

Tips when choosing a location for your new business

If you are thinking of starting a new business you will have to make many important decisions. Amongst them is where to sell your products or services. With the rise in internet businesses, it is widely understood that buyers go online to research and purchase products and services.

When making this important business decision it is crucial to understand your target customers buying habits as well as the pros and cons of each method.

Brick and Mortar

The name for traditional businesses located in an office or storefront that deals with customers face-to-face. The business would own or rent the property.

Electronic Commerce (e-commerce)

A newer method of selling, e-commerce is commonly defined as the buying and selling of products and / or services over the internet.

The below chart provides pros and cons of both selling your products and services over the internet and through a physical location.

Brick and Mortar	Considerations
Develops a sense of credibility and trust	This type of business model lends credibility to the business owner. Customers and other businesses recognize the commitment to the market by the money being invested in infrastructure.
Different customer base	There is still a segment of the market that is wary of buying products and services online. Having a physical location will also provide the opportunity to attract walk in customers.
Personalized sales approach	Selling products or services through a physical location has the advantage of providing a personalized sales approach. If a customer receives a good experience in the store it can create loyalty and repeat business and as a result a customer base can be developed.
Quality and fit	For many products, physically seeing the item being purchased or trying the item out for size is a crucial part of the buying process. With a physical location this is possible.
Cost	Leasing commercial space is one of the largest expenses new businesses face. It can be a large risk and has a huge impact on cash flow. It requires the physical management of the location and includes costs for hiring and retaining staff and furnishing.
Geographical limitation	If your operation is not located where your target customers are, or is in a poor location, you may have difficulties selling products or services.

Starting a brick and mortar location can be a very exciting experience, but with the internet playing a large role in buying behaviours, serious consideration should be given to other options



Online Business	Pros
Minimal start up cost	Setting up an online business requires minimal financial investment. The biggest savings comes from space and overhead costs.
Hours of operation	An online store is open 24/7 making it convenient and easy to access.
Span of reach	Online stores are not limited to geography having a much wider span of reach than a physical location. Having access to a diverse audience also helps mitigate location specific adverse factors such as the economy.
Data mining	Online businesses receive customer and prospect analytics that provides them with invaluable data about their customers and their buying habits. This data makes online advertising extremely effective for online businesses.
Credibility	There is a segment of the market that is not comfortable with purchasing products and services online and still like the personal touch before committing.
Highly competitive	With little barriers to entry, competition is high which can narrow profit margins.

In recent years there has been an influx of traditional brick and mortar businesses opening up an online store as a second sales channel.

Whether you decide to open a physical or an online location it is important to start with a business plan. Your business plan should include details around your marketing plan as well as your financial position. Items within your marketing plan such as the buying habits of your target market will ultimately help you make a well informed decision on where to locate. It is also important to be realistic when estimating your expenses as renting or buying real estate can be expensive.

If you're considering starting a new business speak to a CIBC business advisor about the CIBC Start Strong Program for Business. Visit your nearest branch to talk to a CIBC business advisor, call 1 877 248-4029 or visit www.cibc.com/startstrong.



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