

Chapter 8

In this section on location, and as you turn to this section, let's just read the top part of it because it's the most important thing. Again, we say, "Location, location, location." I don't know where this started, but years ago, the real estate people started talking about this that the three most important things in real estate were location, location, location, and basically they have the same thing in business other than the fact that you're going to find as you get involved in business there's a couple of things that are more important like the category of business, the category of business, the category of business. Why? Location's very high on the list, but you're going to find in business it isn't the highest category, and what we're saying here, again when they first came up with this, but no amount of ambition, hard work, or good management will overcome the disadvantages of a poor location. The key thing you have to keep remembering when you get involved in business whether a start up or existing is many of you have a hard time understanding why certain people in business make a lot of money and others don't, when other people work 80-90 hours a week and others take it easy and seem to do very well.

As you start to talk to them you're going to say, "It must be the IQ level. It must be the money they started with." It's none of these things. It's just that they were either lucky or they knew what they were doing and they stay away from certain areas.

Now, as you go out to look at a business, you're not going to find a perfect ten. We say you'll find an 8.8 or a 9.2 and you ought to be satisfied with that because those of you that go out looking for tens end up doing nothing in your life. Why? Because what you're looking for is something that doesn't exist.

When you get to location, I'm going to tell you something. If you're in a business where the location is important, then you better make sure you get a good location. Now, when you're dealing with a lot of companies like manufacturing, location's important from the standpoint that you need railroad sites or you need truck transportation. But, in most areas the location of the manufacturing company since you don't have customers coming to your plant is not that critical. It's also not as critical for things like distribution companies or service companies where you really don't have the public coming to your office. I mean, you could be in a cubbyhole somewhere. If you're in the service business and the public does visit, then fine, but you need a location.

Now, as you start going through this, let me go through the exceptions because although you can go out and buy the books that tell you about all these location things that you need, let's take you through specific things that you make mistakes on. Keep in mind also as you read these books, they're not going to help you other than to give you a general idea because the information on location even if you're an expert varies from location to location. If you happen to be in a city of 400 or 500,000, you may find that there's 50 areas in town that have specific location problems. There may be 5,000 areas, and what happens is although some of the information is transferable, the key thing that it has to boil down to is common sense.

An example I try to use all the time, are you a person that goes out with your family to have things dry cleaned? So, when you go out to have things dry cleaned, when do you have it done? You're going to find most of you are going to say, "Oh, I have my dry cleaning down on the way to work. When I'm on my way to work, I stop off. I have my clothes dry cleaned and I pick them up on my way home or I pick them up the next

day or a couple days later.” That’s fine, and that’s what 90 some percent of the people we talk to say. So, if you start to think about, if you just go back in the recesses of your brain or your common sense and draw this out, you’re going to find in most cases you have the common sense. What happens is when you make a mistake on location, you’re deviating from your gut level feeling, you’re deviating from what your common sense is telling you.

Now, when you talk about the super owner/operator, super owner/manager, you’re talking about a person that has a crummy location. They’re about 40 miles out in the country. It takes 7,000 left turns and 8,000 right turns to get there. You have to follow somebody very slowly because if you get lost you can’t find it, but why does this business make a lot of money? There’s a super owner. There’s a super manager. They work a lot of hours.

Now, considering yourself going into buy this or you’re going to start something like this. I want you to keep in mind that you’re average. Again, even if you’re not average, if you don’t start to analyze yourself and your team based on this, you’re going to go out and do stupid things based on the fact that you think you’re better than somebody else. Everybody thinks they can take a crummy location with a restaurant sitting there that’s closed four times, and they can open up and do well. What happens is they end up failing. We end up with four owners a year in that crazy stupid location. I’m trying to convince you to tear it down, build something else there because that doesn’t work in that location.

Now, we talk about the super owner/manager also you’re going to say, “Well, I can buy this for this right price.” So, you buy it. It’s priced right. The financing’s

More on business buying go to <http://www.hardtfindseminars.com/Hamel.htm>
Copyrights © 2004 JS&M Sales and Marketing Inc.

fantastic, but there's two things you have to keep in mind. Number one, what is the chance of you going in there and running that properly and making a success of it in five or six years, and then turning around later and selling it to somebody else providing the next owner with financing and then succeeding? Because in order for you to succeed in business, you have to be able to go into that business, succeed and then eventually sell it to somebody else and get your money out. And, if A plus B don't happen, you have a failure. So, what is your chance of A plus B, mathematically it's way out there.

For those of you who are brokers, do not list these businesses. These are the ones that provide the lawsuits. Give the seller a big hug and suggest they sell it themselves. Do not get involved in these. Don't buy these no matter how well they're priced.

The next area is the franchise location, and you have to realize that most of the franchise locations in the United States which is over 50 percent of them are second, third and fourth grade locations. Think about it because I ask this question all the time. I say, "Okay, we have a McDonald's operation." McDonald's is fantastic. It's backed up by the McDonald's corporation. They're a billion dollar statement. Would you build a super McDonald's? And, they say, "Yes." Okay, we now have McDonald's franchise is one of the best in the United States, best in the world. You now have the Arthur Hamel Ficky Wicky company with a net worth of \$2.43, with a class franchise, and an average person would you build? And, very seldom do I find anybody that will build. Why? Because although the franchise is fantastic, they don't have the statement. They want A plus B.

Now, if you go out in this world and you buy a franchise or your client buys a franchise, and they have an average statement, what do you think the chances of ending up with a good location? You're going to find when you starting out this way, you don't

FREE GIFT: A copy of our newest blockbuster, "**BEHIND CLOSED DOORS: 21 Insider Consulting Secrets You're NOT Supposed To Know.**" (86 pages the most revealing, proprietary secrets on the subject of business consulting that exists anywhere at <http://www.hardtfindseminars.com/consulting.htm>) 4

get the better locations and you end up with the second, third and fourth rate locations although the average person in this country would assume because it's a franchise it has to be good. It doesn't happen that way. In fact, it's just the opposite.

I was talking about the common sense approach. I'm talking about standing on the street corner, and again, you can stand there with your clipboard, but usually you and I can stand on the corner and we can tell by looking at the cars going by where they're going. When you see station wagons coming by and you see women sitting behind the wheel with their hair up in curlers and chenille housecoats on, they're usually taking the kids to school or doing something along that line. You could figure it out.

You can go to the cities and counties and find out what the traffic is, but while you're standing there why not use your common sense? Let's start going through that form a common sense standpoint.

Now, as we turn the page and talking about location, we're talking about smelling the air, standing on the corner. If you have a location where people have to drive into it, why don't you get into your car and drive up and down the street and see what the problems are getting in, getting out, try at different times of the day when you have traffic or you don't have traffic. If it's a walking location, why don't you get out of your car or get off your bike and go and walk. Find out what the problems are parking in the parking lot, getting there, and even talk to some of the people there and find out what they think about it. Again, you're doing research, but the more research you do before you start the business or before you buy that existing business, the less chance for failure. So, everytime you talk to somebody in the area, talk to other business owners, continue to ask

More on business buying go to <http://www.hardtfindseminars.com/Hamel.htm>
Copyrights © 2004 JS&M Sales and Marketing Inc.

questions about that business or the location and you're going to find you're going to pick up an awful lot of information.

Now, one of the first things we're doing is we're analyzing the city to find out what kind of thing we have in this city or what kind of traffic, and again, as we start to think about this and break it down – traffic – what is the amount of traffic, and you're going to find we basically have a normal curve. In the business, we're always saying as you get up to 18-19-20,000-22,000 cars a day the traffics fantastic. It builds up. Do you realize that the traffic builds up it's a normal curve? And, it comes up one side as it hits 20-22,000 guess what happens as it starts to go above that figure. If you understand a normal curve, it means that it comes down the other side. In other words, the traffic and the business builds up to a certain number of cars a day, and then as you get above that, guess what happens. The business then falls off just as fast on the other side of the curve. You're going to find too much traffic is a problem also.

And, if you don't believe that, in your town or city that you live in, I'm sure there's at least one street that has a lot of traffic in it and there's probably a lot of franchises on that street. There's a lot of little retail stores. Why don't you drive down that street later today or tomorrow? Try to get into the traffic. Try to get out of the traffic. Go there when it's really busy, maybe five or six o'clock, and try to pull into a restaurant or a business, and then you get in there, spend a few minutes and then try to get back out into the traffic and see what kind of problem you're going to have and find out. You're going to suddenly realize why the business isn't doing well, or not doing as well as it should be, or maybe why you shouldn't pick that location.

The character of the traffic, and basically we're talking about the same thing we were talking about before and that is knowing time of day where they're going. We talked about that before – the station wagon, people in the morning going to work, in the afternoon coming home. In the afternoon people are going out doing what? They're on shopping trips. Depending on where you're located, analyzing your location, but you can do it by just standing there and spending X number of hours over a few day period, and you're going to get a very good knowledge.

Since most of you listening to this tape are the people that are going to be buying existing business, you're going to find your hindsight is going to be fantastic as your sight. Why? You're going to see it's already been making money, and then just make sure that you're not fooled by the things we talked about in the first page which is super owner, franchise location. Don't let that blind you. Check them out even though something tells you there's not a problem.

The origination of the traffic – where's the traffic coming from? Where are the problems with that traffic getting there? What are the problems with that traffic at certain times during the day? We've talked about that.

Now, as we start to talk about characteristics of the traffic, we're talking about how fast is it going. In other words, do you have traffic going by your place of business or the one you're about to by, and traffic is moving at 55 miles per hour – moving at 50, 45? Have you ever gotten into traffic at 45 miles per hour and try to pull into a driveway or get out of that traffic without getting killed? And, you're going to find unless you are a race driver, or a stunt driver, you're going to find you can't get in and out of the traffic,

and after you get out of the traffic, how do you get back into the traffic again? Unless you're able to go from zero to 60 in about two and a half seconds.

You have a problem. How do you find out about it? Go out and go out in the sun and find out what the problems are. Get out of your car or if you're in a traffic area, drive your car. Find out what the problems are getting in and out. The main thing is to do your homework. Don't assume anything.

The other thing you have to worry about it is you're on a street that has a lot of traffic, how much of a curb cut do you have? The cities today, to speed up the traffic because of the increasing traffic in all cities, like to cut down the curb cuts. In the old days, we used to have 30 – 40 -50 feet and you could pull off, and you were doing 25 and you pull off and you had traffic coming out and traffic coming in. You had plenty of space.

Now, they're trying to get it down to 20-25 feet. Did you ever try to pull out in traffic at 45 miles per hour and pull into a curb cut or an opening in the street where you barely have enough room to get in with another car pulling out? Try it some time. You're then going to find out what the problems are and why people are not going to that location or in the future why people won't go. Why? You have a basic problem. And, if it's building up and it's bad now, think of what it's going to be like a year from now.

The next thing we'd like to take about is the crossover, and the crossover is the lines in the middle of the street, and what they do is they're broken. It enables you or a client of yours, a customer, to pull in the middle and turn left on these crossover lanes.

Now, years ago we didn't have these, and what we basically had is we had the dividers down the street. We had a lot of traffic. As the freeways and other type of

expressways started to relieve traffic and pull traffic off the side streets or the main streets of your town, they put in crossovers which was fantastic. It increased your business.

In the last few years, we have quit building more highways and we have more cars on the road, and more traffic on your local streets. The cities now are getting rid of a lot of these crossovers and you'll notice it. They'll have the crossover, and then all of a sudden it won't be there, and they'll have little bumps down the middle of the street. Then, you'll have a concrete divider about two or three, four inches high, and then they put one up about three feet high.

Now, let me tell you something. As you're going down there, you have to realize especially if you have a retail business, this could cut your business in half. All I can promise you is it will cut your business enough so that you will not be in the black anymore. You're going to be right in the red.

So, when you start to find out these things are going to be put in, I would suggest that you and the other merchants get together and have these things moved by going down and talking to your city hall, and figure out ways to influence them because if you don't do that you're going to have a problem.

The next thing we talk about are physical characteristics of the site – how big are they, things like this, and again, when I start to talk about this keep in mind, is this thing going to benefit you in the future. In other words, are you going to have a problem with the size?

If you're in a basic area and you have a retail store and you find the first people went in there ten years ago, and they were able to get by with 20,000 square feet of land

for parking, the whole thing, is that going to work today? Are you going to have enough parking? If you find you're short of parking today and you're planning on doing a little expansion on your building, are you going to have enough parking for five or ten years from now? And, what you're going to find is you may find that your sales are up to a certain percent of X-number hundred thousand a year and you can't go any further. Why? Because the location you have does not have the parking, the access, whatever to continue on and you're going to find then if your sales level off, you're going to find the profits start to go down. Why? Because once your sales level off in any business, you're going to find the rule always is your expenses continue to go up. Which what happens? Eventually you're going to break even, and on a great business you have, you're going to end up losing money.

Again, we've already talked about the accessibility. We want to find out how accessible it is because we talked about the problems with the traffic, how fast it's moving and also how much room they have to cut in and cut out, and you're going to have to check it during the day because sometimes it's going to be bad and it might be the wrong time of day when you're checking. So, check the busy times – the morning, the afternoon, the evenings.

The next thing is visibility, and years ago we used to say you need this great visibility, and we used to say 15-20 years ago in franchising if you had a franchise location you had 50 percent more business, maybe twice as much. What we now have are a bunch of ticky-tacky little franchise buildings up and down our streets, and you're going to find in most cases just having a good location on a strip center on a corner will be absolute visibility. It's not only the less expensive way to go, you're going to find

you're going to have just as much volume as you have out in the other areas. So, keep that in mind, but you do want the visibility, but you lose the visibility when everybody has the same thing. You have to find some way to stand out from your competitors.

The last thing is location – now the neighborhood because a lot of you get hung up on the neighborhood, and since many of you listening to these tapes are not going to be running your businesses. Why do you get hung up by the location? If it's in a neighborhood that scares you or frightens you, and it's being managed by your manager. The managers making deposits and you're not there very often, why are you worrying about a condition in a neighborhood that maybe you don't want to live in? Because what's going to happen is you're not going to be there anywhere. It's the same reason years ago we used to send many people in our classes on field trips to visit funeral homes. Not that we wanted you to buy a funeral home. We wanted you to think about getting involved in a business you wouldn't normally think about getting involved in because we find the average American public goes out and buys three, four, five percent. That's there need. They just want to go after three, four, five percent of what's available.

The other 95-97 percent of the companies that are out there, people don't think about because everybody wants to own a carwash, a gas station, a bar. Again, they're nice businesses, but why not look at the yellow pages and think about the other ones that are there. They're equally great and in most cases they make even more money. Try them.