonton, Alberta, Canada as of June 1996, has the lowest office space costs in the industrialized world at an average of $8 per square foot there. This compares to $188 per square foot in Hong Kong and $25 per square foot in Vancouver.

**FUNFACT**
THE IMPORTANCE OF HAVING A GOOD MAILING ADDRESS

For a business starting out, sometimes renting, leasing or buying a location is not in the master plan right away. For these types of businesses it is more important to establish a mailing address or some other means of opening communication channels between you and your customers. To do this you can rent a P.O. box, use your home address, or perhaps open an Web page. When deciding between these three alternatives, consider the following: Your final choice should:

- allow you to exert maximum control over how your correspondence is handled especially if it is your lifeline to sales
- be convenient
- be secure and safe
- fit your budget
- look good on paper

An address like Philadelphia USA, gives the impression that you have offices abroad.

SUPERTIP

Using a P.O. Box

Using a P.O. box as your mailing address is confidential, cheap, secure, and a tax write off. It also gives you an identity, makes you feel you are actually in business, and keeps your business mailing activities separate from your everyday affairs. If choosing a P.O. box also consider the following:
Choose your P.O. box location carefully. Depending on where you live, P.O. boxes usually cost $50-$100 per year for the smallest size. Pick your company carefully, depending upon convenience and accessibility as well as how your address looks on paper. Compare the prices of your local Post Office with private P.O. box service companies.

It is better to sell information not products using a P.O. box. If you have a choice of selling information from a P.O. box or products, choose information. When spending money on tangible consumer products, consumers prefer purchasing from a business with a regular address.

Changing your location several times over the course of a year, costs money, time and gives people the impression your business won’t endure.

SUPERTIP

If you are based in Canada and plan to do business in the U.S., consider getting a P.O. box in the U.S. Generally speaking, if your target market would feel more comfortable ordering from an operation based in their own state, province or country, then give them what they want. This is especially true of small Canadian mail-order operations wishing to attract American customers. Remember, you can always have your mail forwarded to you. This added cost can be justified by the creation of a more favorable market image.

People don’t like sending money to P.O. Boxes. People distrust P.O. boxes. They prefer thinking that your company is a beautiful building with a fountain on the front lawn. Therefore, all your
correspondence, letterhead, and advertising should attempt to create this illusion or ease their anxieties by providing toll free numbers and lots of customer service info, thus sending out a signal that you plan to stick around.

**NOTE** Ask yourself this: if you see the same product advertised with a P.O. box vs. a business address, who do you buy from? All other things being equal, you will find that you have a distinct tendency to send your money to the one with the regular address. This is because in the back of your mind, if something goes wrong, you feel you could fly, drive or even run down to this address, meet the person who sold you the product, and give them a piece of your mind. On the other hand, letting off steam in front of a metal P.O. box isn’t nearly as satisfying.

**Rent a P.O. box from a private company with a prestigious downtown address.** A mailing address in a residential area may deliver the wrong impression to clients. Therefore, shop around for an address that suits your company’s image. In fact, it may be worth driving a few extra miles to pick up your mail from a more business-oriented neighborhood. Local print shops and postal service chains rent mailboxes (that also come with suite numbers for your stationery) for as little as $15 a month in Ann Arbor, Michigan, to $25 in New York City.
NOTE Imagine the impression your company would give if its headquarters were Park Avenue New York!

Try not to have more than one address. Businesses are used to handling different addresses, but consumers aren’t. Consumers like options, but hate decisions. They like things simple. Therefore, try and stay away from having a different shipping address and mailing address or a combination of a P.O. box, home and/or business address. Also, try and keep your postal communications consolidated and clear. For example: Add headings like, “Shipping Department Only,” or “For More Information Write To.”

Using Your Home Address

Using your home address as your business mailing address is convenient and inexpensive. You don’t have to waste time driving to your postal box outlet and you don’t have to pay extra money for a P.O. Box. However, everyday you have to sort between personal and business mail. This is not a real problem, until your daughter, son, spouse or whoever, misplaces a very important letter. If you can, try and have two mail boxes, one with your business address and the other with your personal address e.g., your business address could be 250b Manchester and your personal address could be 250a Manchester. Make sure there are no city restrictions...
that prohibit you from doing this. Check with your postal office and civil authorities to make sure.

Another solution is to buy a large capacity steel mailbox that can be locked securely. Not only will this protect your mail from theft, especially if your customers pay by check, but it also allows maximum control over who handles the mail since you will be the only one with a key.

**NOTE** If your company is receiving thousands of letters a day, you will have to get a P.O. Box. No postal carrier is going to break his back delivering to you that amount of mail. Large companies, contract out couriers to pick up their mail. Most postal offices will store your mail in a large bag or a cart and will not charge you extra.

**Using a Web Page**

A Web page can be set up to act like a mailbox, communication center, catalog, and information provider. Customers can browse through descriptions and pictures of your products, read up-dates about new services or products you are providing, reply to surveys, e-mail you if they have any questions or comments, and even order products or services from you if so inclined.

**NOTE** E-mail has fast become the standard method of correspondence between business executives and consultants. Faxes are messy, telephone tag is annoy-
Address Writing Strategies

An address should always be clearly visible. Addresses for your letterhead or advertising material should not take a magnifying glass to read. People don’t want to look too hard or think too much on what to include and what not to include. If you want people to phone you, make your phone number bigger, and if you prefer them to write make your address bigger.

NOTE: Write your address like you want it to be written on a mailing envelope.

An address should always be clearly visible. Addresses for your letterhead or advertising material should not take a magnifying glass to read. People don’t want to look too hard or think too much on what to include and what not to include. If you want people to phone you, make your phone number bigger, and if you prefer them to write make your address bigger.

An address should be easy to remember. If possible, your address should be easy to remember, easy to write down and it should look good on paper. Addresses are easy to remember if they: roll off the tongue, sound musical when read, have numbers with patterns in them and compliment the companies name (e.g., Java Jive, 1200 Orange Road, Orlando FL; is better than Ike’s International Emporium, Suite #201a 2381b Ave. W. Charleston Blvd., Pike’s River).

Your address should be easy to remember, easy to write down and it should look good on paper. Addresses are easy to remember if they: roll off the tongue, sound musical when read, have numbers with patterns in them and compliment the companies name (e.g., Java Jive, 1200 Orange Road, Orlando FL; is better than Ike’s International Emporium, Suite #201a 2381b Ave. W. Charleston Blvd., Pike’s River).
Make sure your address can use **keyed information.** Keyed information allows you to keep track of sales and advertising expenses. For more details, consult Guidebook #68 “Preparing Advertising Records.”

If you plan to advertise extensively in classifieds, keep your **address short.** In classifieds, you pay for the number of words not how long the words are. An address like: Ginikers, 350 Manchester, Toledo OH 74889 is ideal.

If possible, the address should **complement the sound of your company name.** If you have a choice of setting up your business on a street with a desirable name do so, especially if the name compliments the name of your company. Remember your address is your calling card. It becomes an integral part of your image in the consumer’s mind.
<table>
<thead>
<tr>
<th>Factors</th>
<th>Site A</th>
<th>Site B</th>
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<td>Customer convenience</td>
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<td>Personal convenience</td>
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<td>Physical suitability of building</td>
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<td>Availability of parking facilities</td>
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<td>Area conditions</td>
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<td>Availability of merchandise or raw materials</td>
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<td>Vendor delivery access</td>
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<td>Quality and quantity of employees available</td>
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<td>Adequacy of utilities (sewer, water, power and gas)</td>
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<td>Quality of police and fire services</td>
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<td>Room for future expansion</td>
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<td>Tax benefits (if any)</td>
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<td>Cost efficiency</td>
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**TOTAL**

Using a zero to 10 scale, with 10 as the top score, grade each of the vital factors outlined above:
<table>
<thead>
<tr>
<th><strong>LOCATION ANALYSIS WORKSHEET</strong></th>
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<tr>
<td><strong>Address:</strong></td>
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<td><strong>Phone #:</strong></td>
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- **History of location**
- **Location in relation to target market**
- **Location in comparison to your competition**
- **Traffic patterns for customers**
- **Traffic patterns for suppliers**
- **Availability of parking (draw diagram)**
- **Notes on walking tour of the area**
- **Neighboring shops & local business climate**
- **Availability of raw materials & supplies**
- **Availability of labor force**
- **Labor rate of pay for the area**
- **Housing availability for employees**
- **Crime rate for area**
- **Zoning regulations**
- **Quality of public services (e.g., police, fire)**
- **Adequacy of utilities (get information from utility company representatives)**
- **Tax rates (state, county, income, payroll, special assessments)**
### Choosing the AREA

- What is the population and growth potential of the area?
- What is the income, age and occupation of the population in the area? How does that fit it with your targeted audience?
- Is the area or neighborhood becoming run down? Is it new and growing?
- Is the area supported by a strong economic base?
- What type of trading takes place in the area, commercial, industrial, residential or seasonal?
- Are new industries scheduled to open in the next several months?
- Are any super highways or throughways planned for the area?
- Are there local ordinances and zoning regulations that would apply to your business?
- How many nearby firms are in the same line of business as you? Do they have any apparent advantages over you?
- Which businesses in the area will be your biggest competitors both direct and indirect?
- How many nearby firms look as though they are barely getting by?
- How many nearby firms went out of business in this area last year? Can you find out why they failed?
- How many of the businesses in the area look prosperous?
- Is the supply of labor adequate and the necessary skills available?
- Is there adequate fire and police protection?
- Will crime insurance be needed and available at a reasonable rate in this area?

### Choosing the SITE

- What is the physical condition of the site?
- Are sidewalks in good repair?
- Are adequate parking spaces convenient to your store?
- Does the site have special lighting, heating or ventilation features that you need?
- Is the street lighting good?
- Is the site on the sunny side of the street?
- What is the occupancy history of the site?
- Does the location have a reputation for failures? Can you find out why other businesses failed in this location?
- Does the location look conducive to drop-in customers?
- Do pedestrians look like prospective customers?
- Is street traffic fairly heavy all day?
- Is the location close to a main artery?
- If the site is in a remote location, will savings in rent offset the inconvenience?
- Will travel time from home or to customers be excessive?
- Will it be necessary to pro-rate travel time when making service calls?
- How close is the building to bus stops and other transportation?
- Can the site be rented or leased? What is the cost? What are the terms?
- What services does the landlord provide?
- If you need to build what kind of terms can you get for a loan or mortgage?