


1996

NF96-285 Setting Up Your Own Business: Selecting The Best Location For Your Business

Carol Thayer

University of Nebraska--Lincoln, cthayer1@unl.edu

Follow this and additional works at: <http://digitalcommons.unl.edu/extensionhist>

 Part of the [Agriculture Commons](#), and the [Curriculum and Instruction Commons](#)

Thayer, Carol, "NF96-285 Setting Up Your Own Business: Selecting The Best Location For Your Business" (1996). *Historical Materials from University of Nebraska-Lincoln Extension*. 232.

<http://digitalcommons.unl.edu/extensionhist/232>

This Article is brought to you for free and open access by the Extension at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Historical Materials from University of Nebraska-Lincoln Extension by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.



NebFact



Published by Cooperative Extension, Institute of Agriculture and Natural Resources,
University of Nebraska-Lincoln

Setting Up Your Own Business: **Selecting The Best Location For Your Business**

Carol Thayer, Extension Specialist, Small-Scale Entrepreneurship

Overview

A business location should be chosen with great care. Location and image are so tightly intertwined that the wrong location can undermine an otherwise sound business. Location is all-important for retail and hospitality businesses. For other businesses (craft, small manufacturing, some services), location is less vital. You may have the highest-quality product or the most helpful service, but if your business is not located in an appropriate, visible location, it may be even more challenging to make the business succeed.

The reasons for locating in a certain place vary with the type of business. For example, if you are opening a restaurant or retail business, you want an area where there is sufficient parking, a good flow of walk-in and drive-by traffic, and little competition.

If you are a manufacturer or wholesaler, you will be more interested in a site that is close to major transportation services, has a large pool of skilled labor available, is zoned for industrial use, and has the services you need. Home-based businesses in residential areas often are closely restricted. Check zoning regulations for the specific type of business you plan to open. If you are considering the purchase of an existing business property that currently is a non-conforming use, check with proper authorities about a continuation after the property is sold.

General Considerations

There are several things to keep in mind when researching a location for your business. These include:

- Population
- Market Trends
- Competition
- Traffic and Accessibility

- Building Layout
- Cost
- **Population.** You must identify your customers to meet their needs. Analyze past trends in population growth, concentration, buying habits, tenure (i.e., whether a family owns or rents a home/apartment), and other related aspects. The U. S. Census of Population offers data on past trends. Current estimates are provided by state and local agencies. Determine whether the population is stable, growing, or declining. Then make your own population forecasts based on current and past trends, zoning regulations, and city or county plans for their own community. Look for a location that meets your needs and provides market opportunities.
- **Market Trends.** Evaluate the community from a broad, futuristic perspective. Read local newspapers. Talk with other business owners in the area and appropriate elected officials. Make use of information available through the Chamber of Commerce. Is the community receptive to change and will a new business be welcome? Does the community depend on a single firm or industry? If so, is it prospering? Is there sufficient demand in the local market to support a new business?
- **Competition.** The type and number of competitors is another important factor. The presence of major retail centers, industrial parks, franchises, chain and department stores should be noted. Intense competition in the area shows that new businesses will have to divide the market with existing businesses. If you are not able to offer a better quality, competitively priced product, you might reconsider that particular location. An excellent location may be next or close to parallel businesses that will help you by attracting customers who also will patronize your new business.
- **Traffic and Accessibility.** These two factors are more important to some businesses than others. Consider the nature of the business you are planning to open and your potential customers. Large and small businesses must attract business from the existing flow of traffic. Study the flow of traffic, noting one-way streets, street widths, and parking lots. Consider the following factors: parking availability, distance from residential areas or other business areas, traffic congestion, side of street, width of street, part of the block, and neighbors. Evaluate how accessible the site is for walk-in or drive-by traffic as well as the amount of foot traffic and automobile traffic that goes by the proposed location. Your objective is to count the potential customers passing by a location, both pedestrian and vehicular.
- **Building Layout.** Record the age and condition of the building, condition and adequacy of all mechanical systems, remodeling needs, storage availability, and security needs. Consider costs related to changes in layout. If these costs are high and you must pay them, you may need to consider another location. Lease and purchase agreements are critical. The lease agreement assigns rights, duties, and responsibilities of both the owner and the tenant. Typically, lease agreements state the duration of the lease, allowed uses of the property, restrictions on alterations and improvements to the property, responsibility for the cost of utilities, responsibility for maintenance and repair, and other conditions related to insurance, payment of expenses, renewal of the agreement provisions, etc.
- **Cost.** Making a decision on cost considerations alone is risky. Weigh the advantages and disadvantages of buying or renting a site. Space cost is a combination of rent or mortgage payment, utilities, leasehold improvements, general decorating, security, insurance, and all related costs of having a place to conduct your business. Savings in rent costs will not make up for the wrong location.

The location of the business speaks loudly to customers, and if it says the wrong things you will lose sales. A location choice is not easily changed once you have committed yourself to it. Choose carefully, with your customers' needs and habits in mind. It is more important for your customers to approve of your location than for you to like it.

Retail Location Considerations

The success of a retail store lies in its ability to attract customers. The store must be convenient for customers to access if you have many competitors. The type of goods being sold determines how close a business should be to the customers. Stores that sell *convenience goods*, such as candy and snack items, need to be located in high traffic areas. Businesses selling *shopping goods*, such as appliances and furniture, can be successful on secondary streets, since customers will make some effort to search them out. *Specialty goods*, such as jewelry or health foods, can be sold by stores "off the beaten path," since customers are often willing to travel for the right item.

Complete the "general location checklist" before deciding where to locate your business. In addition to the considerations on the checklist, it is important for a retail business to carefully study the interior layout and design of a building.

Interior Layout and Design

The proper display of merchandise can maximize sales and make shopping more convenient for the customer. The convenience and attractiveness of a business contribute to a customer's continued patronage. An efficient layout also contributes to operating economy. Layout influences the protection of the store's equipment and merchandise.

The flow of customer traffic must be anticipated and planned. One layout plan is block-like, similar to supermarkets and hardware stores. It provides more merchandise exposure and simplifies security and cleaning. A free-flowing pattern makes less efficient use of space but has greater visual appeal and allows customers to move in any direction at their own speed. It results in curving aisles and greater flexibility in merchandise presentation.

Many retailers use a self-service layout which permits customers direct access to the merchandise. Not only does self-service reduce the selling expense, but it also permits shoppers to examine the goods before buying.

Some types of merchandise are purchased on an impulse basis. Impulse goods should be placed at points where customers can see them easily. Products which customers will buy anyway and are their primary reasons for coming in may be placed in less conspicuous spots.

The areas of a retail store differ greatly in sales volume. Customers typically turn to the right upon entering a store, and so the right front space is the most valuable. The second most valuable are the center front and right middle spaces followed by the left front and center middle spaces. The left middle space is fourth in importance. Since the back areas are the least important so far as space value is concerned, most service facilities and the office are typically found in the back of the store. The best space should be given to department or merchandise producing the greatest sales and profits. The first floor has greater space value than a second or higher floor in a multistory building. Generally the higher the floor, the lower its selling value.

Always have your retail area clean and professional looking. Customers, vendors, and suppliers form

initial impressions of a business by what they see when they drive up or walk by, and by what they see when they open the door for the first time.

Respond to whatever is most important to your customers. By doing so, you will capitalize on the most important aspects of a business location and appearance.

Non-Retail Location Considerations

If you will have a manufacturing, wholesale, or mail order business, then your location considerations will be different from those for retailers. You will not rely heavily on foot traffic or walk-in customers, but will need to look more at the physical aspects of any site to ensure it meets all your business' needs.

Does the site have adequate service by the modes of transportation you will be using for your business? Determine the support services needed for your business operations, and decide whether the business location will be convenient.

Does the building have sound structural design, adequate lighting, enough space for start-up operations and room for growth? Is there enough power capacity for your company's needs? Are there plenty of electrical outlets, phone jacks and lines to handle telecommunications? What about employee restrooms, break areas, and/or designated smoking areas?

Secure information on the capacity of utilities (gas, electricity, water, sewer, telephone, public services, fire protection, public safety, emergency medical care, etc.) and decide on their adequacy for your business. Do streets, roads, and bridges have weight limits and traffic capacity that will allow easy shipment in of raw materials and shipment out of products?

Is there a labor force in the area that has the skills your business requires? Identify neighbors and determine whether they will be competitors or compatible with the business.

Home-Based Business Considerations

Before you get down to work in a home office, check what your community requires concerning licenses, permits and zoning regulations for the business you are planning. Contact your city or town hall or the appropriate regulatory agency for information about any occupational license you may need. Zoning regulations are designed to protect neighborhoods from annoying noise, traffic, odors, and other things that would tend to bother people where they live. Zoning is regulated at the local level and varies depending upon the nature of the business and the neighborhood in which you live.

Another area that should be checked out is signage. There may be limits on the signs you can put up on your property. Use good judgment and check out the laws that apply. If local limits on signs appear to be too restrictive, consider applying for a variance that, if approved, will allow you to adequately identify and advertise your business.

It is important to choose the right office location within the home, but it is equally important to design the right setup for the business functions you will have to perform. If possible, it is best to work in a room with a door and to establish firm rules about visiting. You may have to start with a small corner of a room but plan ahead for the time when the business will grow and allow the opportunity to invest in new equipment and furnishings. A home office today can match any other office in layout, design and technology.

You may need a waiting area. You may want a completely private place for meetings with customers. Try to design an area to accommodate them while not disturbing the normal operations of your house. This can be enhanced with a separate entrance to the business.

GENERAL LOCATION CHECKLIST

Population Information

For population information, I will contact:

- | | | |
|----------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------|
| <input type="checkbox"/> Chamber of Commerce | <input type="checkbox"/> Real Estate Agent | <input type="checkbox"/> Bureau of the Census |
| <input type="checkbox"/> local planning and zoning board | <input type="checkbox"/> county clerk's office | <input type="checkbox"/> public library |
| <input type="checkbox"/> city or town hall | <input type="checkbox"/> local bank | <input type="checkbox"/> local newspaper |
| <input type="checkbox"/> business organizations | <input type="checkbox"/> local economic development agency/corporation | |

The population is: growing declining stable.

Residents living near the location are generally:

- | | | |
|---------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------|
| <input type="checkbox"/> young adults | <input type="checkbox"/> middle-aged adults | <input type="checkbox"/> elderly adults |
| <input type="checkbox"/> person of almost any age | <input type="checkbox"/> children | <input type="checkbox"/> teenagers |
| <input type="checkbox"/> college students | <input type="checkbox"/> commuters to jobs away from this location | |

Income levels in this area are generally: low middle high.

Market Trend Information

Progressiveness of the community:

- | | | |
|-----------------------------------------------------|----------------------------------------------|----------------------------------------------------|
| <input type="checkbox"/> promotes business activity | <input type="checkbox"/> receptive to change | <input type="checkbox"/> open evenings (retailers) |
| <input type="checkbox"/> open Sundays (retailers) | <input type="checkbox"/> other _____ | |

Names of new businesses opened during the past twelve months:

Major employers in this community are:

Anticipated growth in the area around this potential site is: residential commercial
 industrial

What business trends are occurring in the community in which you are considering locating your business?

Competition Information

Using a map, place an "X" where the competitors are located. Circle areas where you feel the best potential sites are located.

Complete an analysis of each competitor:

Name and address of competitor

Hours of operation:

Days open for business:

Prices: fair competitive discount high varies

Advertising:

- TV Radio Newspaper Magazine Direct Mail
 Catalog Billboard Newsletters Signs
 Yellow pages Cooperative advertising Specialty Advertising

Your evaluation:

What can you do better than this competitor?

Traffic and Accessibility Information

The following factors are critical to my business location:

- parking availability distance from residential areas distance from business areas
 traffic congestion side of the street to locate on width of street location on block
 appropriate business neighbors public transportation

For each potential site, answer the following:

- High traffic area? Easy access by car? Adequate parking? Free parking?
 Time limit on parking? Easy to find? Appropriate signage? Decorated appropriately?

I can obtain traffic count information from:

- state highway department county highway department city offices personal observation

A normal shopping situation occurs at:

- time of day day of week week of month season weather conditions.

Building Layout

Age of the building: _____

General condition of the building:

Condition and adequacy of mechanical systems: electrical plumbing
 heating and air conditioning telecommunications

Remodeling: not needed necessary. Whose expense?

Features: doors large enough to bring in necessary fixtures and/or inventory public lavatories
 storage space security system fire, smoke alarms or sprinkler system
 free of safety hazards break areas designated smoking areas room to grow
 shipping and receiving area to accommodate transportation services display area.

List other special features which make this location attractive for your business:

Cost Considerations

The monthly cost of business space will be: rent/mortgage _____ utilities _____
 improvements _____ decorating _____ security _____
 insurance _____ other _____

If I decide to lease space, the agreement includes the following:

- length of lease option to renew option to purchase
- amount of rent and when payable description of space I am leasing
- any restrictions on remodeling or other modifications to the interior
- any restrictions on posting of signs on outside of building or surrounding yard
- protection from co-occupancy or nearby occupancy by competing businesses
- landlord responsibilities regarding improvement for fire, health, and safety issues
- insurance requirements for landlord and tenant
- status of tenant, if space is sold subletting arrangements

File NF285 under: CONSUMER EDUCATION

E-15, General

Issued June 1996

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Elbert C. Dickey, Director of Cooperative Extension, University of Nebraska, Institute of Agriculture and Natural Resources.

University of Nebraska Cooperative Extension educational programs abide with the non-discrimination policies of the University of Nebraska-Lincoln and the United States Department of Agriculture.