



Small Business Expansion: Opening A New Business Location

BY:
JASSICA THORNE

Abstract

Expanding a small business by opening a new location is a significant milestone that signifies growth and success. This venture involves meticulous planning, from market research and financial analysis to site selection and staffing. A new location can tap into different customer demographics, increase brand visibility, and enhance revenue streams. However, it also presents challenges such as increased operational costs and the need for consistent quality across locations. By leveraging successful strategies from the existing business, ensuring strong managerial oversight, and adapting to the new market's unique needs, small business owners can turn this expansion into a fruitful endeavor that solidifies their market presence and drives sustained growth.



1. Introduction

Opening a new business location is an exciting yet complex step for small business owners aiming to broaden their market reach. This expansion involves several critical steps, including thorough market analysis to identify the ideal location, securing financing to support the additional operational costs, and hiring a reliable team to maintain the brand's standards. Effective marketing strategies are also crucial to attract new customers and build a loyal client base in the new area. Despite potential challenges such as increased competition and logistical issues, a well-executed expansion can lead to greater brand

recognition, diversified revenue streams, and long-term business growth, ultimately positioning the company for continued success in a competitive marketplace.

2. Advantages of Expanding Business



When you achieve a certain level of success as a company leader, you may start to think about the benefits of expanding into new markets. The expansion of business is something all good entrepreneurs aspire to, and early success often fuels dreams of growth. But the expansion of business isn't something to take on without a careful understanding of the pitfalls of growing too fast. However, despite some of the drawbacks, there are specific advantages of business growth in Perth that can help you make the right decision for your company.

Attracts New Customers

One of the best reasons for expansion of business is to reach out to a new group of customers. Although you already have a well-mined customer base, there is always the opportunity to add new customers when you expand, especially if that expansion of business involves the introduction of new products and services. For example, let's say you own a comic book shop that has gained success selling all types of graphic novels and monthly-serialized comic books. You decide to expand by offering a space within your store where noted artists will display their original works for customers to buy. You can now tap into a new market of customers who are primarily interested in artwork rather than just in reading comics. You retain your old customer base, but now you are also appealing to a new set of buyers who are art collectors.

Economies of Scale

Economies of scale are another of the benefits of expanding into new markets because when your business grows in Perth, vendors and suppliers are much more incentivized to provide you with discounts because you're ordering in larger quantities. In most instances, the more

you order from your suppliers the bigger the discount. That means that you'll be paying less to get more of the supplies and products you need from your suppliers, which also means more of your money can go into building your company to become even more profitable.

Establishes Multiple Revenue Streams

One of the greatest advantages of business growth is the fact that expansion typically gives you the opportunity to offer a diverse range of products and services. In doing so, you are able to diversify your revenue stream, which means that you aren't exclusively reliant on selling one core product or service. For example, let's say you own a bakery and decide that you want to expand by adding a small restaurant on premises that offers breakfast and lunch. You are now inoculating your business from a downward trend in bakery sales by offsetting those losses with the restaurant earnings, helping to ensure that your business will survive if the demand for baked goods decreases.

Offers Branding Opportunities

The advantages of business growth aren't just limited to revenue diversification because another of the benefits of expanding into new markets is the opportunity for greater brand recognition. Branding is all about making sure that your targeted audience associates specific qualities, ideas, and characteristics with your product or service. Branding is largely achieved through outreach marketing that focuses on social media channels where your audience gathers. When you expand your business in Perth, you also expand the possibilities of reaching a wider audience by implementing marketing strategies that help grow your company's awareness among prospective and existing customers. Bigger companies have the advantage in branding because they are able to leverage their resources towards advertising and marketing in very specific ways. The adage that "bigger is better" is true as it relates to branding simply because audiences are more likely to pay attention to larger companies when they consider what to buy. That doesn't necessarily mean that your business has to be a huge corporation, but becoming a bigger fish in the small pond of your industry will provide you with greater branding opportunities.

3. Signs You're Ready To Expand Your Business

We've all heard stories of promising businesses that expanded too fast and too soon, only to and crumble under their own weight. These cautionary tales can scare some leaders into hesitation when it comes to expanding their own business.

It's difficult to know when the "right" time to grow is, but you don't want to wait until your window of opportunity has passed you by. To help you understand when the ideal moment to expand is, we asked the members of Forbes Business Council for their guidance.

Below, 16 of them shared some clear signs they look for when determining whether or not to expand, and why that factor is so important to consider. Learn from their insights as you plot your own growth trajectory.



1. Customers Keep Asking For A Solution You Don't Currently Offer

The biggest mistake you can make is creating a solution before identifying the problem. You might think you've got the next big idea, but that doesn't mean it's the answer that will resonate with your customers. However, listening to your customers will help. If customers are repeatedly asking for the same solution and you don't have it, this is a sign it might be time to expand your business in Perth.

2. You Can Demonstrate Clear Social Value

Turn your attention to the social value your product or service can bring to the table. Can your business address a pressing social need or advance an important cause? Can you help a new customer type achieve these goals? By using social impact, companies can reveal alignment with new customers or business verticals and quickly determine how they can stand out against potential competitors.

3. People Rarely Try To Negotiate Your Prices

Do you have pricing power? Warren Buffet said it's the No. 1 thing he looks for when investing. If companies rarely negotiate with you on price, it could mean you have significant

upside potential there to increase and fuel growth. If you have been able to deliver profitably, then you likely enjoy a cost and/or technology advantage over your competition that could scale.

4. You Have Momentum



If you're not sure you have momentum, ask yourself this question: Does it feel like you're pushing a rock up or down a hill in your business? If it's the latter, you're most likely ready to expand your business in Perth. The reason this factor is so important to consider boils down to traction. When you have it, expanding your business can be easy. When you don't have it, growth is a struggle.

5. You're Profitable With Current Sales And Infrastructure

We take a look at the organization as a whole and ask, "Is the current operational infrastructure and process profitable with current sales?" If the answer is yes, we know we can scale the infrastructure and process with top-line growth.

6. Your Team Could Run Things While You Focus On Expansion

You need a solid team that can successfully run your current business in Perth so you can focus on the expansion of your business. You also need to ensure that you have enough money to fund your expansion plan until it becomes profitable. If you have the right team, enough cash to fund your expansion and your industry is growing, then you should definitely expand without any doubt.

7. You Have Your Entire Team's Support And Excitement

If you have a strong support system of employees, contractors, vendors and others who are excited to build your business alongside you, there's a good shot you'll be successful. The opposite is also true. Even if you have all the resources in the world, if you have a team with low morale, enthusiasm or drive, it will be incredibly difficult to take new steps. No one accomplishes anything alone.

8. You're Already Running Like A Well-Oiled Machine

As a business owner and leader, the day-to-day activities of your operations should run like a well-oiled machine with contingency plans in place. When that has been established, then it's time to explore other opportunities and test out expansion plans. Growth should be continuous without you resting on your laurels for too long. It keeps people on their toes and is a motivational force.

9. Business Is Good



Business is good. You're very comfortable and only pretending to feel the closest competitor. You're putting customers on the waiting list. Cash flow is good and you're working long hours. It's probably the perfect excuse to expand. Leaders must resist the temptation to remain so loyal to a prevailing pattern that they forget it's going to change. This is what they forgot at Kodak.

10. Your CAC Is Lower Than Your LTV

At the initial stage of your business, your customer acquisition cost (CAC) may be higher than the lifetime value (LTV) derived from your customers and the situation may remain the same for some time as you grow. Once you experience that your CAC is significantly lower than your LTV and your existing clients are staying with you longer, it's time to push the peddle.

11. There's Consistent Demand In Your Sector

In my industry (e-commerce/shipping/logistics), increased demand is the surest sign that it's time to expand your business to meet consumers' needs. I've always looked at my business using a top-to-bottom approach that involves understanding the mindset of my partners and consumers, and using that knowledge combined with data and analytics to make expansion decisions.

12. You Have A Nimble Leadership Team

If the demand for your solution is growing, reflect on your leadership before you choose to expand. Growth needs to be managed effectively to ensure that your culture, employee and customer experience improves. Leadership agility becomes key to let your business in Perth and employees flourish during times of growth in the short- and long-term. Winning strategies focus on people, plans and profits.

13. You Have Consistent Cash Flow And Financial Stability

In order to earn more money, you need to spend money. Analyze if your business is structured in such a way it creates revenue for you and check if you have the resources to support you financially. Design growth in such a way that you come back to a balanced position, even if you fall down. Make sure your business is scalable. Consider your existing customers, even when you expand for new customers.

14. You're Outgrowing Your Current Resources

You'll start noticing certain things like your inventory is running out faster or there are many new tasks to be accomplished and few employees to complete them. This is a great sign, but you will have to adapt and make changes, such as hiring more people, to maintain the level and quality of service and product.

15. Expanding Will Improve Profitability And Sustainability

Most owners believe expanding their business is a given that must and should happen, but sometimes growth needs a second look to determine if it is a wise choice. If expansion means more profitability and more sustainability, then yes. But what if expansion means

more work, with the same (or less) profit? Too often, this is the case. Don't grow for growth's sake. Grow for increased profit and value.

16. You Simply Know It's Time

When it is time to expand your business, you will know it. The signs and messages are out there. You just have to be receptive to hearing and responding to them. If your customers are telling you what they need, listen to them and adjust.

4. Things to Consider When Choosing a Location for Your Business



Before you start shopping for business space, you need to have a clear picture of what you must have, what you'd like to have, what you absolutely won't tolerate and how much you're able to pay. Developing that picture can be a time-consuming process that's both exciting and tedious, but it's essential you give it the attention it deserves. While many startup mistakes can be corrected later on, a poor choice of location is sometimes impossible to repair.

Be systematic and realistic as you consider the following 10 location points.

Style of operation

Is your operation going to be formal and elegant? Or kicked-back and casual? Your location should be consistent with your particular style and image. If your business is retailing, do you

want a traditional store, or would you like to try operating from a kiosk or booth in a mall or a cart that you can move to various locations?

Demographics

There are two important angles to the issue of demographics. First, consider who your customers are and how important their proximity to your location is. For a retailer and some service providers, this is critical; for other types of businesses, it might not be as important. The demographic profile you have of your target market will help you make this decision.

Then take a look at the community. If your customer base is local, does a sufficient percentage of that population match your customer profile to support your business? Does the community have a stable economic base that will provide a healthy environment for your business? Be cautious when considering communities that are largely dependent on a particular industry for their economy; a downturn could be bad for business.

Now think about your work force. What skills do you need, and are people with those talents available? Does the community have the resources to serve their needs? Is there sufficient housing in the appropriate price range? Will your employees find the schools, recreational opportunities, culture, and other aspects of the community satisfactory?

Foot traffic

For most retail businesses in Perth, foot traffic is extremely important. You don't want to be tucked away in a corner where shoppers are likely to bypass you, and even the best retail areas have dead spots. By contrast, if your business requires confidentiality, you may not want to be located in a high-traffic area. Monitor the traffic outside a potential location at different times of the day and on different days of the week to make sure the volume of pedestrian traffic meets your needs.

Accessibility and parking

Consider how accessible the facility will be for everyone who'll be using it--customers, employees, and suppliers. If you're on a busy street, how easy is it for cars to get in and out of your parking lot? Is the facility accessible to people with disabilities? What sort of deliveries are you likely to receive, and will your suppliers be able to easily and efficiently get materials to your business? Small-package couriers need to get in and out quickly; trucking companies need adequate roads and loading docks if you're going to be receiving freight on pallets.

Find out about the days and hours of service and access to locations you're considering. Are the heating and cooling systems left on or turned off at night and on weekends? If you're inside an office building, are there periods when exterior doors are locked and, if so, can you have keys? A beautiful office building at a great price is a lousy deal if you plan to work

weekends but the building is closed on weekends--or they allow you access, but the air conditioning and heat are turned off so you roast in the summer and freeze in the winter.

Be sure there's ample convenient parking for both customers and employees. As with foot traffic, take the time to monitor the facility at various times and days to see how the demand for parking fluctuates. Also make sure the parking lot is well-maintained and adequately lighted.

Competition

Are competing companies located nearby? Sometimes that's good, such as in industries where comparison shopping is popular. You may also catch the overflow from existing businesses in Perth, particularly if you're located in a restaurant and entertainment area. But if a nearby competitor is only going to make your marketing job tougher, look elsewhere.

Proximity to other businesses and services



Take a look at what other businesses and services are in the vicinity from two key perspectives. First, see if you can benefit from nearby businesses--by the customer traffic they generate--because those companies and their employees could become your customers, or because it may be convenient and efficient for you to be their customer.

Second, look at how they'll enrich the quality of your company as a workplace. Does the vicinity have an adequate selection of restaurants so your employees have places to go for lunch? Is there a nearby day-care center for employees with children? Are other shops and services you and your employees might want conveniently located?

Image and history of the site

What does this address say about your company? Particularly if you're targeting a local market, be sure your location accurately reflects the image you want to project. It's also a good idea to check out the history of the site. Consider how it's evolved over the years.

Ask about previous tenants. If you're opening a restaurant where five restaurants have failed, you may be starting off with an insurmountable handicap--either because there's something wrong with the location or because the public will assume your business in Perth will go the way of the previous tenants. If several types of businesses have been there and failed, do some research to find out why -- you need to confirm whether the problem was with the businesses or the location. That previous occupants have been wildly successful is certainly a good sign, but temper that with information on what type of businesses they were compared to yours.

Ordinances

Find out if any ordinances or zoning restrictions could affect your business in any way. Check for the specific location you're considering as well as neighboring properties -- you probably don't want a liquor store opening up next to your day-care center.

The building's infrastructure

Many older buildings don't have the necessary infrastructure to support the high-tech needs of contemporary operations. Make sure the building has adequate electrical, air conditioning, and telecommunications service to meet your present and future needs. It's a good idea to hire an independent engineer to check this out for you so you're sure to have an objective evaluation.

Utilities and other costs



Rent composes the major portion of your ongoing facilities expense, but consider extras such as utilities--they're included in some leases but not in others. If they're not included, ask the utility company for a summary of the previous year's usage and billing for the site.

Also find out what kind of security deposits the various utility providers require so you can develop an accurate move-in budget; however, you may not need a deposit if you have an established payment record with the company.

If you have to provide your own janitorial service, what will it cost? What are insurance rates for the area? Do you have to pay extra for parking? Consider all your location-related expenses, and factor them into your decision.

4.1. Renting Vs. Buying A Property For Your Business Location



The business location is the physical manifestation of a brand. It must match the reputation and image of the entity in the marketplace and its perception in the customers' minds. The property chosen as the business address must be visible, centrally located and positioned as a landmark in the precinct. It should have all the modern amenities and must be loaded with features that help make an impressive impact on customers and employees. A premium commercial space in Perth CBD can be expensive and require a significant investment.

Thus, many new entrepreneurs prefer leasing a prime commercial asset to manage their finances effectively. However, renting has downsides that can affect the business in the long run. It puts a lot of business owners in Perth in a dilemma when they need a new space for their ventures. Let us help by offering a clear distinction between renting and buying commercial property through their pros and cons. It is the best way to make an informed decision that suits your business requirements and budget.

Pros of Renting a Commercial Property

Leasing commercial real estate is beneficial because the contract lasts a long-term and the tenant does not have to look after the maintenance of the structure. Let us look at the advantages of renting a business location.

1. Move Your Business Whenever Required

One of the biggest advantages of leasing is that the owner can move out of the property by terminating the agreement. Entrepreneurs who purchase a business for sale Perth may want to expand or downsize in future and can do it easily with a rented property. They can move into the CBD if the entity is performing well or to the suburbs to cut costs if needed. They can maintain the flexibility of choosing their place of operation with a leased property.

2. Start-Ups Can Benefit from Leasing

Recently established businesses do not have the creditworthiness or goodwill in the market to borrow a large amount to buy property. Also, it will lock in significant capital in the asset and leave the venture with low working capital. Start-ups also suffer from the risk of failing in the first few years. Thus, leasing is the best option to save capital and manage finances efficiently for growth. It applies to all ventures that are still in the growth stage.

3. Claim Tax Deductions for Rental Expenses



Tenants can claim a tax deduction for their rental costs. If the rent includes GST, entrepreneurs can also claim GST credits. It helps to bring down the monthly business

expense and put the saved capital back into the business for development. Renting proves cost-effective because the entrepreneur does not make a huge down payment or take out a big loan that can become unmanageable in the long run. They can even negotiate the rent before signing the agreement to bring it down.

Cons of Renting a Commercial Property



Now, let us look at the disadvantages of commercial leasing for tenants who have recently purchased a Perth business for sale or built a start-up.

1. Pay Outgoings for the Property

Most commercial leases favour the landlord, who offsets the outgoing expenses to the tenant. Thus, the lessee has to pay the rent and several other costs, such as council rates, insurance, water rates, maintenance costs, electricity, and land tax.

2. Instability and Annual Rent Review

Tenants can be asked to vacate by the landlord before the end of the lease by giving a notice. Also, they increase the rent amount annually and there is less control over the changes that can be done on the premises because of restrictions from the lessor.

3. Maintain the Commercial Premises

The tenant is responsible for the cleaning and repair of the commercial property in case of any damage. The landlord is only responsible for structural damage and cleaning common areas like lifts and parking.

Pros of Buying a Commercial Property

Entrepreneurs who purchase a Perth business for sale consider owning commercial real estate for the following reasons:

1. Control Over Property and Stability

Buying a property ensures you do not have to move after a few years. The business will have the same address which will increase its credibility and retain employees. The owner can make changes to the premises according to the business needs.

2. Effective Cash Flow Management

When entrepreneurs pay rent, they are not creating any wealth. However, they build an asset for life when they pay the mortgage. Also, there is no annual rent review, and the operational costs can be managed as per the availability of capital. It helps with effective financial management.

3. Own An Appreciating Asset

Entrepreneurs who purchase real estate have a stable asset that keeps appreciating as the value of the land increases. They can expand the structure and lease it to others to gain extra income from the property. It creates business equity and boosts financial health.

Cons of Buying a Commercial Property



While owning a business premises seems like a promising endeavour, it can be challenging for the following reasons:

1. High Cost to Bear

Prime office space in a store in a busy commercial precinct is expensive and hard to afford for small businesses. While those who purchase an established business for sale in Perth can take out a loan, start-ups find it challenging to get funding for property. Also, commercial loans cover only 60% to 70% of the cost, and the rest is a down payment. It will tie up a big amount into the property, leaving the business with limited capital.

2. Movement Restriction and Responsibility

Entrepreneurs who purchase a property have to stay in it for good. If they expand in future, they may find it difficult to accommodate new employees and equipment in the same space. Also, they have to manage the entire premises without any help. So, cleaning, outgoings, and maintenance responsibilities can become overwhelming while running the business.

3. Challenging to Own During Economic Crisis



During an economic crisis, property prices can decline. If the business also faces the heat and needs money, it cannot sell the asset because of the price drop and the unfavourable market conditions. Thus, it is difficult to turn it into capital in an emergency.

Conclusion

In conclusion, opening a new business location is a strategic move that requires careful planning and execution. It offers the opportunity to reach new customers, enhance brand visibility, and increase revenue. However, the success of this venture hinges on thorough market research, sound financial planning, and effective management practices. By leveraging the strengths of their existing operations and adapting to the nuances of the new market, small business owners can overcome challenges and capitalize on the growth opportunities this expansion presents, thereby securing their position and ensuring long-term success in an increasingly competitive business landscape.

References:

The Advantages of Expanding Business | Small Business Chron, Retrieved 28 May 2024, from

<https://smallbusiness.chron.com/advantages-expanding-business-21144.html>

16 Clear Signs You're Ready To Expand Your Business | Forbes, Retrieved 28 May 2024, from

<https://www.forbes.com/sites/forbesbusinesscouncil/2020/06/02/16-clear-signs-youre-ready-to-expand-your-business/>

10 Things You Absolutely Need To Know About Buying A Home | Forbes, Retrieved 28 May 2024, from

<https://www.forbes.com/sites/kellyphillipserb/2016/01/05/10-things-you-absolutely-need-to-know-about-buying-a-home/>

Things to Consider When Choosing a Location for Your Business | Entrepreneur, Retrieved 28 May 2024, from

<https://www.entrepreneur.com/starting-a-business/10-things-to-consider-when-choosing-a-location-for-your/299849>

Renting Vs. Buying A Property For Your Business Location | Business2Sell, Retrieved 28 May 2024, from

<https://www.business2sell.com.au/blogs/evaluation/renting-vs-buying-a-property-for-your-business-location>

Time to Expand? Tips for Opening Another Location | Business, Retrieved 28 May 2024, from

<https://www.business.com/articles/tips-for-opening-another-location/>