

Location, Location, Location!

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Looking for the perfect spot to start your food or retail biz? Here's how to size up a neighborhood's potential.

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Chances are, you've heard the term "location, location, location" more than a few times. But if you're in the throes of creating a spectacular menu for your new restaurant or finding wholesalers for your first retail store, it might not be the first thing on your mind.

It's time to put location at the top of your to-do list. If you're preparing to open a food or retail business with a storefront, putting your business in the proper location might be the single most important thing you do at startup. Of course you need a winning product, too, but how will anyone know about that product unless you get them through the door?

"In the brick-and-mortar retail world, it's said that the three most important decisions [you'll make] are location, location and location," affirms Irene Dickey, a lecturer in management and marketing at the University of Dayton's School of Business in Dayton, Ohio. "Careful determination of new sites is critical for most retail and consumer service businesses."

Check Your Demographics

Making these determinations can be as simple or as complex as you make it. There are, for instance, sophisticated location analysis tools available that include traffic pattern information, demographic and lifestyle data, and competitive analyses. Adds Dickey: "For a price, a retailer can ask such questions as, 'If I'm looking to add a store to a particular market, what's the optimum level of traffic as it relates to the specific targeted trade area? What is the overall type of traffic? Once consumers are in the store, is there any way to measure the traffic patterns in the store?'"

"Do your due diligence," advises Michael Rodelle, director of real estate for the Papa Gino's Inc./D'Angelo Sandwich Shops franchise, based in Dedham, Massachusetts. "Get a demographic overview of the area you're looking at--age, income, households, etc."

In addition, you should look at neighborhood traffic generators, such as other retailers that draw people to the area, industrial or office parks, schools, colleges and hospital complexes. You'll also want to look at both highway and foot traffic. Carlos Silva, co-founder of Memphis Championship Barbecue in Las Vegas, learned all about finding a good location when he and his three co-founders (Dick Hart, Mike Mills and Dan Volland) opened their first restaurant in 1994. "We opened our first business in the middle of nowhere, and we had to work to get people to go to it," says Silva.

That's not to say it was a bad location--Silva says it fit in terms of the restaurant's theme. But it did require more of an effort to establish a presence. With three other locations now up and running, one of them inside a casino, the founders seem to have found their groove. "What we've done in Vegas is gone to each corner of the city," says Silva, who says the restaurants' sales have grown 25 percent over last year's, with 60 percent growth projected for 2004. "You're able to get to a Memphis restaurant within 10 minutes."

Look Your Competitors in the Eye

Many experts agree, though, that the answer to where you should locate is more straightforward than many entrepreneurs make it. "Quite simply, the best place to be is as close to your biggest competitor as you can be," says Greg Kahn, founder and CEO of Kahn Research Group in Huntersville, North Carolina, and a behavioral research veteran who's done location research for Arby's, Buffets Inc., Home Depot, Subway and other major and minor players. "Foot traffic is obviously important, but landing the 'perfect' customer is far more crucial. By being in close proximity to your competitors, you can benefit from their marketing efforts."

In other words, your competitors chose their locations based on the ideal demographics of a particular area, says Kahn. In many cases, they've also devoted large portions of their advertising budget toward driving traffic to their locations. "Why spend the money when they've already [spent it] for you?" asks Kahn. "It's that easy."

What's more, being located near your competition can be a boon to business, provided you're confident enough in your product to outsell your competitors. "Competition is good," concurs Blake Tartt III, president and CEO of commercial real estate firm New Regional Planning in Houston, known for his work on major malls and other commercial developments. "It makes the retailer or the restaurant better--competition breeds more business, more traffic, and that's a positive. If my clients are good, I tell them to go right up against the competition."

Of course, it's still a good idea to make your own evaluations of a particular property, even if your competitors seem to be thriving in the area. Staying ahead of the game in this regard will help your business grow should you decide, for instance, that you later want to open another location.

Do You Need Professional Help?

But your job isn't done even when you think you've found a good spot for your business. Negotiating a lease that works for you and your business is just as important as the location itself. "It's very important that you have a good lawyer who can negotiate your lease--that's another cost," says Tartt. Your attorney can help you look at things like the term of the lease, buildout allowance and the condition of the property.

He or she can also help you talk to the landlord so you ask the right questions. "Interview the landlord as hard as you look for the location," cautions Tartt. "You're marrying your landlord. There are a lot of unscrupulous [ones] out there--they tend to have a 'me' mentality."

Making use of a local real estate professional who understands your customers as well as you do is also a great idea. Depending on whether you're opening a food business or a retail store, you'll want to discuss things like the type of merchandise your target customers buy or the sort of food they like to eat. "I believe that in every town, there is some real estate professional who knows his or her city backward and forward," says Tartt. "The really with-it real estate person is studying all those trends, traffic patterns and demographics."

Having someone help you with your business plan before you even begin the location search can be invaluable as well. Entrepreneur.com has a guide to writing a business plan that offers information and resources to help you in this process, so that's a good place to start. A business coach or business plan consultant can also help you through this process; ask around in your network of colleagues for referrals, or check with your local Small Business Development Center for additional assistance.

"Know what your business plan [says] when you're looking for a location," says Tartt. "Know what your strategic objectives are."

Being aware of all the location costs involved with starting your business will do wonders for your ability to weather any storms that might--and likely will--come your way. Underestimating the costs and the time

involved with launching your business--especially when it comes to your location--is one of the most common startup mistakes, and one you can avoid if you plan properly. If you take into account everything from broker, attorney, engineering and architect fees to zoning and planning hearings, you can see that both the costs and the time to startup can vary widely.

The best advice? "Talk to other people in the business--learn from them what they've experienced, what the pitfalls are, what things to look out for," says Rodelle. "You've gotta do your homework. You can protect yourself and come out ahead."

Knowing What to Ask

Answering these 22 questions for each of the sites you're considering can help you decide on the best retail location for your business:

- ① 1. Is the facility located in an area zoned for your type of business?
2. Is the facility large enough for your business? Does it offer room for all the retail, office, storage or workroom space you need?
3. Does it meet your layout requirements?
4. Does the building need any repairs?
5. Do the existing utilities—lighting, heating and cooling—meet your needs or will you have to do any rewiring or plumbing work? Is ventilation adequate?
6. Are the lease terms and rent favorable?
7. Is the location convenient to where you live?
8. Can you find a number of qualified employees in the area in which the facility is located?
9. Do people you want for customers live nearby? Is the population density of the area sufficient for your sales needs?
10. Is the trade area heavily dependent on seasonal business?
11. If you choose a location that's relatively remote from your customer base, will you be able to afford the higher advertising expenses?
12. Is the facility consistent with the image you'd like to maintain?
- ⑬ 13. Is the facility located in a safe neighborhood with a low crime rate?
14. Is exterior lighting in the area adequate to attract evening shoppers and make them feel safe?
- ⑮ 15. Will crime insurance be prohibitively expensive?
16. Are neighboring businesses likely to attract customers who will also patronize your business?
17. Are there any competitors located close to the facility? If so, can you compete with them successfully?
18. Is the facility easily accessible to your potential customers?
19. Is parking space available and adequate?
20. Is the area served by public transportation?
21. Can suppliers make deliveries conveniently at this location?
22. If your business expands in the future, will the facility be able to accommodate this growth?

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