LOCATION, LOCATION, LOCATION: LET'S START A BUSINESS

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LESSON DESCRIPTION:

Through this lesson students will take on the role of an entrepreneur and describe traits their ideal consumer would possess. Then students will compare economic data from three different states to determine the ideal location for their business.

GRADE LEVEL: 9-12

CONCEPTS: entrepreneurship, business, consumers, income, unemployment rate, gross domestic product, minimum wage

ESSENTIAL QUESTION:
How do economic factors at the community level impact where a business should be located?

OBJECTIVES:
Students will be able to:
1. Analyze local economic and geographic data.
2. Create a list of traits that make up an ideal consumer for a specific business.
3. Use economic data to determine which geographic location is best suited for a specific business.

TIME REQUIRED: 60-minute class period (estimated)

MATERIALS:

1. Visual 1: Business Description
2. Handout 1: Consumer Description, one for each student
3. Handout 2: Location Scouting, one for each student
4. Visual 2: Real Household Median Income by State
5. Visual 3: Unemployment Rate by State
6. Visual 4: Gross Domestic Product by State
7. Visual 5: Minimum Wage by State

PROCEDURE:
1. Ask students: What makes a **business** successful? *(Answers will vary but may include: when they make money, when they have a lot of consumers, etc.)*
2. Tell students that there are many different variables that go into a successful **business** (any activity or organization that produces or exchanges goods or services for a profit). Mention factors including demographics of the consumer, competition, and location of the business, and costs such as rent and utilities.
3. Ask students to define an **entrepreneur** in their own words.
4. Review the definition of an **entrepreneur** (someone who takes the risk of producing a product or starting a new business).

5. Tell students that today they will be acting as an entrepreneur and considering different variables before starting their business.
6. Display Visual 1; read aloud.
7. Tell students that before they decide on the location for their business, they will need to determine the characteristics of their ideal consumer.
8. Distribute Handout 1; read the directions out loud.
9. Have students complete Handout 1; allow approximately 7-10 minutes.
10. Tell students to share their answers from Handout 1.
11. Ask students where they might go to find statistical information about their potential **consumers** (people who buy and/or use goods and services to satisfy wants). Share with students that there are a number of different resources where statistical data can be found.
12. Tell students that in order to have a successful business they need to know where their consumers are located and where their restaurant should be located. Now that they have outlined who their consumers are they will be able to identify where their potential consumers are located using the statistical data provided in Visuals 2, 3, 4, and 5.
13. Distribute Handout 2; read the directions out loud.
14. Tell students that first they are going to use Visuals 2, 3, 4 and 5 to find the different statistics they need. Once they have found the data, they are going to rank each city on a scale from 1 to 3, with 3 being the most favorable. Once they have ranked each city based on each statistic, tell them to add up the total ranking for each city.
15. After they have added up the totals, instruct students to complete the remainder of Handout 2 and then have students share which city they recommended and why.
16. Ask students what factors need to be taken into consideration when starting a business. Have them write their answer on the back of Handout 2 and to give it to you as an exit ticket.

ASSESSMENT:
- Handout 1
- Handout 2

EXTENSION

- Have students go to GeoFred (https://geofred.stlouisfed.org/) to find the economic data on a county, national or international level.

VOLUNTARY NATIONAL CONTENT STANDARDS IN ECONOMICS

CONTENT STANDARDS:

Standard 2: Decision Making: Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.

Standard 7: A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

Standard 14: Entrepreneurship: Entrepreneurs take on the calculated risk of starting a new business, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovations are an important source of economic growth.

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VISUAL 1: BUSINESS DESCPRIPTION

You are an entrepreneur looking to start a new business. There are a few different types of businesses that you have considered starting, but your passion for food and fun has led you to decide to start a seafood restaurant. You have noticed that there are a lack of seafood restaurants in non-coastal states, and thus there is an opening for you in the market. In order to ensure that your business is unique, the employees at your restaurant will wear pirate costumes, and the building will be decorated like a pirate ship. Even though there is an opening in the market, starting a business is still a risk so you need to come up with a plan that will minimize that risk as much as possible. Part of your plan will need to focus on the location of your business. So far, you have narrowed it down to cities in three states: Colorado, Oklahoma, and Nebraska.

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Name: Hour: Date:

HANDOUT 1: CONSUMER DESCRIPTION

Directions: Create a list of traits that make up an ideal consumer for your specific business in the box below. Consider the following variables: who would patronize your business; the age range and gender of people who would frequent your establishment; the level of education a consumer would more likely have (college degree or not); and the level of income a consumer would need to afford the goods and services of your business.

Directions: Now that you have considered what traits your consumer will likely have, think about where that consumer is more likely to live. Consider if he or she is more likely to live in a city, suburb, or rural area; is he or she more or less likely to live in a specific geographic location, like near a beach or in the mountains? In the box below, describe the ideal location for your business based on at least five different traits of your consumer.

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Tina M. Ellsworth, Federal Reserve Bank of Kansas City

Courtney Wheeler, Federal Reserve Bank of Kansas City

Name: Hour: Date:

HANDOUT 2: LOCATION SCOUTING

Directions: You are an entrepreneur trying to open a seafood restaurant. You have been tasked with determining which city would be best for your business. The list of cities has been narrowed down to three: Omaha, Nebraska; Oklahoma City, Oklahoma; and Denver, Colorado. To help you make your decision, evaluate the data provided in Visuals 2, 3, 4 and 5. Using the table provided below, find the associated data for each state where the cities are located. Once you have recorded the information for each state in the boxes provided, rank each city in the appropriate box on a scale of 1 to 3, with 1 being the least favorable for your business and 3 being the most favorable. When complete, add the points for each city at the bottom.

State Data	Omaha, NE	Rank	Denver, CO	Rank	Oklahoma City, OK	Rank
Average Income						
Unemployment						
Gross Domestic Product						
Minimum Wage						
Total Ranking						

Directions: Now that you have identified your consumer and compared each of the cities based on a variety of data, answer the following question: *Which city would you recommend as the location for your new business and why?*

_____

_____

_____

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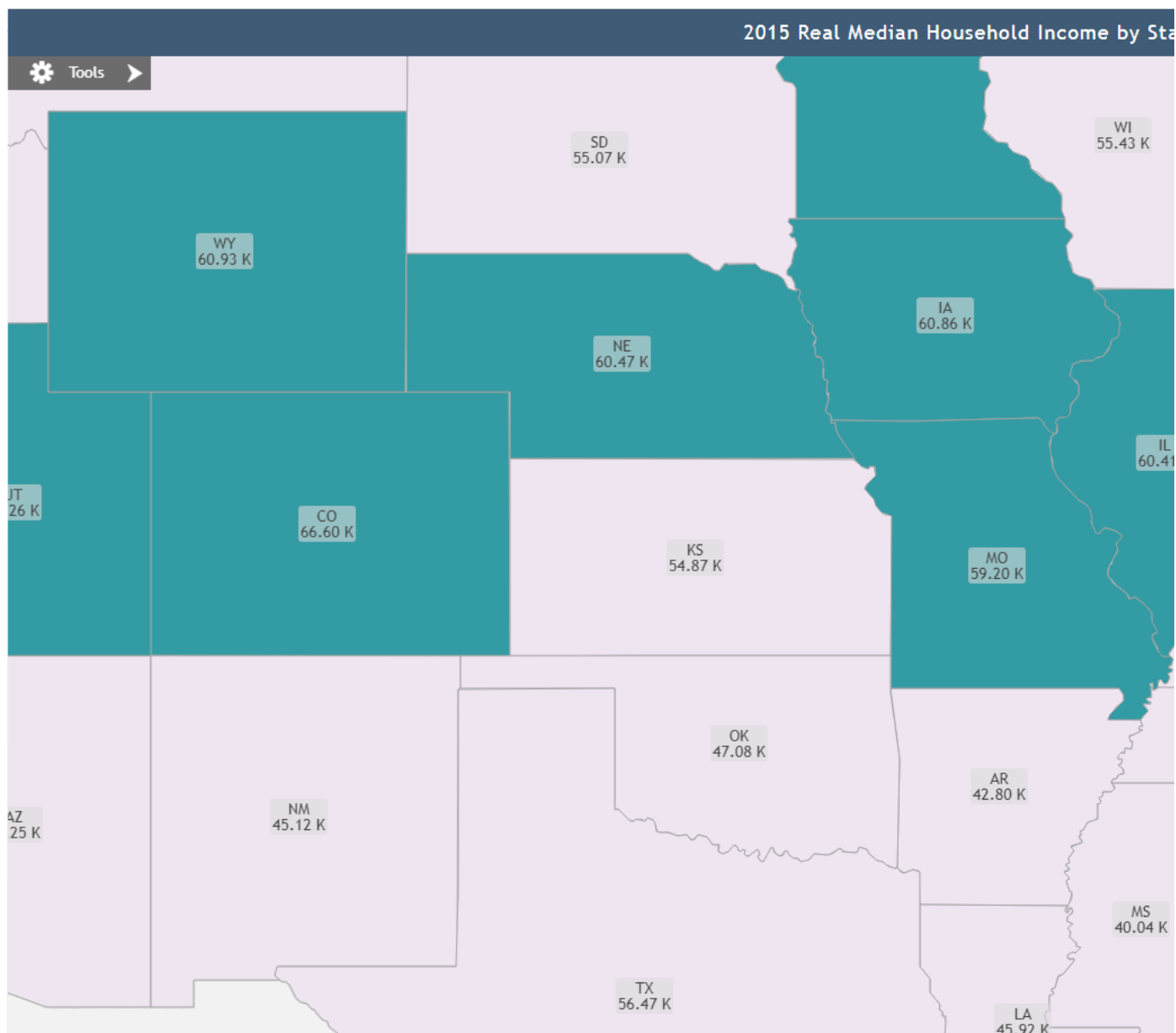
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VISUAL 2: REAL MEDIAN HOUSEHOLD INCOME BY STATE

Income: The amount of money you earn or receive from different sources.

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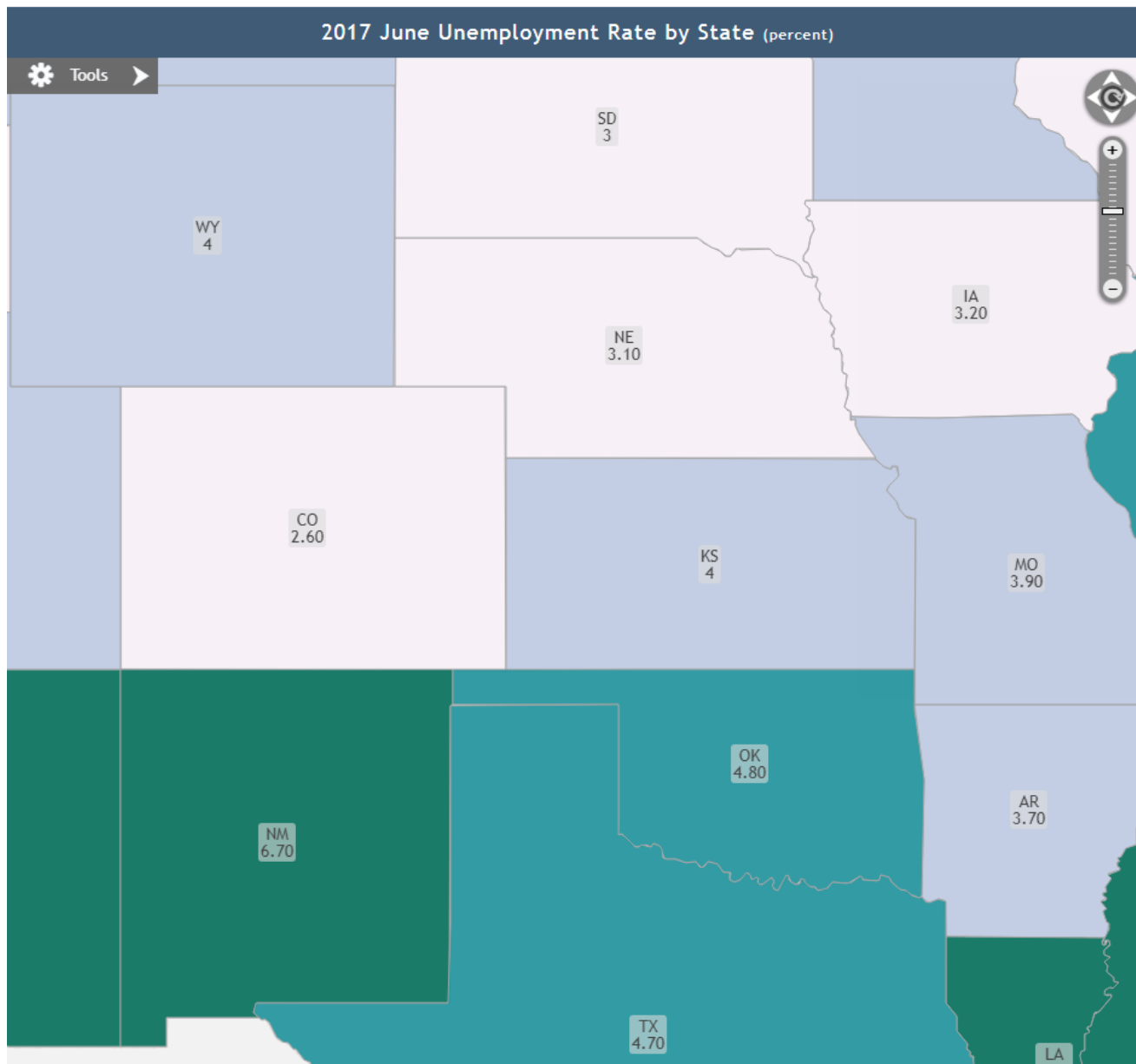C<small>OURTNEY</small> W<small>HEELER</small>, F<small>EDERAL</small> R<small>ESERVE</small> B<small>ANK OF</small> K<small>ANSAS</small> C<small>ITY</small>

VISUAL 3: UNEMPLOYMENT BY STATE

Unemployment: The number of people without jobs who are actively seeking work.

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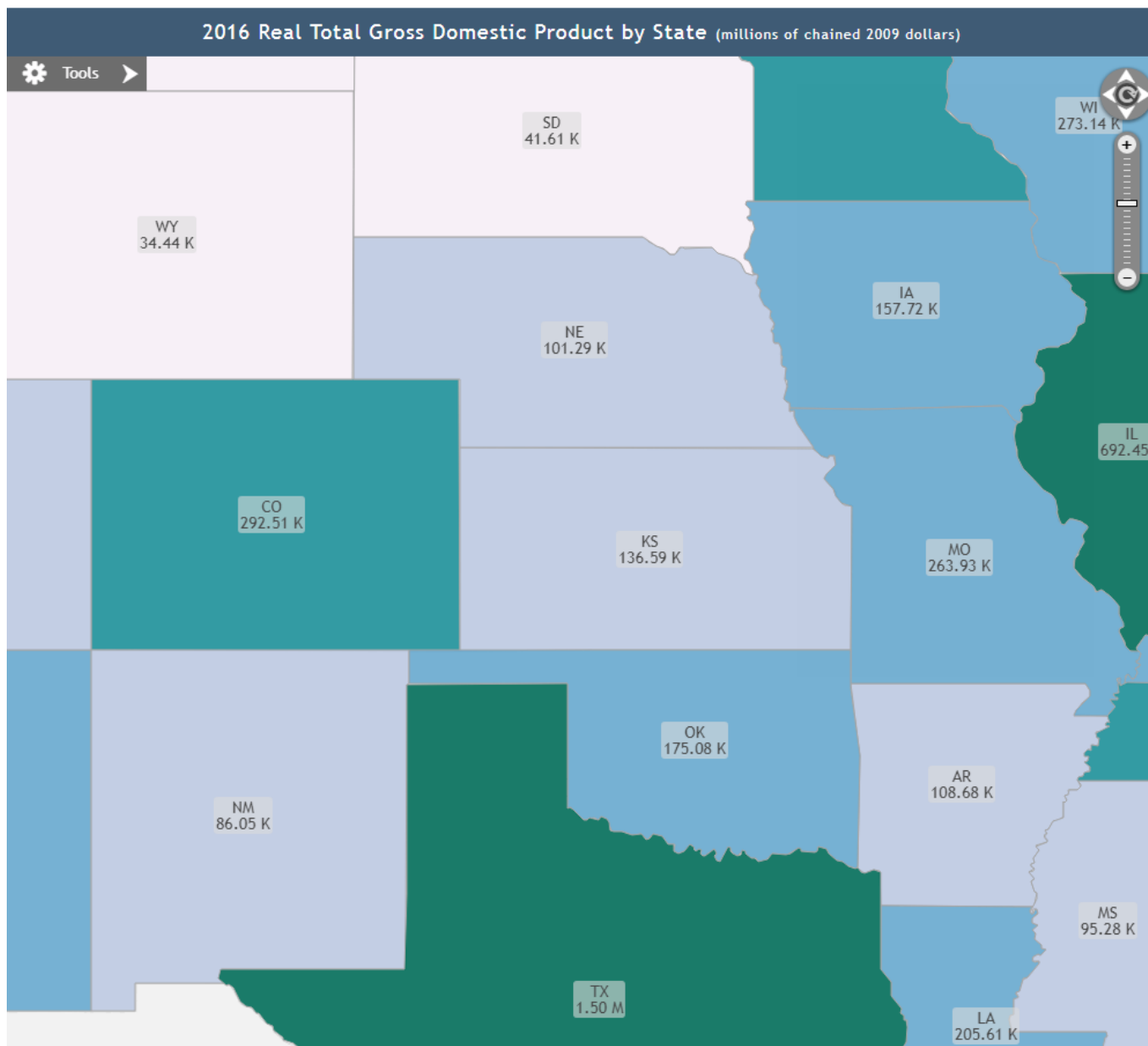TINA M. ELLSWORTH, FEDERAL RESERVE BANK OF KANSAS CITY

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VISUAL 4: GROSS DOMESTIC PRODUCT BY STATE

Gross Domestic Product (State): The market value of all final goods and services produced in a state in a calendar year.

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VISUAL 5: MINIMUM WAGE BY STATE

Minimum Wage: The amount of money that is the least money per hour that workers must be paid according to law.

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2017 State Minimum Wage Rate by State (dollars per hour)

⚙ Tools ▶

WI 7.25
SD 8.65
WY 5.15
IA 7.25
NE 9
IL 8.25
CO 9.30
KS 7.25
MO 7.70
OK 7.25
AR 8.50
NM 7.50
MS
TX 7.25
LA

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