

## ENTREPRENEURSHIP AND DESIGN THINKING

### LECTURE 10: CHOOSING THE RIGHT LOCATION AND LAYOUT

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#### Overview

In our last lecture we looked at financial requirements for entrepreneur, where we focused on several things;

- Understanding costs for startups
- Sources of funding for startups
- Essentials financial management skill for an entrepreneur
- Investment strategies an entrepreneur can employ

In the current lecture, we will focus on one key thing in business and marketing- **LOCATION**, then look at what principles should guide you when designing your shop layout.

#### Learning Outcomes

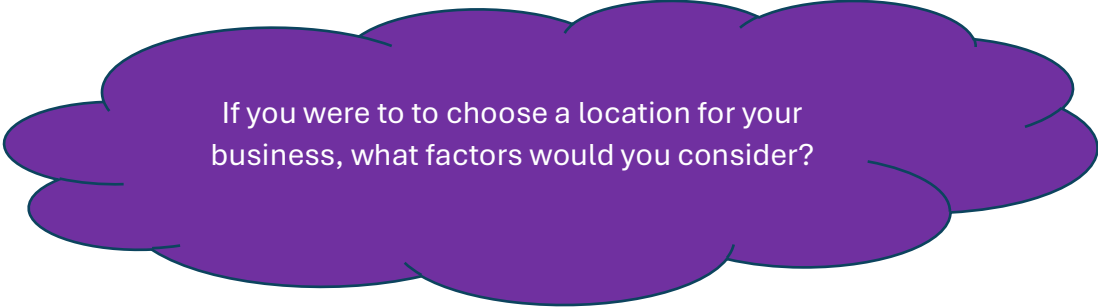
- Introduction and importance of location and layout in business success
- Factors to consider when choosing the right location
- Application of design thinking in choosing location
- Layout considerations
- Applying design thinking in layout design

#### Introduction

- You may have heard a phrase in marketing saying **location-location**. This is just to emphasize how crucial it is for business
- It is true where you locate could have significant impact on your business success
- In the next section we look at why choice of location is important for business

## Why is location choice important for a business?

- **Accessibility:** The business would want to be in a location where both customers and suppliers would access it and its services.
- **Brand visibility:** Strategic business location can amplify its visibility. For instance, locating in a high traffic area will definitely enhance brand recognition.
- **Cost implications:** Location largely determines the cost of items such as rent, taxes or utilities. The more strategic it is, the higher the costs are likely to be.
- **Competitive edge:** Often than not, where you locate your business could have serious implications on how competitive you will be in the industry. You normally see businesses clustered in a certain location, say where the raw materials or customers are.
- **Proximity to labor:** Business must be keen to locate themselves where they can access skilled, knowledgeable and talented human resources.



If you were to choose a location for your business, what factors would you consider?

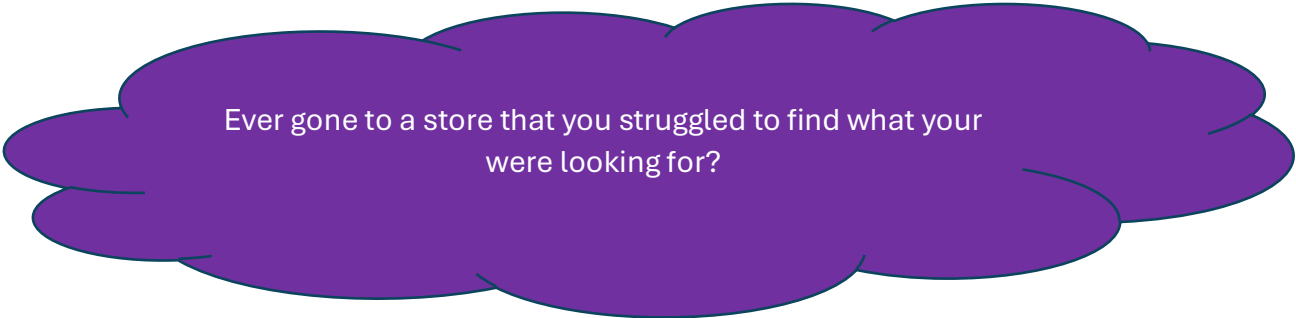
## Factors to Consider When Choosing the Right Location

- **Target Market Proximity:** Businesses are conflicted on where to locate themselves, one such concern is being as near customers as possible. Being near customers may be more important in some businesses than others. For instance, the retail sector values this factor more than say a car manufacturer.

- **Accessibility:** Your business must also consider ease of access for customers, suppliers, and employees. In checking this factor, infrastructures come in handy.
- **Proximity to Competitors:** At times being near your competitors may add value to what you do as a business. You therefore need to evaluate where your competitors are located.
- **Cost and Affordability:** The entrepreneur must also try to balance rent, taxes, utilities, and other operational costs that are tied to where you locate your business.
- **Legal and Regulatory Factors:** In some countries there is zoning that the government encourages. Zoning laws, permits, and environmental regulations may be pegged on where you locate, and therefore as an entrepreneur you must be alive to these facts.
- **Logistics Concern:** Depending on the sector your business is in, being near supplier than market may take different priorities. If your business is heavily reliant on raw materials that could be bulky, then you may want to locate near the source of the raw materials.
- **Security and Safety:** The business assets and personnel are valuable, and you must choose a location where their safety is guaranteed. At times locating near security installations might help you in this.
- **Local Culture and Community:** Understanding the local culture and how it aligns with your brand and business.
- **Government policy and incentives:** Different governments have policies that incentivize where businesses are located, some have even come up with export processing zones or economic zones where businesses enjoy certain benefits. For an entrepreneur, it would be worth considering such incentives.
- **Community Preferences:** Consider what the community prefers or demands in terms of amenities if you locate near them.
- **Real estate:** Here is a question of availability of sites or houses to set up your business. The site may be appealing but there is no building on site.

## Use of Design Thinking in choosing a business location

- **Understand Phase:** In this phase as an entrepreneur, you seek to empathize with your stakeholders: customers, suppliers, partners, and employees. You need to research more about your customers, where do they shop, spend time, work and how they choose where to shop. This will give you, insight into their preferences and what convenience means to them.
- **Observe Phase:** Here you immerse yourself in the real location/environment where you intend to locate your business (preferably different sites). Observe the human and customer traffic, how other businesses are interacting with their customers. Observe accessibility features to such utilities as parking and transport.
- **Synthesis Phase:** Process the information you have received in the first two phases and identify what is emerging as key considerations. Define the **problem/opportunity** by asking yourself what are the key things that a location must meet?
- **Ideate Phase:** From the clearly defined problem/opportunity, generate as many solutions as possible. We have looked at tools such as brainstorming that can come to your aid in this phase. Divergent is the approach here to ensure you have a pool of many ideas.
- **Prototype Phase:** From the many possible solutions you developed in ideate phase, you can narrow on a few or one and then test it. You could set up a pop-up shop or mobile shop to gauge different locations. There are urban planning Softwares that can be used to model how different locations might perform.
- **Testing Phase:** After setting up pop-up shops or mobile shops in different locations, gather feedback from the shoppers. From the feedback try to identify insights that would help you to improve or move you closer to a perfect location. Iterate the location, things such as signage, shop front visibility and access points.



Ever gone to a store that you struggled to find what you were looking for?

### **Business Layout: What it is and why it is important**

- A layout is basically the physical arrangement of your business space, your office, or even your house/room.
- If you have ever gone to a store or a room and found it difficult to locate or access what you were looking for, most likely the layout is the problem.
- How the furniture, equipment, and walkways are placed has so much to do with the business layout.
- This is a crucial element in business though it could be highly ignored especially by starting entrepreneurs.

### **Importance of Business Layout**

- **Optimization of Workflow:** A well-thought-out layout guarantees smooth workflow in your business as it cuts down unnecessary movement thereby saving time and pushing up productivity of both the workers and equipment.
- **Optimize space:** A good layout ensures maximum use of the available space.
- **Improves customer experience:** A well-thought-out layout ensures ease of navigation for your customers, hence finding the items they need quickly, and this enhances their shopping experience.
- **Aesthetic:** An attractive layout can create a lasting impression in the eyes of customers and may encourage them to come back.

- **Employee safety and comfort:** A well-designed layout can improve working conditions for your employees. It also ensures the safety and comfort of your people.
- **Motivated Employee:** When the working environment is pleasant, safe, attractive and human/employee- centered, their morale is likely to be high.
- **Flexibility:** A good layout should accommodate possibilities of changes or growth in the future.
- **Technology integration:** A good layout should allow the business to utilize available technology. If you are planning a warehouse, be sure to think about offloading, possible use of cranes, robots etc.

### **Use of Design Thinking in Business Layout**

- **Understand Phase:** In this phase you seek to gain deeper understanding of the challenge of your business. You do this by conducting research with your customers, employees and other stakeholders. Tools such as surveys, interviews or focus groups might help you in this phase.
- **Observe Phase:** Here the intention is to interact with people in the existing spaces so as to identify their pain points and opportunities. Spend time with them, this could be in a similar business and observe how they use space. Capture the challenges, the inefficiencies and areas of improvement.
- **Synthesis Phase:** Analyze the output of the understand and observe phases to identify key trends or insights that help you define the problem. You can create personas to help you in mapping their journey and define the problem more clearly.
- **Ideate Phase:** In this phase you generate a wide range of ideas that can address the problem you have identified in your synthesis phase. As we keep on emphasizing, think outside the usual solutions and encourage wild ideas. Use divergence approach before you can start narrowing down.

- **Prototype Phase:** Having picked your best idea(s), develop cheap representations of the same to see how it might work in reality. This may be sketches on the floor or physical models or digital simulations. This should help you to test and refine your idea.
- **Testing Phase:** When you have a working model/prototype, present or invite real users to interact with it. These could be employees or customers. Using tools such as feedback grid that we looked in our earlier lecture to collect insights from the test for improvement and iteration. This will ensure that the final layout meets the user's needs.

### **Global Considerations for Business Location and Layout**

- **Need for Technology integration:** Firms must seek ways to integrate technology in their spaces for efficiency.
- **Cultural differences:** When choosing location and layout in different cultures or markets, it is important for an entrepreneur to take cognizance of the cultural nuances of the people as this may vary how people use spaces.
- **Contemporary concerns:** Issue of ethics, green and sustainability are increasingly becoming a concern for most people as well as business and this means that entrepreneurs must take consideration of the same in their choice of location and layout.

### **Topic Review**

- We looked at what location is and why it is important for a business success
- Factors to be considered when choosing where to locate a business
- Applied design thinking in choosing where to locate
- Defined layout and showed why it is important to a business
- Used design thinking in coming up with a business layout
- In the next lecture we will look at family business, a common phenomenon across the globe.