

Entrepreneurial Management

Chapter 9

The Location Plan

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*After studying this chapter,
you should be able to...*



1. Describe the five key factors in locating a brick-and-mortar startup.
2. Discuss the challenges of designing and equipping a physical facility.
3. Recognize both the attraction and the challenges a hoof creating me-based startup.
4. Understand the potential benefits of locating a startup on the Internet.

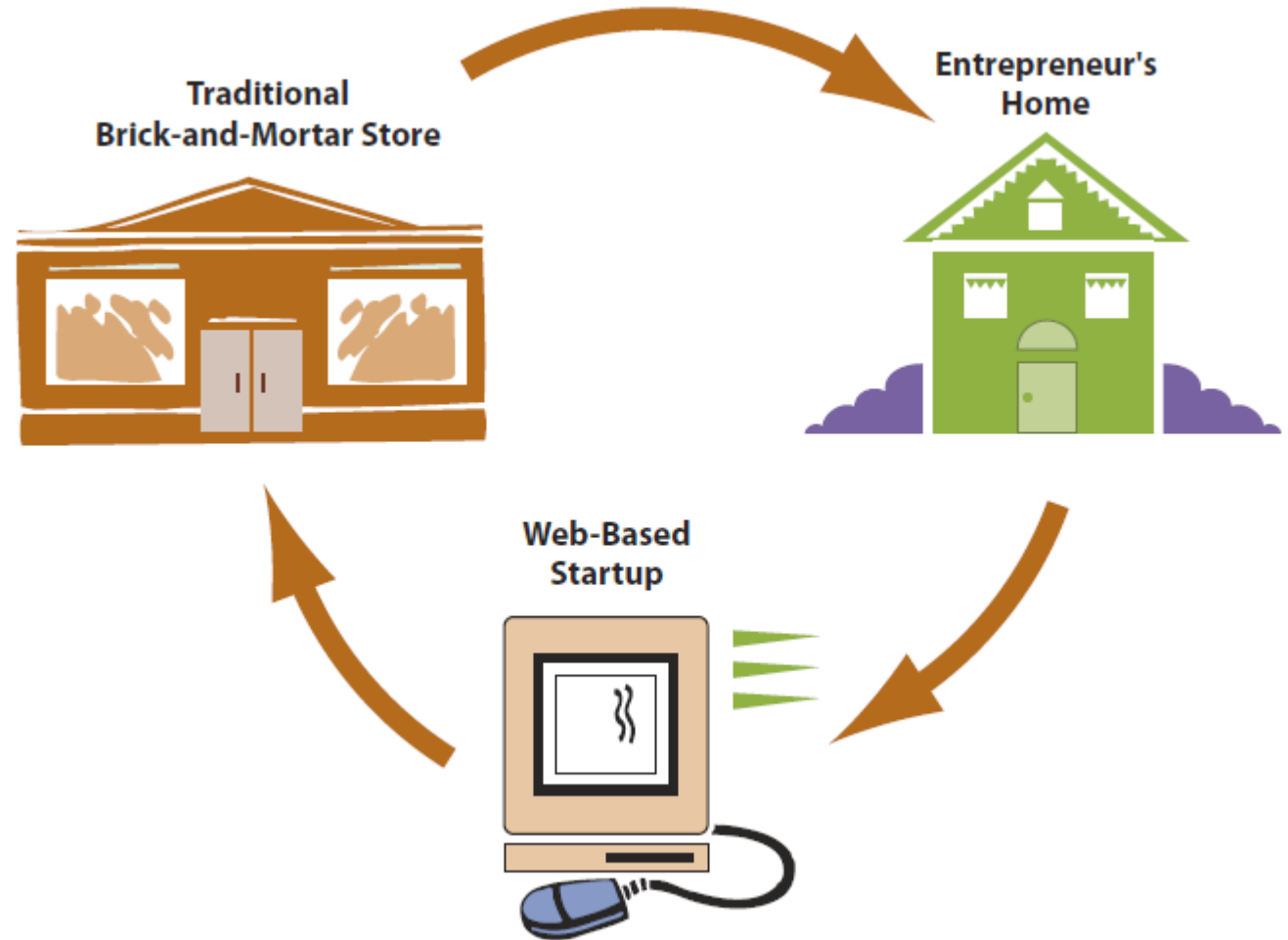
Locating the Brick-and-Mortar Startup

- **Brick-and-Mortar Store**
 - The traditional physical store from which businesses have historically operated.

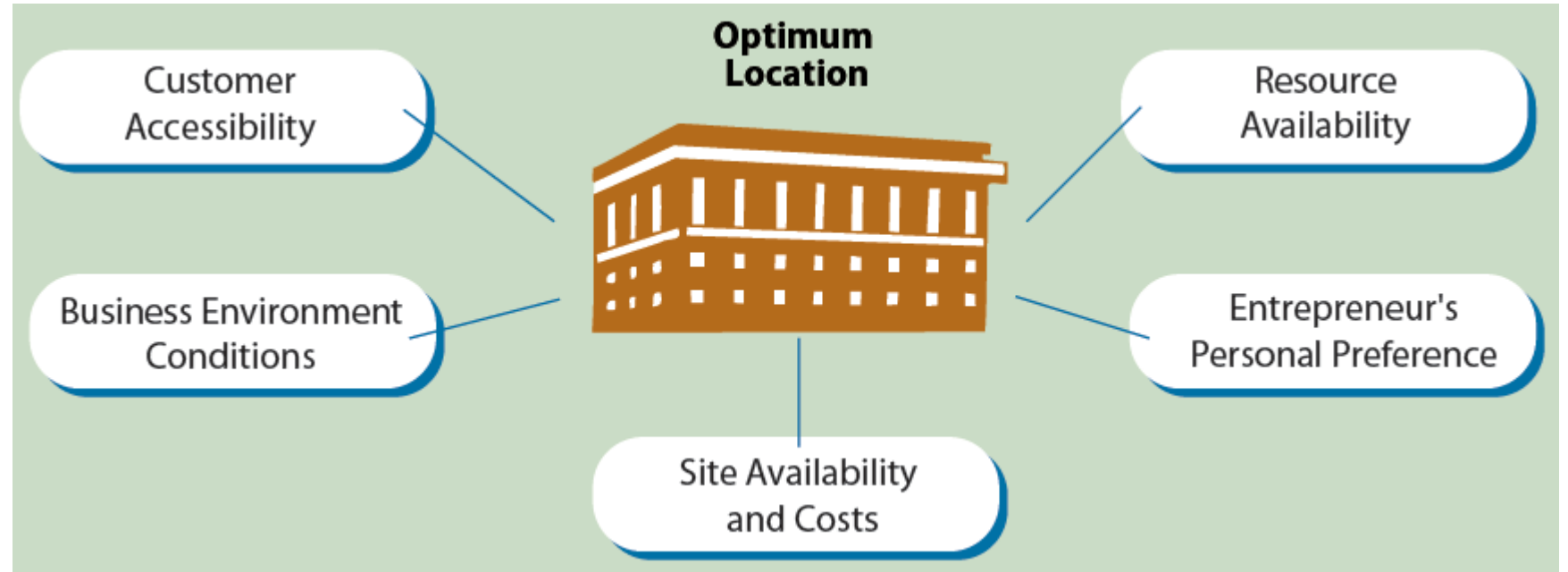
Locating the Brick-and-Mortar Startup

- The Importance of the Location Decision
 - High cost of constructing a physical location.
 - Effect of poor location on eventual success of the firm.
 - Type of business affects the importance of business location to customers.

Location Options for the Startup



Five Key Factors in Determining a Good Business Location



Other Factors in Selecting a Location

- Neighbor Mix
 - Who's next door?
- Security and Safety
 - How safe is the neighborhood?
- Services
 - Is there municipal trash pickup?
- Past Tenants' Fate
 - What happened to them?
- The Life-cycle Stage of the Area
 - Is the site in the embryonic, mature, or declining stage?

Selecting a Good Location

- **Customer Accessibility**
 - Customer convenience (high traffic)
 - Access by targeted customers (niche market)
 - Avoidance of shipping costs (local markets)
- **Business Environment Conditions**
 - **Climate-related factors**
 - **Business environment factors**
 - ❖ Presence of established competitors
 - ❖ Regulations, legal requirements and zoning restrictions
 - ❖ Tax structure, exemptions, and enterprise zone incentives
 - ❖ Cost of living for employees

Selecting a Good Location (cont'd)

- Availability of Resources
 - Nearness to raw materials
 - Availability of a suitable labor supply
 - Access to adequate and reliable transportation
- Personal Preference of the Entrepreneur
 - Familiarity with home community environment
 - Support of entrepreneur by the community
 - Desire for a particular lifestyle
 - Contribution to the community

Key Factors in Selecting a Location

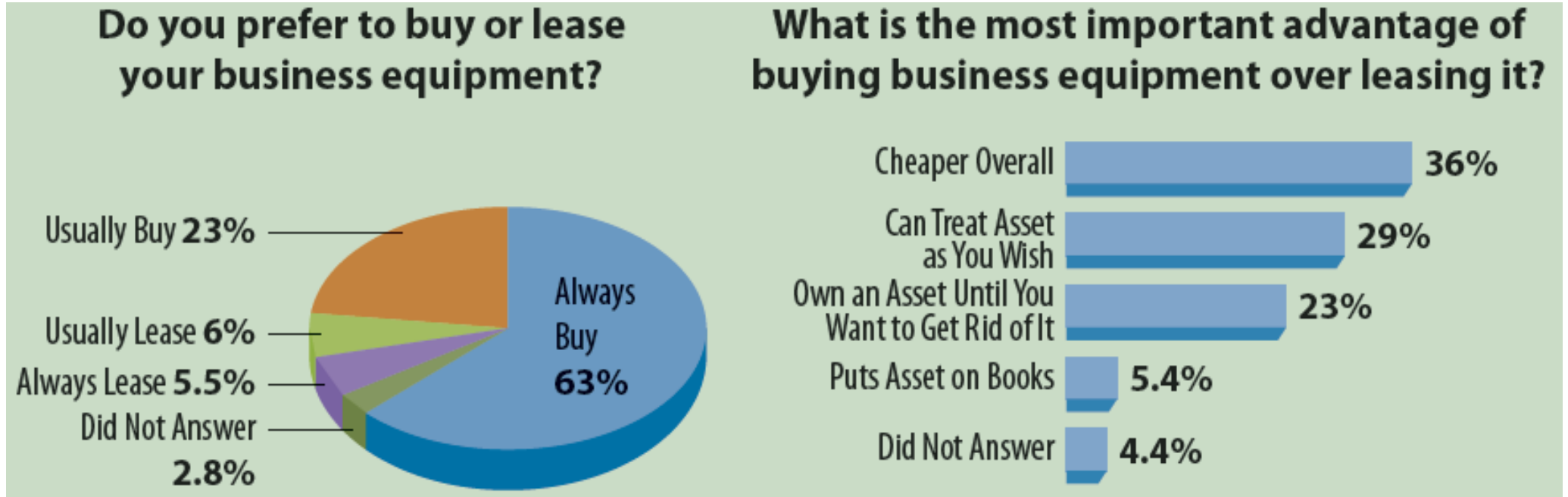
- Site Availability and Costs
 - Difficulty of locating a good site
 - ❖ Business incubator: shared space, services, and management assistance for new businesses
 - Buying: large costs for and commitment required to purchase site outright.
 - Advantages of leasing:
 - ❖ Avoids a large cash outlay.
 - ❖ Allows the owners to postpone committing to the site before the business becomes a success.
 - ❖ More affordable in high-image areas
 - ❖ Retains focus on running business

Designing and Equipping the Physical Facilities

- Design Requirement Challenges
 - Physical facilities should be of adequate size and accommodation; not too large or too luxurious.
 - Considerations:
 - ❖ Age/condition of building
 - ❖ Heating/air conditioning
 - ❖ Lighting and restroom facilities
 - ❖ Fire hazards
 - ❖ Entrances and exits
 - The ideal building meets the functional requirements of the business and projects the appropriate image to customers and the public at large.



Small Business Owners Choose Buying over Leasing



Equipping the Physical Facilities

- Manufacturing Equipment
 - General purpose equipment
 - ❖ Serves many functions in the production system
 - Low purchase cost
 - Flexible production
 - Good resale value

Equipping the Physical Facilities

- **Special-purpose equipment**
 - ❖ Are designed to serve specialized functions in the production process
 - Low labor cost
 - High hourly output
 - Limited resale value

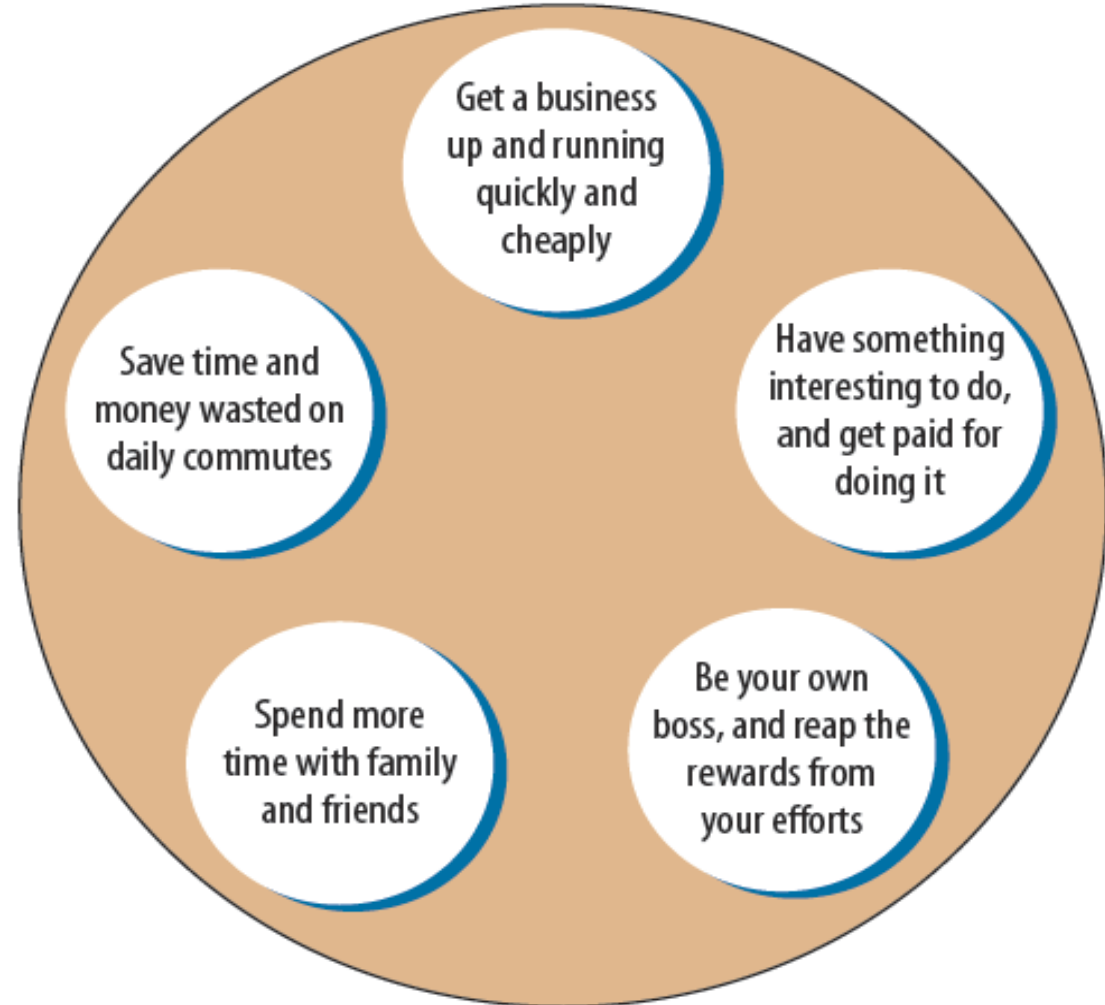
Retail Store and Office Equipment

- Retail
 - Display racks
 - Sales counters
 - Cash registers/
POS systems
- Business Image
 - Luxury/utilitarian
customer furnishings
 - Lighting
 - Displays
 - Signage
- Office Equipment
 - Computers
 - Fax machines
 - Copiers and printers
 - Telephone systems
 - Filing cabinets

Locating the Startup in the Entrepreneur's Home

- Home-Based Business
 - A business that maintains its primary facility in the residence of its owner
- Attraction of a Home-Based Business
 - Low start-up and overhead costs
 - Convenience for family and lifestyle
 - Technology
 - ❖ Advances in office equipment and connectivity allow home-based business to compete with commercial sites.

Common Reasons for Starting a Home-Based Business



The Challenges of Home-Based Businesses

- **Business Image**
 - A professional business image is difficult to maintain in a home environment.
- **Legal Considerations**
 - Local laws and zoning ordinances prohibit many types of home-based businesses.
- **Family and Business Conflicts**
 - The need to observe regular business hours and establish spatial boundaries (specific work areas) to avoid distractions.

Locating the Startup on the Internet

- E-Commerce
 - Electronic commerce, or the buying or selling of products or services over the Internet.
- Benefits of E-Commerce to Startups
 - Allows competition with larger firms in larger markets.
 - Helps with cash flow problems by compressing the sales cycle.
 - Builds better customer relationships through better service.
 - ❖ Electronic Customer Relationship Marketing (eCRM)

Factors Affecting the E-Commerce Choice

- **Technical Limitations**
 - Website development and maintenance costs
 - Insufficient bandwidth
 - Upgrading software
 - Integration of e-commerce with brick-and-mortar operations
 - Customer access to the Internet and connectivity limitations

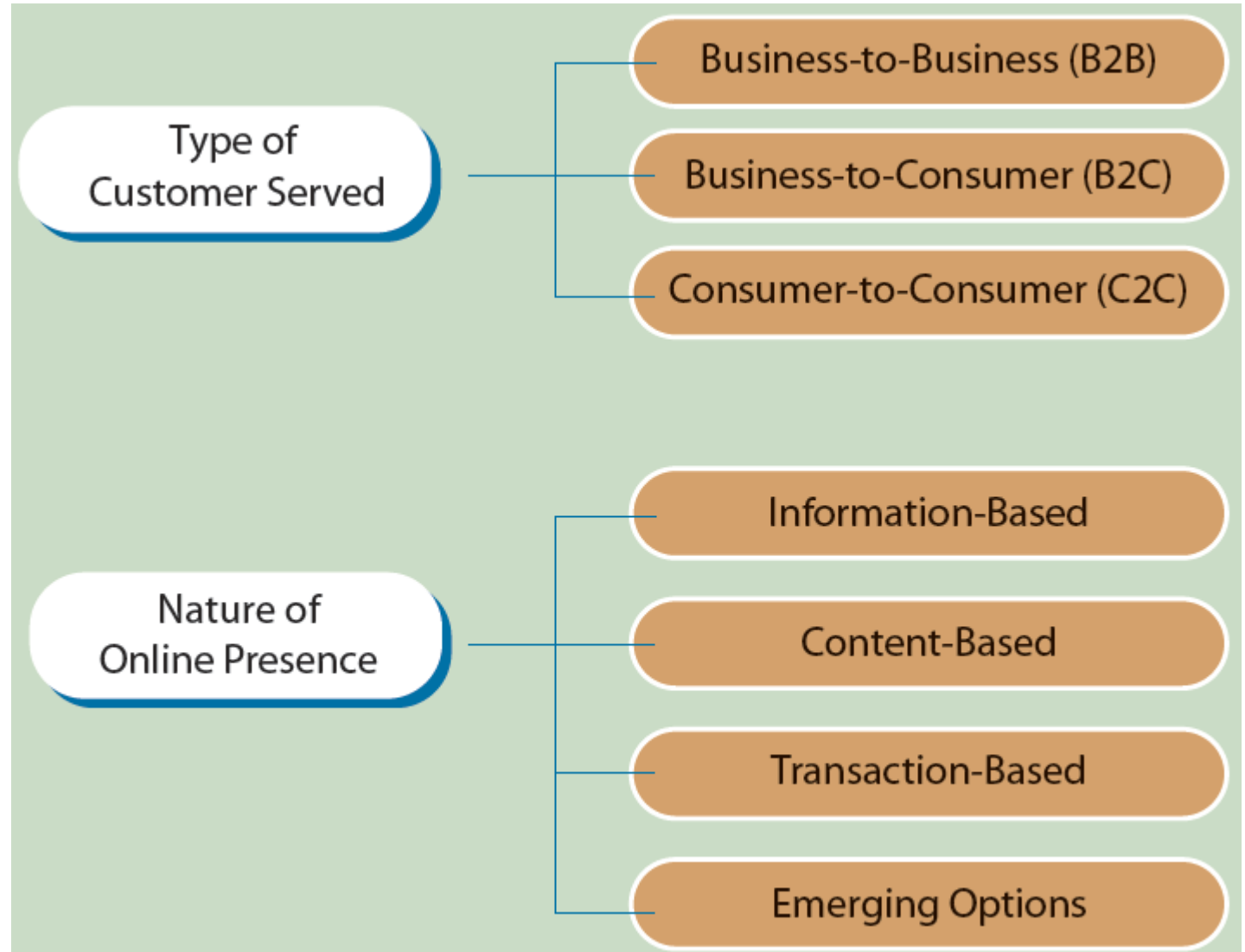
Factors Affecting the E-Commerce Choice

- Non-Technical Limitations
 - Privacy of customer transactions
 - Customer information security
 - Inability of customers to touch or try on products

E-Commerce Business Models

- Business Model
 - A group of shared characteristics, behaviors, and goals that a firm follows in a particular business situation.

Basic E-Commerce Business Models



Types of Customers Served

- **Business-to-Business (B2B) Model**
 - Sells to business customers electronically.
 - Facilitates and work outsourcing

Types of Customers Served

- **Business-to-Consumer (B2C) Model**
 - Electronic retailing to final customers; resulting in disintermediation (bypassing middlemen).
 - **Advantages of 24/7 E-Tailing:**
 - ❖ Flexibility: All-hours user access to products and services
 - ❖ Immediate completion of transactions
 - **Disadvantages**
 - ❖ Integration costs to associate with larger online retailers
 - ❖ Payment security risks
 - ❖ Lack of direct access to consumers

Types of Customers Served

- Consumer-to-Consumer (C2C) Model
 - Auction Sites
 - ❖ Web-based businesses offering participants the ability to list products for bidding.
 - Advantages
 - ❖ Ease and low costs for online store setup
 - ❖ Access to large customer markets
 - Disadvantages
 - ❖ Listing fees and commissions paid to auction site
 - ❖ Direct competition from other sellers

Selling Your Item on eBay

Step 1: Set up an eBay seller's account, which is free of charge.

Step 2: Create a listing for the item to be offered for sale.

Step 3: Manage your listing to see if anyone has bid on or purchased your item.

Step 4: Wrap up with the sale with your buyer by receiving payment, shipping the item, and leaving feedback.

Nature of Online Presence

- **Content-Based Model**
 - The website charges an access fee for information but does not trade in products and services.
- **Information-Based Model**
 - The website provides free information about a business, its products, and other matters.

Nature of Online Presence

- **Transaction-Based Model**
 - The website provides a mechanism for buying or selling products or services.
- **Emerging Models:**
 - Blogs, audio/video podcasts, YouTube ads, and social interest bookmarking sites (Pinterest)

Internet-Based Businesses and the Part-Time Startup Advantage

- Advantages of Part-Time Startup
 - Income keeps flowing, not interrupted if venture fails
 - Flexibility and lower costs of launching startup
 - Reduces risk of transition to entrepreneurial life
- Disadvantages of Part-Time Startup
 - Need to find suitable location for growing venture.
 - Involvement with startup conflicts with personal life
 - Risk of failure of startup after leaving present job

Key Terms

auction sites

brick-and-mortar facility

business incubator

business-to-business (B2B)
model

business-to-consumer (B2C)
model

consumer-to-consumer (C2C)
model

content-based model

disintermediation

e-commerce

Electronic Customer
Relationship Marketing
(eCRM)

general-purpose equipment

home-based business

information-based model

special-purpose equipment

transaction-based model

zoning ordinances