

# Agglomeration Dynamics on Location Decisions of Entrepreneurial Start-ups

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## Introduction

Entrepreneurship is becoming increasingly preferred over conventional employment. Despite the contemporary trend of business ventures launching exclusively online, many enterprises still establish physically and are confronted with a locational decision. Location choice is often seen as an essential prerequisite for the success of an entrepreneurial venture; distinct environments possess differing locational advantages for businesses with the potential to affect a venture's viability. Encompassed as an advantage are the economies of agglomeration. Defined as the benefits associated with the collocation of industry-similar firms, the economies of agglomeration are relevant for modern entrepreneurs in an increasingly concentrated, urbanised world. Although extensive research has been conducted surrounding the theory of agglomeration, there is inadequate research into the dynamics of agglomeration and how it influences and affects entrepreneurial start-ups.

## Aim

This research aims to understand the influence and effects of agglomeration on entrepreneurs' venture location decisions that can be utilised to direct future entrepreneurial decisions regarding location. Results produced conclusive to the conducted research will assist with future locational decisions entrepreneurs make, synthesised into a framework designed specifically for entrepreneurs.

## Methodology

10 entrepreneurs were selected for the interviews, diverse in demographics, locations, and industries, enabling the study to account for various circumstances and mitigate any un-representative issues. Pseudonyms have been issued to protect anonymity and ensure confidentiality.

Entrepreneur	Business type	Location(s)
Andrew	Construction	Southampton, Kent, Cambridge
Bella	Shipping and Logistics	Southampton
Carlos	Retail Chain	Portsmouth, London
Dennis	Estate Agent Chain	Basingstoke, London, Farnborough
Emily	Luxury Car Storage	Winchester
Fred	Showroom	Southampton
George	Self-Storage	Winchester
Hector	Showroom	Southampton
Ian	Accountants Chain	Southampton
Josephine	Fitness Studio	Winchester

## Customer Proximity:

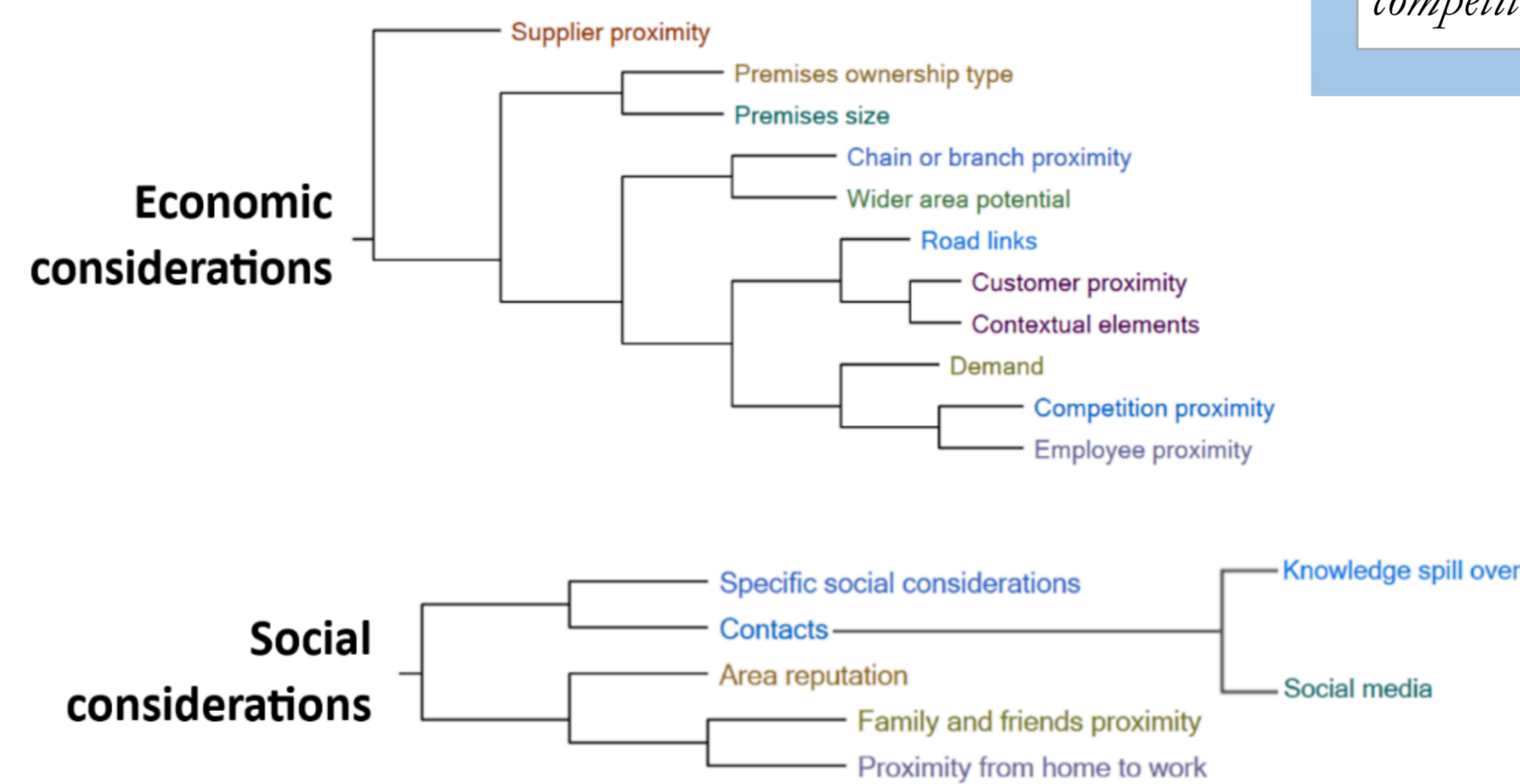
*"It's logical for our HGV's to deliver in a two-hour radius. Anything outside that and our logistics costs outweigh the profit. If you were to get Britain and pinpoint our sites, the radiuses overlap like Olympic rings to cover the patches with demand. Many overlap in London, that's where the population density and building work is happening."* (Andrew)



## Competition Proximity:

*"We opened a branch 200 yards away from our biggest competition in the entire country and the staff just walked across the road and walked in our building and signed on the dotted line. It helped us out as it disabled our competition."* (Andrew)

## Findings



When exploring entrepreneurs primary location considerations, proximity to stakeholders and their opportunities and threats were prominent subjects: **suppliers, customers, and competition.**

## Supplier Proximity:

*"The delivery from suppliers needed to be fairly expeditious; the quicker we can get the kitchens into the showroom, the quicker we can sell them."* (Hector)

## Discussion

By highlighting proximity from stakeholders as a leading location deciding factor, this research has reinforced agglomeration as a determinant of a venture's success due to an emphasis on collocation. The themes of labour pools, good infrastructure, and concentration of demand frequently mentioned in the transcripts, the economies of agglomeration have been ascertained as a factor in ensuring a venture's viability.

