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NACE ONLINE DAILY NEWS

The official online publication of NACE 2005!

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NACE Education **THE PERILOUS PATH TO OPENING A NEW LOCATION**

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by Mark Johnson
NACE Online Daily News Contributor

Opening up an additional shop location seems pretty straightforward—you pick the site or find the building and fill it with tools, equipment and employees. In reality, it is a path that is lined with traps, pitfalls and sudden reverses. Unless you are prepared, that is.

Preparing for opening a new location was the theme of a seminar on Friday presented by Barry Rinehart and Kent Schatz of Akzo Nobel Coatings with the assistance of Matthew Orhnstein of Symphony Advisors, who has first-hand knowledge of what is involved in opening a new shop.



Market research was the first step on the path. Schatz, a marketing specialist at Akzo, explained the kind of research that is needed to see if there is business at the potential location, how to determine where the good spots are and how to determine if the population is there. Schatz said that shop owners can do much of research themselves by doing some footwork and by using several Web sites that offer demographic data. "If you are willing to put some time and effort into it you can get the information yourself and save some costs," says Rinehart.

Once an owner has decided on the area where the new shop will be located he or she has to decide whether to build new, use an existing structure or acquire an existing business. "You need to know what each of those means in terms of dollars," says Rinehart. "Sometimes when you're thinking about an additional location you're thinking in such big terms and broad views that you forget about some of the minor things that you really need to look at to determine whether this is going to be a cost effective move."

One example of an overlooked expense discussed in "Adding Additional Locations" is the fees that local governments might charge to build or expand a business. "I had a shop in Maryland where the owner decided to add on to his business and when he was ready to start construction the town hit him with a \$40,000 construction fee because of where he was located and how it was zoned. That's a huge expense to bite off when you're not prepared for it," says Rinehart.

Some of the reasons for deciding to open a new facility include needing to expand because the business is "maxing out" the current location, and because the growth of the area has moved away from the shop and there is a need to follow the customers, say the presenters.



The class was condensed from a four-hour course and as a consequence a number of mathematical models that allow a shop owner to calculate the effects of the

variables involved in the decision-making process were explained, but were not discussed in detail. The knowledge of the equations and their value to the process was made clear and owners were urged to take advantage of them.

Financing was another topic that was explained at the seminar and attendees developed an understanding of what bankers want to know and how to secure construction and purchase loans.

The last subject was managing the project-whether it is new construction or remodeling and existing structure. "I don't know if you have ever been involved in construction project, but it can get offline fast if you don't manage it properly. There's a lot of balls you have to keep in the air," says Rinehart. "You need to go in with your eyes wide open instead of getting blindsided by a variable down the road."

Mark Johnson is senior editor for *ABRN*.

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