Everything you need to know to run your business in today's economy

A MONTHLY GUIDE TO POLICIES, PROCEDURES, AND PRACTICES

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REMOVE BOOKLET ALONG DOTTED LINE

HOW TO: PICK A SITE FOR YOUR BUSINESS

"Product, price, place, and promotion" goes that staple of Marketing 101, the four *P's* that are said to influence consumer purchasing decisions. The third on the list, *place,* tends to get short shrift—all too often, the location of a business is an afterthought or a decision made out of expediency rather than after careful consideration. But a location can have longer-lasting consequences than the other *P's.* After all, a lease can lock you into a bad decision for up to five years; a purchase, longer still.

One common misstep, especially problematic for businesses that sell directly to consumers, is simply defaulting to the cheapest place available to keep overhead low. Containing costs is important, but smart retailers remember that they make money from sales and that no amount of advertising or public relations can make up for a lousy location.

In recent years, site selection has been practically transformed from an art to a science, thanks to extensive demographics databases and elaborate computer modeling programs. These pages will introduce you to those tools, in addition to recommending a step-by-step approach to finding the right location for your business. Retailers generally face the most complicated decisions, but we will discuss strategies for finding office and industrial (or commercial) space as well.

LOCATION, LOCATION, LOCATION

1 Assess Your Needs

Retail space is for retail. The amount of space you will require and how you will configure it naturally vary by the nature of the business and the amount of inventory you need to display. Yet businesses across the retail spectrum tend to make a common mistake: filling that prime space with storage areas and offices. "Retail space is expensive," says Ned Harper, director of the Daytona Small Business Development Center and a former small-business owner. "You have to maximize your return on the investment per square foot."

If possible, Harper suggests, use separate, low-cost rental space elsewhere for distribution systems and offices. Tony Presti, a business adviser at the Farmingdale, New York, Small Business Development Center, recommends that at least 80 percent of retail space be used for merchandising.

Pay for the offices you need. Office space falls into one of three general categories. Class A space is in the newest, most expensively appointed buildings, usually found among the downtown skyscrapers and occupied by the community's most prestigious businesses. Chances are you don't need Class A space. Class B buildings are generally older and have fewer amenities but are still quite nice. If clients or investors will frequently visit, this kind of space can make you look respectable but still thrifty. Class C space is the most common and is usually occupied by small businesses. It includes suburban office strip centers. It usually comes with no amenities and is often much older. Particularly if clients will rarely visit, this is probably the way to go.

The rule of thumb when seeking office space is that each employee requires from 200 square feet to 250 square feet, though this will vary by use. A call center, for example, will require less. An organization that employs a lot of professionals, like lawyers or architects, especially those who host clients in their offices, will often require more.

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Plan for growth. Businesses, particularly young companies, should be extremely wary of taking on more space than they need. But they should have a plan for where they will be three or five years out. Sometimes you can use a lease to arrange options that allow your business to grow without having to move.

2 Pick a Neighborhood

Offices with little customer contact and industrial companies have it fairly easy in this stage. Such companies can choose a location that's most convenient to the owner or employees.

A business that sells a product or service by interacting with consumers, by contrast, usually needs to be near those buyers—as many of them as possible. Ensuring that requires research and some demographic analysis.

Lay the groundwork. Knowing where your customers are requires knowing who they are (see "How to Know Your Customer Better," September). If you don't know your customers (or don't have any yet), spend some time in the parking lot of a close competitor. "See who walks in the door," recommends Harper. "Are they men or women? Are they older or younger? What kind of cars do they drive?" Presumably, your competitor's clientele will—or should—resemble your own.

Next, estimate your trade area, the distance customers are willing to travel to your shop, which is usually a radius of several miles. This will vary greatly by the product, the number of competitors in the area, and the market. Local "economic gardening" offices, such as development organizations and Small Business Development Centers, can often assist with more sophisticated analysis.

Do the demographics. Demographic data can tell you several key things about the trade area that rings a prospective location. First, the data can detail, with remarkable precision, how much consumers in the area spend on your specific product or service. Next, the data can describe the residents—how old they are, how well educated, how much money they make, and how they spend their money, among many other characteristics. When you know the traits that define your customers, you can then see how well they are represented in the area you are considering. Demographic data can also tell you how many competitors ply the trade in that trade area.

Harper suggests choosing a successful competitor and running a so-called ring study, a demographic analysis of the area around the competitor. The data can serve as a benchmark against which to measure your prospective trade zones. Economic-gardening organizations will often run the report for you for free.

3. Home In on a Property

Traffic counts. When you are considering a location, it's not just the number of passing cars that matters; it's also where they are headed. "If you're a breakfast place, for instance, you want to be on the side of the road that heads toward the urban center," says Andy Fried, a consultant at the Kennesaw State University Small Business Development Center and a commercial landlord. And if you are a dinner place, you want to be on the opposite side. Get detailed traffic-pattern information from your state department of transportation.

Avoid roadblocks. Study the roads around and leading into a prospective site—you want ingress and egress for the site to be as painless as possible. A nearby traffic light is ideal; divided roads without a nearby light can be deadly. So can dead-end and one-way streets.

Hitch your wagon to others. A retailer, says Fried, will benefit greatly from locating in a center with a popular anchor. After all, as Harper notes, "the big guys —Target, Wal-Mart— have whole teams that research this sort of thing." If you can't match their effort, you can at least borrow from it. Some experts recommend locating close to your largest competitors simply to piggyback on their marketing efforts.

Similarly, locating near other stores that market to the same consumer, even if they sell different products, helps all the businesses draw those customers in.

CREDITS AND CONTRACTS

States and localities often offer abatements and incentives to build in certain—often struggling—communities. For information on those incentives, check your local Small Business Development Center. The federal government also wants to encourage investment in those neighborhoods. Here are several inducements:

Empowerment Zones and Renewal Communities: These programs provide tax credits for businesses that locate in any of the more than 80 specially designated distressed communities.

The tax incentives include credits for employing residents, enhanced deductions for expenses, opportunities to take advantage of tax-exempt bonds, and special treatment for capital gains. These incentives are scheduled to expire at the end of 2009, but efforts are under way in Congress to renew them. Thumbnail guides are available at HUD's Office of Economic Development webpage (*www.hud.gov/offices/cpd/economicdevelopment*).

HUBZones: This program, administered by the Small Business Administration, provides federal contracting opportunities for businesses in so-called historically underutilized business zones. These are areas that suffer from especially high unemployment rates or low household income. (There is some overlap between HUBZones and Renewal Communities and Empowerment Zones.) Besides locating in a HUBZone, a qualifying company must hire residents of the zone. Under the program, an agency that awards contracts must attempt to award 3 percent of contracting dollars to HUBZone firms. These can include sole-source contracts of up to $3 million or $5 million for manufacturing industries. Learn more at *sba.gov/hubzone*.

NOTES:

LOOKING FOR PARKING

Typically, a commercial lease will specify, at a minimum, a certain number of reserved parking spaces per some amount of square feet (at strip centers, these could be the spaces immediately in front of the store) and perhaps unreserved spaces as well. But, as Obie Greenleaf Jr., a broker and director of the Small Business Development Center in Cedar Hill, Texas, points out, when it comes to parking, "there's never enough."

A high-volume business, such as a restaurant, needs more parking spaces than, say, a specialty retailer. Take note of your prospective neighbors and their needs. Andy Fried, the business consultant and landlord, describes a local Panera Bread that didn't. "You go in there during lunchtime, and it's nearly empty because there's no parking!" he says. "I know people who want to eat there, but they can't find a place to park, so they go somewhere else."

Resources

ESRI (**esri.com**) and EASI Demographics (**easidemographics.com**) offer demographic analyses for a fee.

Many public libraries and local economic-gardening organizations—including Small Business Development Centers, chambers of commerce, and economic development groups—offer free or discounted access to demographics databases.

Empowerment Zones and Renewal Communities are listed at **www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/index.cfm.**