Starting a Business in a Small Town

Is a small town the best place to start your small business? As a part of my roles in SCORE, I have had the opportunity to meet and work with volunteer mentors across the country. In a recent discussion with some of them we shared this common question from many potential small business owners…where is the best place for my new business?

Many of these clients fantasize about moving to a small, close-knit community and starting a business. In fact, WalletHub recently compiled an analysis of the business-friendliness of 1,261 small-sized cities (between 25,000 and 100,000 people), to determine the best overall for launching an enterprise. Their data set of 16 key metrics ranges from average growth in number of small businesses to investor access to labor costs.

Size matters when choosing a city in which to launch a startup. As many veteran entrepreneurs — and failed startups — understand well, bigger is not always better. A city with a smaller population can offer a greater chance of success, depending on an entrepreneur’s type of business and personal preferences.

However, starting a business in a small town has both pros and cons. For example, the study’s authors note that small-town entrepreneurs benefit from a lower cost of living and less competition, but they may suffer from a limited customer and employee base.

WalletHub’s summary concludes that “Every small city offers unique advantages and disadvantages to prospective ventures. Lower overhead costs, stronger relationships with customers and the potential to become a big fish in a little pond are among the benefits. But the drawbacks come plenty as well. For one, entrepreneurs seeking to cultivate a large professional network aren’t likely to fill their roster in a town with fewer residents. Other restrictions might include limited industry options, a less diverse customer base, and difficulty attracting and retaining top talent.”

Overall, Holland, Michigan, topped the list, followed by Carbondale, Illinois; Springville, Utah; East Chicago, Indiana; and Jefferson City, Missouri, rounding out the top five (go to the study for the full list).

Does that mean you should pack your bags and move to the Midwest? Not necessarily. Cities with a high overall score sometimes score low in one of the other areas. For
example, while Holland, Michigan, has a favorable business environment, it did not rank as well in terms of access to resources.

When deciding where to launch your business, the most important factors to consider are those that matter most to you. What does your startup need to succeed? For example, if you want to start a business that relies on people physically coming into your location, such as a restaurant, the cost of renting space and the availability of a sufficient customer base will be big factors in your decision. On the other hand, if you’re starting a technology business that will serve clients all over the country remotely, a bigger concern would be the availability of skilled employees you can hire as your business grows.

Rieva Lesonsky, one of SCORE’s partner authors, offers some questions to ask yourself when considering a small-town location:

- **How much assistance does the town offer small business owners?** Are there tax or other financial incentives to start businesses or locate in the area? What type of economic development, networking and support organizations are available for business owners?

- **How close is the town to larger cities and/or transportation hubs?** If your small town is within driving distance of a larger city, you might enjoy the best of both worlds: a peaceful, lower-cost lifestyle, with relatively easy access to customers, employees and transportation for products or business travel.

- **What does the local labor pool look like?** How well do their skills match your needs? For instance, starting a manufacturing business in a town where large manufacturers have closed can give you a pool of experienced employees to draw from.

- **Is there a college or university nearby that can provide educated, entry-level employees?** If you’ll need employees with specialized skills, consider forming a partnership with local colleges and universities to develop a pipeline of workers.

- **How much money will your startup require?** If access to financing is a big concern for you or you need to raise a substantial amount of capital, either obtain financing before you move, or investigate how easy it is to access capital in the small town.

One final caution: Don’t assume that just because you are launching your business in a small town, you can do the bare minimum and still succeed.
Your business will be more visible in a small town than in a larger community, so any mistakes you make will be magnified and can be harder to correct. What’s more, just because you currently own the only Mexican restaurant in town doesn’t mean that will last. Put as much effort, heart and energy into your small-town startup as you would anywhere else, and the community will reward you with success.

Take a closer look at WalletHub’s top small towns for starting a business, including breakdowns by category. Need more assistance deciding on the perfect startup location? Your SCORE mentor can help you assess your options and create a plan for success.

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