



AN ENTREPRENEUR ACADEMY WORKBOOK
THE RIGHT LOCATION

Lesson 6: Choosing the Right Location

“There are three things that matter: location, location, location.”
- Lord Harold Samuel

In the old days, a new business meant a storefront. But now storefronts can be virtual, new business enterprises can be run out of a spare bedroom, or they can move into a makerspace or co-working space. We'll examine the many options and walk you through the good, the bad and the ugly of each.

O.K., so Lord Samuel was talking about property, not a business. But the logic is the same. Choosing the right location can be a key to your success since it has a direct bearing on your budget, marketing, logistics, connectivity, workforce and customers. There are lots of choices these days, from coworking spaces, maker spaces and commissary kitchens to accelerators, incubators, and, of course, good ol' brick and mortar.

In the ensuing sections, we will walk you through the advantages and disadvantages for each. Don't worry, you don't have to pick just one. Over the course of your business' lifetime, you may move from a spare bedroom to a coworking space to a bricks and mortar. There's no direct pathway to business growth and know your options will help you maximize your growth potential without bursting at the seams.

Working out of the home

Before we move through some of the newer options out there, let's look at the tried and true way of starting a business – the home. More than 50% of all small businesses have been started in a home. Google, Apple, Amazon, Microsoft, Hewlett Packard and Disney were all started in a garage, basement or spare bedroom.

There are a lot of upsides to starting out small and at home, but it's not for everyone. If you're serious about basing your business out of your home, even if it is just temporary, here are some things to consider:

Mindset. Running a business out of your home can be filled with distractions, from the warm bed in the next room to the TV and refrigerator upstairs. If you've telecommuted during the pandemic, you know how distracting

the comforts of home can be. Ask yourself if you have the discipline to maintain focus.

Separating life and livelihood. No business is 8 to 5, especially in the beginning. But you need to find a comfortable balance between work and play and set boundaries from the get-go. Checking your email every five minutes because a big project is supposed to get the green light is fine now and then, but not day in and day out. A business can be a very cruel mistress, one that can severely affect your home life and relationships if you let it.

Customer comfort. Thankfully, this isn't as big of an issue as it once was. Coworking spaces (more on these in a minute) and local coffee cafes allow you to meet in a more professional, or at least less personal, place. Nothing says amateur more than a two-year-old wandering into a meeting or having your prospect distracted by your pirate-themed basement.

Using words wisely. Running a business out of your home may freak some people out. You can compensate for it by using corporate vocabulary as you conduct business at home. Things like "I'm in the cafeteria" instead of "the kitchen" and "fulfillment center" instead of "garage." It's O.K. to sound like you're larger than you are, as long as you don't lie if someone asks you where your business is located.

Space to spread out. You want to find a dedicated space to run your business, ideally one with a door. A garage can work too, especially if your business sells products that are warehoused and shipped. Keep your office out of the main bedroom. Boundaries, remember?

Advantages of a Home-Based Business

- You can run it part-time.
- There's no commute.
- Startup and operating costs are low.
- Work hours are flexible.
- There are home office tax benefits.
- You can work in your jammies.
- Family members can help out in a pinch.

Disadvantages of Home-Based Business

- Space can be at a premium, especially if your business and family are growing at the same time.
- Family life can be disrupted by tight deadlines and the need to have "quiet time" for a meeting.
- You can feel isolated and lonely, ending up in a rut because you lack networking opportunities or social interactions.
- Balancing family and work demands can be difficult, such as keeping on task when the kids come home from school and want to tell you about their day.
- Neighbors may begin filing complaints if you have too many customers visiting your home.
- It can be hard to establish consistent working-at-home patterns.
- Customers or clients may feel uneasy about meeting in your home.
- Did we mention the refrigerator?

The Away Game

Not every business can be run out of the home, even in its earliest days. In the past, this meant renting a commercial or retail space. But these days, there are lots of different options to explore, and conceivably your business could move through several of these options as you grow.

In making a final decision, here are some things you want to consider:

Branding. Will the location be consistent with the image you're trying to create or maintain? It may not make sense to open a hip coffee café across from Starbucks or a dollar store in an affluent neighborhood. Location can influence how your brand is perceived, and you want

your location and brand to align as much as possible. Our SizeUp tool (www.MyStartup365.com/tools/sizeup) can help you with this.

Competition. Who are your competitors and where are they located, especially in terms of potential customers? Remember that your competitors may not be the obvious ones. You may be the only Mexican restaurant in town, but other eateries are also competing for your customers' discretionary income. Commerce's SizeUp tool (www.MyStartup365.com/tools/sizeup) can help you assess the complete competitive landscape.

Local labor market. You can find the ideal location, but without the right workers, you are courting failure. Before you sign on the dotted line, make sure there are workers within a reasonable distance to meet your current and future needs.

Growth potential. If your business is going to grow, can the space grow with you? Going from a coworking space to commercial space is relatively easy, but it's not easy to kick out a wall in a brick and mortar retail space when you need to expand.

Zoning. Make sure your space has the right zoning for the type of business you plan to operate. While you're at it, see if there are any local, regional or state projects in the works that may involve the property. You don't want to move in and then find out that the landlord is selling the property to a major developer who has other plans.

Safety. No matter how wonderful your business is, potential employees and customers will shy away from you if you're in an area where they don't feel safe and secure.

Hidden costs. Few spaces are turn-key. Identify any hidden costs related to renovations, signage, broadband connectivity, upgrades, etc. You may want to have an attorney look at the lease to make sure you cover all the bases before agreeing to a lease or purchase agreement.

Coworking Spaces

A coworking space is a shared workspace. This option allows you to have the perks of a regular office – meeting space, office equipment, a kitchen, and sometimes administrative support – in a convenient space shared with other small business owners. This proximity to like-minded professionals opens the door to new partnerships or even clients. Coworking spaces can also combat the feelings of isolation and loneliness some feel when working at home.

One of the great things from a startup standpoint is that you can choose a coworking space plan that meets your needs and budget. You can start with a shared desk space to save money and move into a private office as you grow. Rentals are by the month or year, depending on the coworking provider and its business model. Many coworking spaces offer ala carte services, such as a virtual receptionist who will take messages or a package reception service.

Coworking spaces are ideal for freelancers, gig workers, startups and entrepreneurs who need a professional office space at an affordable rate. It also works well for home-based businesses in rural and suburban areas that need to meet occasionally with clients in urban centers.

Commerce has an online map of coworking/maker, incubator and accelerators to help you find one near you.

Incubators

Incubators are geared toward startups and early-stage companies. Some of these are located in physical spaces, much like coworking spaces. Others are virtual, providing business owners with mentorship and coaching remotely.

Joining an incubator is a lot like applying to a college program. You apply to the incubator and once accepted into the program, you

are expected to follow a schedule to meet identified and agreed upon benchmarks. You will be asked to commit to a particular length of time, usually one to two years.

Incubators are an excellent place to refine your business strategy and plan, work on product development, identify potential intellectual property issues and network with other startups. Some incubators offer to invest in new startups, either as a loan or in exchange for equity. Incubators may also offer workspace to the company and share resources among several startups to increase synergies and spur innovation.

One of the most significant benefits of an incubator is mentorship. Seasoned business professionals provide coaching to help the business get off the ground, perfect its pitch and connect with investors.

On the upside, incubators help you become disciplined in your business since you sign on for a specific period of time and agree to a schedule with agreed-upon benchmarks. On the downside, you lose some control over your vision and your time isn't always yours.

Before you apply, always do your homework. Here are some tips on how to select the one that's best for you.

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Accelerators

Starting a business is hard work. Accelerators provide startups a range of support services and funding opportunities to help increase the odds of success. In contrast to incubators, venture capital is usually part of the deal. You get capital in exchange for equity. A typical startup stays in an accelerator program for three to four months before "graduating." As such, development timelines can be very tight, and the pressure to perform intense.

Accelerators are attractive because of the expertise you can access. These organizations are run by experts who make their living helping startups master their initial hurdles and are available day in and day out to provide guidance and counsel.

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Maker Spaces

Maker spaces take many forms, from ones found in schools and libraries to full-scale maker spaces that offer members the latest and greatest in technologies and tools, such as 3D printers and laser cutters.

With the onset of the pandemic, maker space models are changing. Some are still doing well with the traditional model, but others are modifying their business model to include space for startups as well as classes and workshops to make the math work out.

One of the advantages of these spaces is that other entrepreneurs and startups share the space with more traditional craftspeople and artisans, creating a unique environment that spurs additional innovation and ideation.

Maker spaces often have specialties. For instance, some are focused entirely on tech or electronics, while others specialize in advanced manufacturing or traditional craftsmanship. Still others are focused on the arts, giving artists and sculptors the space they need to explore the business potential of their respective craft.

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Commissary Kitchens

If you are in the food business, you have other options. Whether you're thinking about buying a food truck or want to sell the best

cheesecake on the planet to local restaurants, a commissary kitchen may be the answer. These commercial-grade kitchens allow you to prepare food items in volume while adhering to all the preparation and health regulations related to the preparation, storage and sale of food products.

Before we go further, we should remind you that Washington also has a Cottage Foods program that allows you to produce some products at home. Cakes, loaf breads, rolls, pastries, cookies, cereals, trail mixes, candies, snack mixes, jams and jellies, small-batch roasted coffee and other items can be prepared in your own kitchen. Sales cannot be more than \$25,000 annually and products must be sold directly to the consumer, not in retail outlets or to wholesalers. Local city and county laws and regulations related to operating a business out of your home may apply.

Commissary kitchens are usually priced by the hour, though you may find a better value in a month-to-month arrangement or membership, depending on the kitchen. A lot of equipment comes with the rental, saving you time and money, especially if you are just starting out and are thinking of leasing a brick and mortar space instead. In addition to the equipment – much of it specialized or built for volume work – these kitchens have refrigeration and freezer space as well as storage, so you don't have to cart your own ingredients and utensils back and forth each day.

These co-cooking spaces also let you interact with other entrepreneurs and foodies. Seasoned food business professionals and chefs can help you navigate the industry and regulations, along with providing helpful tips. You can also combine ingredient orders with other food businesses to secure bulk pricing. On the downside, you may find space limited to spread out in a busy kitchen, and if you're developing the next big thing in food, privacy is a concern. You are also stuck with the

equipment they already have on hand, and renting additional space as you grow can get expensive. This can strain the budget as you try to keep up with growth while moving to a food truck or retail space.

Commercial Space

There are three kinds of commercial property: office, industrial and retail. Each has its own unique place in the world. Since we're dealing with startups and entrepreneurs, we'll stick with the office and retail spaces rather than industrial space. Your choice depends on the kind of business you plan to run, your budget and the business model.

Retail space is built with foot traffic in mind. As such, the cost per square foot is higher than office space. You may find retail in strip malls with anchor tenants, along main street or in smaller commercial developments around town. Visibility and proximity dictate price as much as the actual square footage. As you look at retail, think about accessibility, i.e., how easy it is to get to, even if it's on a busy street; parking, including the number of spaces, location and visibility, and how easy the casual passerby will see your business on a busy street. Again, our handy SizeUp tool can help you get an initial lay of the land so you can scope out possible locations. Our property search tool will help you drill down to specific properties that are available for lease or purchase.

Office space is less expensive per square foot because there is less risk involved and your location doesn't depend on foot traffic. In many communities, retail and office space occupy the same building, with retail on the ground floor and office space above it.

When choosing a commercial space, you want to consider:

- **Access** – What is the parking situation? Do you have assigned spaces? Is there street parking? Pay parking? Is there a delivery bay or dock? Is the lot or garage open at all

hours? If not, what are the hours?

- **Neighbors** – What are the other tenants like? Moving your meditation business in next to a gun range is probably not going to turn out well.
- **Foot traffic** – If your business depends on passersby, how is the visibility? How much traffic goes by on a given day? Is it just during the day or the evening too?
- **Competitors** – Where are your competitors located? Sometimes, being near them will increase traffic in your business. Other times, you want them out of sight and out of mind.
- **Zoning** – Is the zoning compatible with your intended uses? What additional permits are needed? Are there any regulations unique to the space you want to lease, buy or rent?
- **Safety** – Will workers and customers feel safe coming to your business? What are the crime rates like? What type of crime is it?
- **Proximity** – How far is it from your home? The space may be perfect for your needs, but if the commute is long and arduous for you or your employees, it may not be the great deal you think it is.
- **Room to spread out** – The square footage looks good, but will it accommodate growth? Is there a bathroom? What about storage? What is the overall condition of the space? How are the plumbing and electrical? How fast are download and upload speeds on the Internet? Who pays for what repairs or upgrades? Are any utilities included in the lease?

Work Assignments

1. If you're thinking about a home-based business, at least at the start, visit the [IRS Business Use at Home](#) page to understand the guidelines and allowed tax deductions.
2. If you are unsure of the financial implications of one location type over another, make a list of costs for each along with the advantages and disadvantages for comparison purposes.
3. Use our [SizeUp](#) tool to compare different locations in a business district, using the data tools to configure projected revenue, overhead, and customer demographics.
4. Adjust your data to see how changes in revenue or overhead are affected by a particular property. You can alternate between [SizeUp](#) and our [property search tool](#) to identify pricing for specific properties that may be available.
5. If you've decided on office or retail space, use the [property search tool](#) to refine your search and target initial properties in your desired location. Compare spaces, amenities and terms. Enter the addresses into [Google Maps](#) to see where your competitors are.
6. If a coworking, maker space, accelerator or incubator seems like a good fit, see if there is one near you using our [Workspace Map](#).
7. Go window shopping. Drive to the locations you have targeted. What is the general condition of the building? How safe is the surrounding area? What is parking like? Be sure to visit locations during regular business hours. Parking may look wide open in the evening, but there may be no spots left in the morning when commuters and ferry riders head off to work.



