

BUSINESS LOCATION

Selecting the Community

Before products and services can be distributed or marketed it is necessary to know where the potential customers are. Choosing the right location for one's business is usually a deciding factor in its success or failure.

In deciding on a location for a business, two steps are required:

- 1) Selecting a particular community
- 2) Choosing a site within the community

In selecting a community in which to locate a retail, wholesale or service establishment following factors should be evaluated.

Customer Demographic Characteristics: Prospective entrepreneurs must first decide what class and type of customer they wish to serve. When this is known, the community can then be evaluated in terms of its demographic characteristics like purchasing power of the potential customers, types of residences (rented or owned), their kind of work, their means of transport, their ages, their family status, their leisure activities. Conversely, these entrepreneurs once established, must then be aware of the same customers characteristics, because as communities change and customers change, the business owners must be prepared to change their locations. Failure to follow these courses can mean reduced profits or business failures.

Local Economic Base: A community's economic base determines to a great extent the opportunities that exist for the small business owner in a particular place. It is the purchasing power of the community that is of utmost importance to the entrepreneur in retailing and contract

construction and in the service trades. The success of these kinds of businesses will in turn provide opportunities to the local wholesalers and manufacturers who serve them.

Population & Income Trends: Can be evaluated by studying available census data and other business statistics. However, one can also learn a great deal about a community by looking and listening. Some danger signals are:

- * The high school graduates leaving the community to find suitable employment else where.
- * The inability of other residents to find jobs locally.
- * Declining retail sales and industrial production.

Favourable Signs are:

- Chain or department store branches
- Branch plants of large industrial firms
- Progressive Chamber of Commerce and other civic organizations
- Good schools and public services
- Well maintained business and residential premises
- Good transport facilities to other parts of the country
- Construction activity accompanied by an absence of vacant buildings and unoccupied homes or houses for sale.

Competition: Many lines of business do well if located in a market or shopping centre with the right type of competitors. In contrast to this small grocery wholesale intent on serving the local market would view the presence of many alert competitors as undesirable.

Social and Business Climate: A progressive city will provide the best business opportunity.

For merchandising establishments, the appropriate site within the community or its environs - whether a downtown, neighbourhood, shopping centre, or main road - is determined by the type of goods sold, the class of customers served and convenience for the customers in relation to the rent they will pay, the amount they will advertise, the prices they will charge, and the nature of their business.

Industry: For manufacturing establishments, pertinent site factors include :

- land values,
- room for expansion,
- room for employees,
- parking,
- waste disposal,
- railway stations or main road access.
- All businesses of course, are subject to local by-laws and regulations.

In addition, the factors important for a manufacturing unit include:

- proximity to the sources of raw materials
- proximity to market
- availability of infrastructural facilities like transport, electricity, water, gas, housing, schools, telecommunication, hospitals, etc.
- and availability of technical and managerial man power.

Personal Factors

Entrepreneurs normally prefer to locate their business at a place which is convenient to them and in an area they know. Other factors that influence their decision include :

- desire to be amongst friends and family
- preference for ones own region with which they are familiar
- climate for health and comfort

- desire to use and build on contacts
- need to supervise other interests
- trade connections in community

General Rule

However strong the personal preferences may be, it is important that the business continues to remain viable economically. And for that purpose the rule is that the business is so located as to ensure that the combined cost of production and distribution is at the minimum to be able to face and survive the competition, and be also convenient to the entrepreneur, as far as possible.