

Gimmie Shelter:
Where should your business live?
In a storefront, office or extra bedroom?
by Bob Pettit, Business Consultant and Midlands Area Manager.
of the Small Business Development Center

Yep! It is a tough decision. Where to locate your business can often be the most gut-wrenching decision of the entire startup process.

Annie, one of my clients, came to my office for a scheduled meeting to discuss her progress on writing her business plan. She said, "Where should I locate? I can locate on a street with a high traffic count and high visibility next to a busy mall, or I can locate three blocks away on a street with less traffic count where I can get twice the space for half the rent. Where should I go?"

As any business owner can tell you, it is easy to remember their most difficult decisions. Picking the right location is probably one of the most important decisions you will make. Yet, there aren't any hard and fast rules. Should you go with the high traffic count high-visibility location? Or should you go for the lower traffic count location with a less visibility and a less expensive rent? How much parking is needed? How much visibility is required? What is the cost per square foot per year? It is indeed a struggle -- an agonizing struggle.

Typically, if you have a retail business, then a location with high traffic count and high visibility is a must. However, if your business doesn't have a walk-in component, then the location with a lower rent (less visibility) may make more sense.

Annie chose the expensive location with a high traffic count and high visibility. And her business was profitable almost from day one. Would her business have made more profits three blocks away? Who knows? She made a decision that is working for her. That makes it a good decision. Trying to second guess and play the "what if" game after the fact will only cause ulcers.

Her decision created enough sales to cover her rent, salaries and cost of goods sold. A profitable business is quite an achievement. Sixty percent of startup businesses don't last three years. Eighty percent don't last five years. This is year three for Annie and the business is still going strong and is still making a profit.

Home Office: Some businesses doesn't need or can't afford commercial office space. For those, a home-based business may be a viable option. But it requires dedication and discipline.

I have a friend who tried having a home office. He didn't do much business, but proudly stated that he had the best looking yard in the neighborhood.

A home-office should be treated just like a regular commercial office. It is important to keep regular office hours. Make sure your home-office looks and sounds like an office. When someone calls, will they hear a TV in the background? Will they hear children screaming or playing? Will they hear other non-business conversations?

Nothing will run off your clients faster than a home-office that doesn't look or sound like a real business.

If your home-office meets certain requirements, the cost associated with the home-office can be treated as a business expense. This is usually a percentage of the maintenance costs for your entire home, and results in a reduction in your taxable income. See IRS Publication #587 (www.irs.gov) and consult with your accountant.

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