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Business Balance

It's all about location, but how do you find the best site?

Lots of homework, analysis should precede a decision

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Realtors, businessmen and property owners constantly talk about one of the most recognized, overused and least understood phrases around: Location! Location! Location! When this important attribute is the topic of conversation, what exactly are people alluding to?

Here's some insight into how smart location decisions are made.

The very first commitment an individual or business needs to make is a willingness to undertake a significant amount of homework. This means conducting research, doing fieldwork over an extended period of time and talking with people already operating a business within the desired area.

Obtaining detailed demographic information for the trade area surrounding a prospective site is a good starting point. The best sources for such key information are commercial Realtors and market research companies. For businesses which are convenience-oriented, demographics for the 1-3 mile ring area are recommended. For destination uses, demographics encompassing the 1-5 mile ring area are more appropriate.

While both daytime and nighttime demographic information is useful, learning as much as possible about the population living within a particular area is usually what most businesses are interested in.

It is absolutely critical that fieldwork not be overlooked, and that it be completed in both a timely and comprehensive manner. One of the first things which needs to be determined is whether a prospective site passes what can be called the TVA test.

T stands for traffic. You want to be able to document the fact that adequate volumes of slower moving, uncongested traffic constantly drive by your location.

The V stands for visibility. It is essential that the site offer excellent visibility for the freestanding, end cap, or in-line space you are considering. You should document visibility by taking photos every time you make a site visit.

The A stands for access, the ability of customers to enter and exit your site easily and safely is extremely important.

Many other key site selection variables also need to be evaluated: lot frontage, building frontage, signage and window area. Of critical importance is the availability of not only sufficient but conveniently situated parking. Be sure to identify your competition, as well as major traffic generators, especially anchor stores. Similarly, it is useful to understand the importance of road connectivity and synergy, as well as the size, extent and nature of an area's nearby commercial critical mass.

While difficult, obtaining reliable sales revenues for key retailers and restaurants in the surrounding area can be an excellent indicator of potential performance.

Whether you are contemplating buying or renting, it is important that you have a reliable mechanism in place for projecting future sales. Your ability to estimate future revenues will mean that you will be able to gauge potential profit levels, as well as how much you can realistically afford to spend on monthly expenses such as mortgage payments or rent, real estate taxes, insurance and maintenance.

Knowing which side of the street you should locate your business on can be very important. As an example, coffee, bakery and dry cleaning businesses typically appeal to the morning commuter and therefore favor the going-to-work side of the street. On the other hand, banks, grocery stores and restaurants typically prefer locating on the going-home side of the street.

One of the most important but most neglected activities a company can undertake is conducting customer surveys. Some of the more meaningful questions you should seek answers to are: How many minutes did it take you to drive here? What are the closest intersecting streets to where you live? What is your ZIP code? Did you visit today on your way to or from work, home, shopping, or running errands? How many times a month do you frequent this place of business? How would you rate the quality of service you received?

Once you have answers to your survey questions you should conduct a thorough analysis of the information. Next, you should take the time required to complete a customer spotting map. Not only will you gain a good understanding about which geographic areas your business is drawing from, but you will now be able to accurately identify the extent of your primary customer trade area.

Upon completion of this important two-step process you will be in a much better position to begin making smart location decisions.