

Think Critically

1. What are the pros and cons of operating a business in one's home?

2. What factors should be considered when planning a layout for your business?

True or False

- ____ 1. For a travel agency or hair salon, location is less important than for a retail business.
- ____ 2. Wholesale companies need a location that attracts a lot of retail traffic.
- ____ 3. Industrial parks are usually located away from housing developments and downtown areas.
- ____ 4. An advantage of working at home is that many costs are reduced or eliminated.
- ____ 5. Most entrepreneurs prefer to lease space for their businesses.
- ____ 6. In a percentage lease the tenant pays a base rent and a portion of their profits to the landlord.
- ____ 7. Fluorescent lighting is the best choice of lighting for a bookstore.
- ____ 8. Visual merchandising combines products and atmosphere to encourage sales.
- ____ 9. Wholesalers should design a layout that facilitates shipping and receiving.
- ____ 10. Attractiveness is the most important design factor for a manufacturing business.

Multiple Choice

- ____ 1. Neighborhood shopping centers that house supermarkets, dry cleaners, and drugstores are (a) good locations for stores selling goods or services that people need to purchase frequently, (b) often called malls, (c) inconvenient for customers in the area, (d) not recommended for new business owners.
- ____ 2. Anchor stores (a) are major tenants in shopping centers, (b) include department stores, large supermarkets, and large drugstores, (c) advertise heavily, (d) all of these.
- ____ 3. Which of the following is not true about businesses operating in warehouses? (a) They are located near other retailers, (b) They have very low rent, (c) They do not have to look appealing on the inside, (d) They must advertise heavily.
- ____ 4. A key factor in determining where an industrial business locates is (a) drive-by traffic, (b) availability of good employees, (c) adequate parking, (d) property of nearby businesses.

- _____ 5. A lease in which the landlord receives a portion of the tenant's revenue each month in addition to rent is a (a) net lease, (b) gross lease, (c) tax-free lease, (d) percentage lease.
- _____ 6. A possible location for a business has rent of \$975 per month and projected traffic of 9,600 customers per month. Rent per customer is (a) \$0.08, (b) \$0.10, (c) \$0.98, (d) \$0.11.
- _____ 7. The layout, outside sign, and window displays of your business (a) should match your image, (b) should be similar to other retail businesses in the area, (c) are less important than the name of your business, (d) should never be changed.
- _____ 8. In designing a layout for a retail business, you should (a) not be concerned about areas customers do not see, (b) place the cash register in the back of the store, (c) leave at least four feet of aisle space, (d) always use fluorescent lighting.
- _____ 9. The goal of your layout should be to (a) attract customers to your store, (b) make their shopping experience a pleasant one, (c) gain repeat business, (d) all of these.
- _____ 10. The layout for an on-site service business (a) should emphasize organization, (b) is unimportant, (c) should be similar to a retail business, (d) needs attractive window displays.
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Problem Solving

1. For each of the following businesses, decide what would be an appropriate location. Give reasons for your location selection.
 - a. Florist
 - b. Hardware store
 - c. Hair salon
 - d. Electronics manufacturer
 - e. Office supply store
2. What would need to be included in a floor plan for a shop that sells and repairs bicycles and sells bicycle accessories?
3. What are the differences between a gross lease, a net lease, and a percentage lease? Which type of lease would you prefer? Explain why.

what went wrong?

RIGHT SPACE, WRONG PLACE

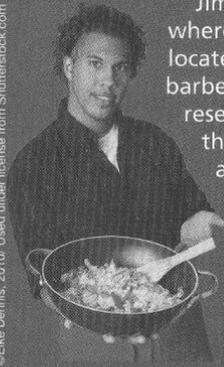
Jim Teal opened Jimmy T's Rib House, and within the first ten months, he was making profits. One day a commercial realtor advised Jim that a restaurant four times the size of his current space was on the market. The realtor said he could get Jim a good deal on the lease if he liked it.

Jim knew that the city where the building was located had no other barbecue rib restaurant. He researched and verified the population numbers and demographics for the geographical area. It was in a good neighborhood, on a main road, just off the freeway. He even did a traffic-flow study, and the numbers were

terrific. He leased the building, and grand opening week went well. Then business began to drop off.

Although there was plenty of traffic, Jimmy T's was on the wrong side of the street. Customers coming west from the freeway exit could not cross the center island, and there was a "No U-Turn" sign at the corner. When Jim tried to improve his visibility and signs to attract more freeway traffic, he found that city ordinances prevented it. After six months, Jim took his loss and closed the new restaurant.

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Consider the pros and cons of a location.

THINK CRITICALLY

1. What questions about location should Jim have asked the realtor before assuming the lease?
2. Who else should Jim have questioned about the location?