



Opening a new location

A strategic guide



You're the kind of person who likes to take risks. Impulsive, wild and crazy...err... intentional, calculated risks. Okay, maybe you're not exactly a daredevil — after all, running a business is more like running a marathon than it is like parachuting out of a plane — but it did take a pretty big leap of faith to start your own business and get it off the ground.

And you did it! Your business is up and running, generating revenue, and (hopefully) turning a profit.

So what's next?

Some entrepreneurs are in the business to build an empire. They've been planning to open a second location since the day they taped their first dollar on the wall next to their cash register. But even if you're not an empire builder, you may be itching to keep things moving, wondering what the next step should be to expand your business.

The next step is going to take a little time to plan, maybe even more planning than it took to launch your business initially because now you have something to lose.

Like crossing a river on a series of slippery stones, you can take a running start for your first leap off of dry land. But now that you're in the middle of the rapids, you have to scan the horizon for your next stepping stone while keeping one eye on the stability of your current footing.



Are you ready to make the leap and expand your business to a new location? Before you decide, you should be able to confidently answer these five questions:



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How will expansion impact your existing business?

Opening a second location has many big advantages — you can increase brand awareness, target a new audience, and multiply your revenue streams while saving on key expenses — but opening a second location is about as risky and challenging as opening your first.

Read more:

[Can an entrepreneur ever take a REAL vacation?](#)

If you play your cards right, your existing business will be your biggest advantage, but if you aren't careful it can also become your biggest liability. The obvious benefit you have as an existing business owner is that you've done this all before. All the research you did the first time about incorporating your business, setting up payroll, and [building an all-star team](#), will make opening a second location that much easier. You'll also be able to share resources across your two locations — purchasing inventory in larger quantities, using employees to cover gaps in coverage, even sharing essential equipment.

Unfortunately two locations can just as easily divide your limited resources — especially your most valuable finite resource: your time. If you think you're busy now, consider what your schedule will look like when your number of employees, monthly expenses, and (fingers-crossed) monthly sales all double. **Before you get serious about a second location, make sure your existing business can run smoothly without you for a couple of days.** The best way to test that? Take a vacation. Not only will this help you feel more confident in your staff when you pivot your attention to your new location, it's a good opportunity to relax before things become more hectic.



Is a new location the best strategy for growth?

Once you've established stable footing on your first stepping stone, it's time to chart your next step. There are many viable paths for growth, but once you start in a single direction it becomes more difficult to change course in the middle of the river.

Read more:

[How to find funding to launch a new product](#)

While planning your expansion, remember that a new brick and mortar shopfront isn't the only way to grow your business. [Yogibo](#), a bean bag pillow manufacturer in New Hampshire, has a chain of retail locations in malls on the east coast, but they also have a strong online presence which they use to reach customers all over the US and Canada.

[Besame Cosmetics](#), a vintage makeup brand in California, has just a single storefront in Burbank, but they have a contract with Sephora that allows them to reach a whole new audience without paying more rent. Even restaurants can find creative ways to expand their sales without expanding their footprint by opening a mobile food truck or branding their products and selling them at local markets, through local retailers, or online.

Making a list of your current business' strengths is a good way to help you determine the best path forward. Is the location of your current storefront an essential part of your business' success? Do your customers require unparalleled customer service? Are you a beloved spot for locals and neighborhood families? Think critically about what you'll have to do to replicate these characteristics in a new location.



Where is the best place to expand?

Once you decide to expand to a new location, the next question you'll have to answer is: where? Maybe you found your first location after many months of searching, or maybe it fell right into your lap — either way, you're now the world's foremost expert in that space and understand better than anyone how much the location impacts your business.

Take those learnings and apply them to your search for a new space. It's easy to conduct some market research on your own, getting data on municipal tax incentives, local crime rates, and parking availability. Also remember to survey your prospective customer base: Is there already demand for your product or service in that area? Or, will you have to rely on intensive marketing to create demand? Is there any existing competition you'll have to worry about, or maybe opportunities for partnerships?

Location is everything when opening a new business, but unlike the first time around you also have think about the new location's proximity to your existing business. Too far away from your current business and you'll lose out on the classic "economies of scale" benefits like shared marketing spend and easily transferrable inventory. Distance also makes it more expensive for you to travel between the two locations — a trip you will inevitably make many, many times.

Read more:

[5 attractive cities to expand your small business](#)

On the other hand, opening a second location too close to your first can cannibalize your existing customer base. Starbucks can get away with a shop on every corner because their customers buy coffee multiple times a day and don't want to walk more than a few blocks to get it, but gym members usually only go to one facility. If you open a new gym down the road from your first, your flagship venue may see a drop in attendance.



Who will manage the new location?

Successful businesses always have the right nouns — people, places, things, and ideas. If your existing business is running smoothly, you’ve already got the last two, and if you answered the previous question thoroughly, your “place” is already decided. All you need now are the right people.

In the short term, you’ll likely split your time between the new location and the old, but running two businesses on your own may be tricky...unless you’re somehow also able to monetize the growth of grey hairs.

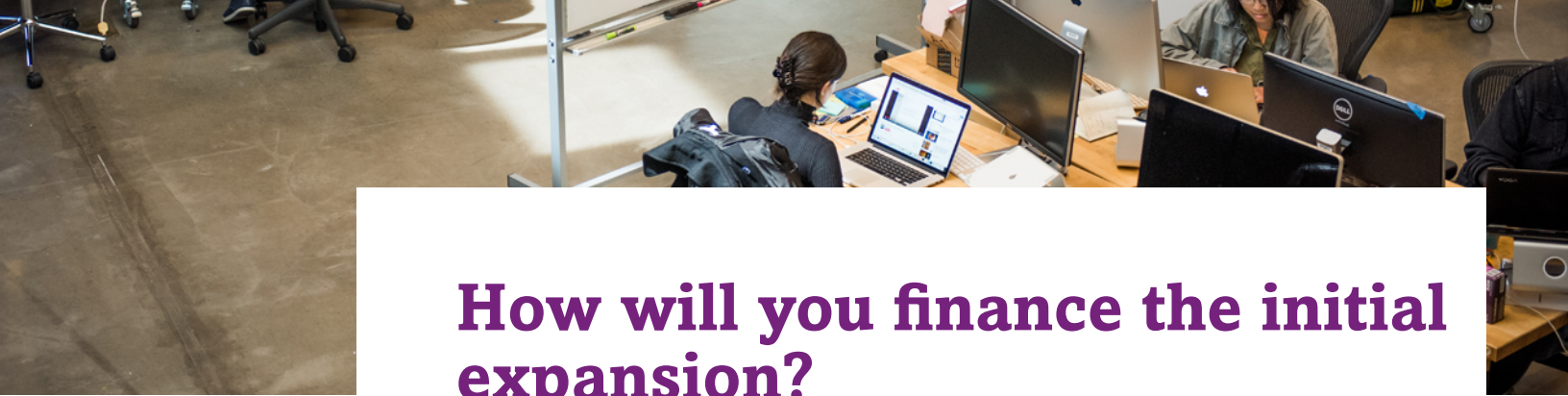
Pick someone now who you feel will be the best person to keep everything on course.

It’s easier to keep things running smoothly than it is to build something new, so it’s often best to have this protégé remain in charge of the existing business while you focus your attention on the new location. Alternatively, if you have an employee with a keen business sense, you might give them some free reign to influence the new location while you keep the hatches battened down.

Read more:

[3 proven ways to
boost employee
happiness](#)

Either way, identifying a trusted employee who you can rely on to help you steer the ship is an important step for any small business’ long-term planning.



How will you finance the initial expansion?

Your new location may have the same name, the same website, and maybe even the same Facebook Page, but in many other ways you're starting a whole new business. Before you start investing in a new location, jot down a short business plan.

Figure out how much it will cost just to open the doors and what kind of revenue you expect to generate in the first six months. Most importantly, try to estimate when the new location will break even.

While it can be tempting to try to fund your new location off the revenue from your current business, it's important not to lean too heavily on your existing business during this time of growth.

There are many financing options out there for your small business. Our free webinar, [How to finance your next location](#), can help you compare the most common types of small business financing, but if you're looking to invest in the long term future of your business a term loan may be your best bet.

Case study:

[How Philosophie Group used Funding Circle to open a new office](#)

Term loans allow you to make low, recurring payments on a monthly basis so your business can grow at a steady rate. Loans with longer terms also give you time to invest that money into your business and turn it into increased revenue. When shopping for a term loan, though, remember to ask about upfront fees and repayment penalties — avoiding these can be the key to lower APRs.