

This is the third part to the series guiding you through the general process of starting your own business. In the first part we discussed the idea formation process, how to determine your strengths and analyze the holes within your plan. In the second article we discussed the process of determining the feasibility of starting the business by analyzing the market and costs associated with the venture. In this article we will cover the site selection process and the pros and cons of each.

There are various different types of businesses when it comes to site selection. The three main categories that most business owners deal with are pass-by businesses, destination businesses, and virtual businesses. Each of these have their own pros and cons.

Pass-by businesses survive by the quantity and quality of the traffic that flows in the streets in front of their location. These are the businesses that customers visit typically because they are on their way to something else. They can include restaurants, hair salons, retail stores, and other commodity service oriented businesses. The best location for these businesses are next to similar establishments or around traffic drivers such as Wal-Mart or HEB. Signage and visibility is extremely important to these businesses.

Destination businesses can be a little more liberal in their site selection. Typically these businesses will draw clients from further distances and thus may not require a location near a traffic driver. Some of these businesses include theme parks, speciality shops, or expert service providers. While the business itself will drive the customers to its doors, the business owner may have to allocate a large amount of resources to let its target market know about the business' existence and location. On the flip side, these businesses typically command a higher selling price per unit.

Virtual location based businesses are entities that do not require a brick and mortar location, but are typically homebased businesses that the customers only visit via the internet or over the telephone. These businesses include web-based businesses, plumbers, electricians, and other service providers that visit the client at their home. While the lack of a true store front saves the businesses owner some expenses, the marketing of the businesses is paramount to the survival of these entities.

In order to determine under which category your business falls, simply ask yourself these questions, "Does the client need to visit my store, and if so, will that person travel out of their way to come to my store?" If the client never has to visit you, then it's a virtual or homebased location. If they do need to visit you, but will not travel out of their way to do so, then your business is a pass-by business. On the other hand, if they will travel out of their way, then it is a destination business.

Up to this point we have covered the process of generating your idea, analyzing your strengths and the holes in your business venture, covered how to view the market and the costs associated with your business venture, and the differences between the three types of business location categories. In the next article we will discuss the agencies to contact to find out about the appropriate permits or licenses that may affect your business.

***"Business Tips" was written by Mr. Pedro Ramirez, Business Development Specialist and Certified Business Advisor II of Angelo State University's Small Business Development Center. For more information on the topic of this article or the services of the ASU • SBDC, contact him at [Pedro.Ramirez@angelo.edu](mailto:Pedro.Ramirez@angelo.edu).***