

Design Thinking and New Venture Creation in the UK Digital Economy

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Module: Design Thinking and Innovation

Module Code: LCLM6002

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Introduction

The business climate in the UK has changed dramatically as a result of the quick growth of digital technologies. Social media, cloud computing, digital payments, e-commerce, and online communication have all altered how consumers find, buy, and receive goods and services as well as how businesses engage with their clientele. The COVID-19 pandemic hastened the shift to online commerce and encouraged businesses to adopt digital technology at an unprecedented rate, even though digital transformation was already taking place before the pandemic. For instance, internet sales made up 33.9% of all retail spending in Great Britain in 2020, according to data from the Office for National Statistics (ONS), compared to far lower levels before the pandemic (ONS, 2021). The percentage of online retail sales that followed continued to be higher than it was before the pandemic, indicating that the pandemic did not just cause a brief rise in online shopping but also contributed to longer-term shifts in consumer behavior (ONS, 2021).

Additionally, the significance of digital transformation for small and medium-sized businesses (SMEs) has grown. 5.64 million of the 5.7 million private sector companies in the UK are small enterprises with less than 50 employees (Department for Business and Trade, 2025). As a result, SMEs constitute a significant potential market for digital goods and services. According to recent government study, in 2024, 69% of SME employers employed web-based software or technology to manage their businesses or sell to clients, up from 50% in 2022 (Department for Business and Trade, 2025a). However, the same study shows that digital adoption is unequal, with larger SMEs using some technologies more frequently than smaller and micro enterprises. This presents a chance for businesses that can simplify, lower the cost, and increase the accessibility of digital adoption. Online ordering, digital payments, social media marketing, online booking systems, remote services, and home delivery are just a few of the examples included in the evaluation scenario to show this shift. But there are drawbacks to the growth of internet trade. Small firms might not have the time, money, or technical know-how to set up complex digital systems. Additionally, when local businesses operate across dispersed websites and social media profiles, consumers may find it challenging

to find them online. Another issue is delivery, since small enterprises might not have the infrastructure or order numbers required to independently provide effective and reasonably priced delivery.

The Design Thinking framework of Empathize, Define, Ideate, Prototype, and Test is used in this paper to find prospects for new business creation and innovation in the UK digital economy. Design Thinking is a human-centered methodology that centers problem solution around user demands and experiences (Brown, 2008). Understanding users, describing challenges, coming up with other solutions, building prototypes, and testing those solutions with users are all key components of the five-stage methodology connected to Stanford's d.school (Stanford d.school, 2026).

According to the article, a new digital project called LocalLink would offer independent retailers, regional producers, and other small companies an integrated digital commerce platform. The platform would include digital payments, order administration, customer communication, online stores, and local delivery coordination. The goal would be to meet the unique needs of smaller businesses who need a straightforward and reasonably priced path into digital commerce, rather than directly competing with major global e-commerce firms.

1. Key Opportunity Areas in the UK Market

1.1 User Pain Points

Understanding consumers should come before creating a technological solution, according to a core tenet of Design Thinking. According to Brown (2008), Design Thinking integrates business viability, technology feasibility, and human requirements. Therefore, it is necessary to comprehend the issues that customers encounter in order to identify entrepreneurial prospects.

The challenge small businesses face in creating and sustaining an internet presence is a significant source of frustration. Despite the growing significance of digital technology,

adoption may provide organizational, technical, and financial obstacles. According to UK government study, SMEs may view digital adoption as costly and challenging, and they lack the knowledge necessary to successfully adopt new technologies (Department for Business and Trade, 2025b). According to the SME Digital Adoption Taskforce, the main obstacles to technology adoption are uncertainty, lack of experience, and cost (Department for Business and Trade, 2025c).

Microbusiness owners, who frequently handle purchasing, stock, customer service, marketing, and administration themselves, are most affected by this issue. Therefore, there might be a lot of administrative strain when managing websites, online catalogs, digital payments, client interactions, and delivery all at once. Companies may use WhatsApp for communication, Instagram for marketing, distinct payment methods, and several courier services, which leads to disjointed procedures and needless complexity.

Pain spots are also experienced by customers. Finding products, verifying availability, and completing orders can be less convenient than utilizing major e-commerce platforms, even though customers might wish to support local businesses. Before placing an order, customers might have to look through several websites or social media profiles. Delivery presents another difficulty because independent businesses, especially those in rural regions, may lack the order volumes and resources necessary to obtain effective delivery arrangements.

As a result, many SMEs' capabilities and consumers' expectations for easy digital commerce are not aligned. This gap presents a chance for an accessible and comprehensive digital solution that streamlines online sales, enhances customer convenience, and boosts small enterprises' ability to compete.

1.2 Market Gaps

Since there are already significant e-commerce platforms, starting a new online marketplace would not be a viable business opportunity. Rather, a new business must offer a unique value proposition or target an underrepresented market area. The absence of a straightforward, comprehensive digital commerce system made especially for independent firms is one significant market gap. Online storefronts, payment processing, and delivery services can all be offered by current platforms, but business owners may still need to handle these systems independently, which adds expense and complexity.

This presents a chance for LocalLink, an integrated platform that enables companies to set up online stores, upload goods, take orders, handle payments, and plan deliveries all from a single system. In 2024, 69% of SME employers employed technology or web-based software to operate their firm or sell to clients, up from 50% in 2022, according to government data (Department for firm and Trade, 2025a). This shows that digital usage is growing, but adoption does not always equate to successful integration. A company may continue to handle orders and delivery manually while using social media for marketing and electronic payments. Therefore, rather than just offering another digital tool, LocalLink would concentrate on integration.

Local business is the subject of a second market gap. While LocalLink would concentrate on independent enterprises and physical proximity, large e-commerce platforms prioritize wide product choices. Local shopping would be more convenient if consumers could look for goods offered by local companies. This might be especially helpful for rural places, where local firms could use internet platforms to reach larger markets and customers might have fewer physical retail options.

Delivery coordination is a third opportunity. Delivery arrangements are frequently made independently by independent companies, which may result in higher expenses and inefficiencies. LocalLink could arrange shared delivery routes and aggregate orders

based on geographic area. This might cut down on pointless travel, increase delivery effectiveness, and provide clients a more practical and possibly cost-effective service. Thus, there is an obvious market gap when digital integration, local discovery, and coordinated delivery are combined.

1.3 Technological Enablers

Advances in cloud computing, smartphones, digital payments, geolocation, and data analytics make this prospect more feasible. LocalLink would be able to offer digital infrastructure using cloud computing, eliminating the need for each participating company to run its own servers. The platform would handle the underlying infrastructure, while businesses would use an internet-connected device to access their accounts. The importance of mobile technologies is comparable. Smartphones are being used by consumers more and more for information searches, business communications, and purchases. Through a mobile-responsive interface, business owners could also handle orders and interact with clients.

Another technical enabler is digital payment systems. Integration with reputable payment providers would be crucial because customers are expecting to be able to pay electronically. Instead of building its own payment infrastructure, LocalLink might use safe third-party payment processing. Local delivery and discovery could be aided by geolocation technologies. While delivery orders could be classified by postcode or area, customers could browse for businesses based on geographic proximity. Participating companies may receive additional benefits from data analytics. Businesses may be able to see on the platform which products are most popular, when demand is at its peak, and which locations produce the most orders. This could assist SMEs in making better stock, marketing, and delivery decisions.

In the future, artificial intelligence might offer more features. AI could help with delivery route optimization, customer recommendations, demand predictions, and product descriptions, for instance. But just because AI is technologically trendy doesn't mean it should be implemented. First, the primary product should address the basic issues that

people are facing. This idea is consistent with the Design Thinking methodology, which places an emphasis on user-friendly solutions in addition to technological and commercial viability (Brown, 2008).

1.4 Potential for Scalability

Scalability is a crucial consideration when assessing a new business. Because digital infrastructure can accommodate more users without necessitating an equivalent expansion in physical space, a successful digital platform may grow faster than a traditional physical firm. The magnitude of the UK's SME population makes it a significant market for such an endeavor. At the start of 2025, there were 5.7 million private sector companies, the vast majority of which were categorized as small businesses (Department for Business and Trade, 2025d). A sizable consumer base could be represented by even a tiny percentage of these companies.

LocalLink could start out in a single region. A targeted launch would enable the company to build a working delivery network, comprehend consumer behavior, and cultivate connections with nearby shops. The platform might be extended to additional towns and cities if the model was verified. A subscription-based business model might be used by the platform. For access to the platform, businesses could pay a monthly charge that varies according to capability. A minor transaction fee on finished orders could be an additional source of income. To prevent deterring SMEs, transaction fees would need to be kept low enough.

Network effects may also be advantageous to the platform. Customers have more options as more companies enter the market. The platform's value to businesses increases as more customers use it. A self-reinforcing growth cycle may result from this.

1.5 Sustainability

Economic, social, and environmental factors should all be taken into account while evaluating sustainability. Maintaining comparatively low marginal costs and developing a recurring revenue model could lead to economic sustainability. Given that small firms make up a sizable portion of all businesses in the UK, supporting SMEs may help increase local economic resilience (Department for Business and Trade, 2025d). Additionally, social sustainability is crucial. Independent companies can support local communities by creating jobs, offering specialized goods, and offering individualized services. Therefore, local business shouldn't always be replaced by digital technology. Rather, it can give independent companies the tools they need to compete in a world that is becoming more and more digital.

Delivery consolidation may enhance environmental sustainability. There may be less needless travel if several orders in the same area are combined into fewer delivery trips. But this advantage shouldn't be taken for granted. Because poorly planned local deliveries may increase emissions rather than decrease them, the environmental impact would need to be quantified. As a result, the business might give preference to delivery partners that use bicycles or electric cars when it makes sense geographically. Additionally, packaging that is recyclable or reusable could be promoted.

2. Applying the Five Stages of Design Thinking

2.1 Empathise

Empathy is the first step in the Design Thinking process. This level entails comprehending user experiences through engagement and observation, according to Stanford's d.school (Stanford d.school, 2026). Instead than presuming that the entrepreneur already knows the solution, the goal is to determine what people truly need. At least four user groups should participate in LocalLink's research: independent companies, consumers, rural clients, and delivery partners. Semi-structured interviews with small business owners would be the initial research approach. Inquiries should look

into how companies currently offer goods, accept online orders, use digital platforms, handle payments, and plan deliveries.

For instance, an independent retailer may currently use Instagram to promote a product. After that, a consumer messages directly to inquire about the product's availability. The retailer sends payment information, verifies the pricing, checks inventory, and then schedules delivery. It is possible to finish each step by hand. The entrepreneur could gain a deeper understanding of the process through observation. The researcher could watch a real order being processed rather than just asking the business owner what issues are there. This could highlight inefficiencies that the company owner has grown accustomed to and does not see as a serious issue.

Interviews with consumers ought to be done as well. Customers may be questioned about why they buy from big online retailers instead of independent merchants. Convenience, cost, delivery time, product availability, trust, and payment preferences could all be investigated. Because rural consumers may have different experiences than urban consumers, it is important to intentionally include them. They could have fewer options for in-person shopping, but they might also pay more for delivery. Interviewing delivery partners is a good way to learn about their operational difficulties. They might shed light on delivery density, route inefficiencies, and the data needed to manage several orders.

User personas could be created using the data gathered from these interviews. A tiny rural producer that wants to sell online but lacks technical know-how could be one persona. Another would be a consumer who values convenience but want to support regional companies. A delivery driver who requires improved route coordination could be a third. Therefore, empathy research would guaranty that the business tackles an actual issue rather than one that the entrepreneur created.

2.2 Define

Define is the second step. At this point, data gathered during the Empathize phase is examined and transformed into a precisely defined issue (Stanford d.school, 2026).

The main issue statement for LocalLink might be:

“Because current digital commerce systems can be fragmented, challenging to manage, and expensive for small-scale enterprises, independent UK businesses need an easy and reasonable way to sell online, handle orders, and schedule delivery. Customers require a similarly easy way to find and buy from nearby companies without sacrificing the ease of use found on large e-commerce sites”.

This definition goes beyond merely stating that SMEs "need an app" on purpose. The issue is fragmentation and complexity, not the lack of an app. The entrepreneur could then formulate a number of "How might we?" questions to direct innovation, such as how to make online selling easier for microbusinesses, enhance the discoverability of independent businesses, simplify delivery, improve accessibility for rural businesses, combine convenience with local support, and promote sustainable delivery practices. These inquiries serve as a clear basis for the next Ideate stage and assist in converting recognized customer demands into opportunities for prospective solutions.

2.3 Ideate

Ideate is the third stage. The goal is to produce a large number of potential solutions before deciding on the most promising one. Instead of choosing the first obvious solution right away, Stanford's Design Thinking paradigm emphasizes coming up with a variety of concepts (Stanford d.school, 2026). The study may yield a number of possible ideas. The first might be an online marketplace where customers find independent companies. A software-as-a-service platform that gives SMEs their own web stores may be the second. A local delivery service that gathers orders from several businesses might be the third option. A loyalty program that rewards consumers for patronizing

nearby companies may be the fourth. AI-powered suggestions could be another idea. Consumers might enter their search terms and get suggestions from local independent companies. Analytics can also be used by businesses to determine shifting consumer demand. The best plan, though, would integrate a number of these concepts rather than considering them as distinct enterprises. LocalLink, an integrated digital commerce platform for independent enterprises, is thus the suggested remedy. LocalLink would enable companies to set up online stores without the need for sophisticated technical expertise. Product photos, descriptions, prices, and stock details could all be uploaded by any company. After that, customers could look for products by business, area, or category. Through the portal, customers will be able to place orders and make digital payments. After receiving an automated message, the company might get ready to pick up or deliver the order. Additionally, local deliveries would be integrated onto the platform. Orders could be categorized geographically, making it easier for companies or delivery partners to plan routes. Customer communication would be an additional benefit. Order updates might be handled via the platform instead of needing users to switch between Instagram, WhatsApp, email, and different payment methods. Lastly, companies might get basic statistics that display consumer demand, popular products, and sales trends. This would be more beneficial than just setting up an internet store. Thus, the primary value proposition would be: "LocalLink makes local digital commerce as simple for small businesses and consumers as large e-commerce platforms, while preserving the identity and benefits of independent local businesses."

2.4 Prototype

Prototype is the fourth step. The goal is to provide a simpler version that can be used to test hypotheses rather than a flawless final product right away. This is in line with the Lean Startup approach's Minimum Viable Product notion. Instead than making significant investments before determining demand, Ries (2011) contends that entrepreneurs should test hypotheses through early product iterations and learn from user feedback. Five key elements would be included in the LocalLink MVP. Initially, companies could register and set up a simple online store. It should be easy to register and require little technological expertise. Secondly, companies would be able to upload

goods. Users should be able to upload product photos, descriptions, prices, and stock availability through the UI. Third, consumers may peruse and buy merchandise. To make finding products simple, the platform should provide categories and search capabilities. Fourth, an integrated payment provider would enable consumers to make digital payments. Fifth, rudimentary delivery coordination would be offered by the platform. Complex artificial intelligence would not be needed for the original system. Orders might be arranged simply based on available delivery times and geographic region. At first, the MVP can include 20–30 separate companies in a single region. A variety of businesses, including independent bookstores, gift shops, food manufacturers, and clothing retailers, should be included in the pilot. The prototype would be used to test a number of hypotheses. First, it is assumed that SMEs would want a more straightforward integrated digital commerce solution. The second is that customers are prepared to buy from nearby companies via a common platform. Third, integrated delivery is valued by both companies and consumers. Businesses' willingness to pay for the service is the fourth. These presumptions ought to be converted into quantifiable metrics. For instance, the company could track how long it takes a new merchant to set up an online store, how many consumers finish transactions, how often customers return, how many orders are successfully delivered, and how much time businesses save in comparison to their current systems.

2.5 Test

Testing is the fifth step. In order to assess assumptions, the prototype needs to be presented to actual users. Asking people if they "like" the concept is not enough for testing. It ought to gauge real behavior. Onboarding time, product uploads, orders received, order processing time, and general satisfaction might all be measured by the test for businesses. Customers might be tested to see how simple it is for them to find things, how long it takes to finish an order, whether they trust the payment method, and whether they would use the platform again. It is also possible to test usability. Participants could be given tasks such as finding a certain product, comparing two businesses, placing an order and confirming shipping details. Researchers might see where users become lost. Let's say testing shows that consumers like perusing local

merchandise but think delivery fees are excessive. Delivery zones, combined deliveries, or minimum order values could then be added to the solution. Businesses may also complain that it takes too long to upload each product separately. In response, the platform might implement integration with current inventory systems or bulk product uploads. As a result, a feedback loop is created during the testing phase. Instead of just carrying on with development, the entrepreneur should go back to earlier Design Thinking phases if the outcomes defy the initial hypotheses. Testing might show, for instance, that customers really appreciate quick delivery from companies they already know, but they do not particularly value a marketplace with hundreds of local businesses. In that case, the business might shift its emphasis from a consumer marketplace to a digital infrastructure and delivery platform for current clients. This illustrates why Design Thinking is not strictly linear but rather iterative. Testing can provide fresh insights that alter the initial comprehension of the issue (Stanford d.school, 2026).

2.6 Business Model and Competitive Advantages

The product needs to be backed by a suitable business plan in order for LocalLink to succeed as a new firm. According to Osterwalder and Pigneur (2010), a business model shows how a company generates, provides, and acquires value. Three main groups would benefit from LocalLink: delivery partners, consumers, and SMEs. Reduced digital complexity and better consumer access would be beneficial for SMEs. Convenient discovery and purchases from independent enterprises would be valuable to customers. Improved route coordination and higher delivery density could be beneficial to delivery partners. The main source of income could be a subscription model. Companies have a choice between basic and premium programs. A storefront and order management might be included in a basic plan, while advanced analytics, marketing tools, and delivery capabilities might be included in a premium plan. An additional source of income could be generated by a tiny transaction fee. To guaranty that SMEs continue to view the platform as financially advantageous, this cost would need to stay low enough. Additionally, the company could provide optional paid promotional features. Businesses might, for instance, pay to advertize their goods in pertinent geographic searches.

Advertising shouldn't, however, erode consumer confidence. Specialization would provide LocalLink a competitive edge. It wouldn't try to compete with big online retailers in terms of product selection or global shipping. Rather, it would emphasize local commerce and individual companies. Because the platform would be tailored to the particular requirements of SMEs, this specialist approach might offer a better position. One of the main components of the platform's value proposition would be its simplicity.

2.7 Business Model and Competitive Disadvantages

LocalLink would face serious risks despite its promise. Competition is the first. Big e-commerce businesses already have robust logistics infrastructure, sizable client bases, and powerful brands. As a result, LocalLink would have to concentrate on its unique local-business offering rather than immediately competing on size. Reaching a high enough network density is the second difficulty. A marketplace is only worthwhile if it has enough companies to draw clients. However, if there aren't many clients, companies can be hesitant to participate. This two-sided marketplace issue might be resolved with the aid of a geographically targeted pilot. Delivery economics is the third issue. If orders are widely dispersed, local delivery could be ineffective. As a result, minimum order thresholds and route consolidation might be necessary. Adoption of digital technology is the fourth challenge. Due to their familiarity with social media and current systems, some small business owners can be hesitant to use a new platform. Businesses may view technology adoption as challenging, expensive, and dangerous, according to UK government research (Department for Business and Trade, 2025b). As a result, LocalLink would have to provide excellent client service and onboarding. Another significant issue is cybersecurity. Customer data and maybe payment-related data would be processed by the platform. Therefore, adherence to relevant data protection regulations and appropriate security procedures would be crucial. Lastly, environmental claims would require proof. Environmentally sustainable distribution is not a prerequisite for local delivery. Before making environmental claims, the company should keep an eye on delivery lengths, vehicle kinds, route efficiency, and order density.

Conclusion

Significant chances for innovation and the establishment of new businesses are created by the UK's ongoing digital revolution. While SMEs have rapidly embraced digital technology to sell goods and run their enterprises, the COVID-19 pandemic's rapid expansion of online commerce exacerbated changes in consumer behavior (ONS, 2021; Department for Business & Trade, 2025a). Adoption of digital technology does not, however, guaranty that all companies have access to straightforward, cohesive, and effective digital systems. The circumstance highlights a number of significant potential, especially in digital marketing, e-commerce platforms, shop management software, digital payments, and delivery systems. From the standpoint of Design Thinking, these prospects ought to be investigated based on user experiences rather than just technical accessibility. By integrating digital storefronts, online ordering, payments, customer communication, and local delivery coordination into a single platform, the proposed LocalLink business fills a recognized gap. In addition to offering customers a more practical way to find and buy from local companies, the idea addresses the problems faced by independent enterprises. A methodical approach to concept development is offered by the five stages of Design Thinking. To be empathetic, one must comprehend the experiences of delivery partners, consumers, and SMEs. These results would be transformed into a targeted problem statement by Define. Before deciding on the integrated LocalLink concept, Ideate would produce a number of potential solutions. An MVP with just the most crucial elements would result from a prototype. Lastly, testing would expose the prototype to actual consumers and produce data regarding the solution's desirability, viability, and commercial viability. Because there are millions of SMEs in the UK and digital platforms can grow without requiring proportionate investment in physical infrastructure, the idea also has the potential to be scalable (Department for Business and Trade, 2025d). However, only once the company has proven product-market fit through smaller pilots may effective scaling take place. In the end, developing technology for its own sake does not present the greatest potential. It resides in applying technology to address real issues that consumers face. Therefore, if LocalLink successfully lowers digital complexity for SMEs,

increases consumer convenience, and develops an economically viable delivery model, it may be a promising new business. Design Thinking's iterative nature would enable the project to continuously learn from users and adjust the proposal as new information becomes available. In this way, the strategy can turn the wide possibility brought about by UK digitalization into a targeted, verifiable, and possibly expandable business endeavor.

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