RETAIL STORE PLANNING
Retail Store Planning

Objectives:

• Understand how Retailers Lease Cost and Capital Cost reflect in their financial picture.

• Understand what Retailers Leasing and Construction staff need to complete a deal and open.

• How Store Design can improve sales.
Great Little Secret
ICSC Book to increase your Knowledge of Retailing
### Retail Finance 101

- **Getting Retail Right by John C. Williams ICSC Publication**
- **Sales-Cost of Goods= Gross Margin**
- **Apparel Avg. 40%**
- **In-Store Expense 28%**
- **Non-Store Expense 5%**
- **Interest/ Taxes 2%**
- **Net Operating Income 5%**

#### Typical Operating or Profit and Loss Statement (year $ 000)

<table>
<thead>
<tr>
<th>Comment</th>
<th>Apparel</th>
<th>Electronics</th>
<th>Fast Food</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Sales</td>
<td>$3,000</td>
<td>$2,000</td>
<td>$800</td>
</tr>
<tr>
<td>b. Less cost of goods</td>
<td>$1,500</td>
<td>$1,000</td>
<td>$250</td>
</tr>
<tr>
<td>c. Less markdowns, shrinkage</td>
<td>$500</td>
<td>$300</td>
<td>$50</td>
</tr>
<tr>
<td>d. Gross margin</td>
<td>$1,000</td>
<td>$700</td>
<td>$550</td>
</tr>
<tr>
<td>e. In-store expenses</td>
<td>$1,200</td>
<td>$800</td>
<td>$400</td>
</tr>
<tr>
<td>f. Non-store expenses</td>
<td>$500</td>
<td>$300</td>
<td>$100</td>
</tr>
<tr>
<td>g. Total expenses</td>
<td>$1,700</td>
<td>$1,100</td>
<td>$500</td>
</tr>
<tr>
<td>h. Net income</td>
<td>$300</td>
<td>$600</td>
<td>$150</td>
</tr>
</tbody>
</table>

#### Source:
Various trade association reports, company annual reports, and proprietary information of JC Williams Group.

*Note:* The profit and loss statement gives a snapshot of the store operations costs-to-date and projected traditionally monthly basis. These lines are meant to show how the figures are general and may vary from one store to another.

b) that lines A to K are meant to show in-store operations, while lines L to P are home/regional office operations.
Retail KPI’s

- Getting Retail Right by John C. Williams ICSC Publication
- Same Store Sales
- Sales per Square Foot
- Average Units per Transaction
- Sales per Employee
- Inventory Turnover
Retail KPI’s

- Average Units per Transaction
- Sales per Employee
- Inventory Turnover
I. How Does A Typical Retailer View Retail Store Planning?

New Stores - Sales vs Proforma
Remodels - Same Store Sales
<table>
<thead>
<tr>
<th>Traffic</th>
<th>UPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion</td>
<td>Average Retail</td>
</tr>
</tbody>
</table>
4 Lever’s

• **Traffic** is the count of potential buyers
• **Conversion** is the % of traffic that purchases
• **UPT** is the number of SKU (stock keeping units) per purchase
• **Average Retail** is the bottom line sale in dollars
• Interestingly the differential % of these four will come very close to the Same Store Sales %
Traffic

- Since Traffic equals Potential Sales Rent should correlate!
- Retail Store Planning Storefronts, Windows, Entrances, Visual Merchandising, Signage and In-Store Marketing pulls the Traffic into the Store
Conversion

• Potential Customers then are to be enticed into making that purchase

• Store Planning does that with productive layouts, flexibility in design, merchandise presentation, signage, lighting, branding, promotions, capital and expense control
UPT

- UPT’s are an accumulation of merchandise presentation, promotion and marketing
- Retail Branding effects all of the above
- Does clutter equal discounted sales
- What are other design factors that effect UPT’S
Average Retail

- Largest effect on Average Retail in the life cycle of the merchandise
- Apparel has Seasons
- Customer Type’s effect this, Discount Shopper purchase nothing unless it’s on sale.
- What other kind of Shoppers are there and how would they effect this?
AVERAGE RETAIL

- AVERAGE RETAIL IS EFFECTED BY SEVERAL FACTORS
- IN-SEASON - OUT OF SEASON
- MARKET LEVEL DEMAND
- PROMOTIONAL MAKDOWNS
- AD ITEMS FSI, ETC
- ADJUSTMENT TO FLOW
- AGEING
- EXIT STRATEGIES
Drive Sales!

Drive Transactions!
Retail Types

- Luxury/High End
- Specialty Shops
- Restaurants
- Discount
- Value
Bruce Quisno, Senior VP, Macy’s

"Getting a coordinated set of documents that are as close to 100% complete as possible. Also, please cover with them that the planning and design company needs to do check estimates during the design process so you have an idea of where you are always. Just some pet peeves. Hope you had a happy new year.

Bruce."
PAYLESS SHOES | BRAND GOALS

BRAND ESSENCE

FRESH, UPBEAT, INSPIRING, INTUITIVE, SAVVY

EXPERIENCE

EXPLORE, EXPERIMENT, FIND

DESIGN GOALS

SHIFT PERCEPTION, EVOLVE MOTIVATION, FORGE CONNECTION

“INSPIRING FUN FASHION POSSIBILITIES FOR THE FAMILY”
PAYLESS SHOES | STORE ATTRIBUTES

ENTRY ICON

VISUAL INTEREST FOCAL WALL

LAB PLAY TABLE

ORGANIZED MERCHANDISING SYSTEM

STORYTELLING FIXTURES

UNIQUE DESTINATION

ORDERED PERIMETER

Warehouse Style Stocked Merchandising

EXPLORE & EXPERIMENT AREA

Horizontal Area Merchandised for Creative Storytelling

TIGHT & DENSE vs FREE SPACE

Balance of Mass Versus Displayed Merchandising

MODULARITY AND PATTERN

Modular Elements Create Flexibility and Organization
A Plan Emerges!
Ostia - Harbor City of Ancient Rome 2nd Century AD
Free Standing
Ostia - Harbor City of Ancient Rome

2nd Century AD
Lighting:
General/Theatrical/Spot
Visual Merchandising
Storefront & Signage
Ostia - Harbor
City of Ancient Rome

2nd Century AD
Rich Varda, Senior Vice President, Store Design, Target

I completely agree with Bryan. I would add that actual phone and face-to-face meetings are critical to effective communication. E-mail's can be useful but stifle interactive questioning. Owner driven retail change are always a complex issue. Controlling the cost of changes through mutual trust, clear expectations and written agreements is critical. Also, everyone should get ready for two years of NO new construction, but perhaps significant re-models as chains liquidate and properties turn over. The innovators in delivering these types of projects quickly and at low cost will do very well. When we took over 35 Montgomery Ward boxes in 2000, speed was of the essence in getting the properties productive.
Landlord’s Design Criteria
LOD
The “Lease Outline Drawing”
Site Survey
MEP Coordination
Merchandise & Shop Layout
Storefront & Signage
Roll-Out Lighting
Stephen Gallant, CDP, Vice President Facilities Development, Jos.A. Banks

Given the economic crisis perhaps covering how to manage a growth pattern that is not consistent annually and how to adapt to changing markets in our position. In leaner times we tend to try to spend only what is necessary on remodels by supplementing existing finishes and fixtures. In better times we trend toward giving an exiting store more of a new store prototype. I also believe that reviewing prototypes to value engineering finishes, fixtures and methods to be as efficient as possible would also be well received. They could cut Project Manager travel by setting up job-site cameras and getting weekly photo updates from GC partners.
Roll-Out Fixtures
Roll-Out In-Store Marketing
Increased/accelerated customer engagement

Original

Revised

Accessories

Handbags

Traffic Flow
Approvals

• Internal Approvals
  • Design
  • Budget
  • Schedule

• Landlord Approvals
  • Design
  • MEP
  • Structural
Jane W Davis, Architectural & Planning Services, J C Penny’s

When we are at our very busiest, the position of Store Planner is critical. The entire project relies on "when" a plan will be available to develop the project timeline. Finding experienced and interested Store Planners is very hard. You must either try to hire from other department stores or expect to train viable candidates. Staying aware of the merchant's most current philosophies is an ongoing requirement. From the department store position, juggling the interest's of (and trying to satisfy) multiple merchandising divisions within one building is a challenge. Good communication by Store Planning to architects and construction partners helps the team process. If everyone understands the purpose for the layout or changes, then the implementation seems to happen smoothly. Communication and teamwork would be my key take away words.
Store Construction Timeline

- Approve store location
- Determine dimensions of store space
- Develop Fixture Plan
- Approve fixture plan
- Develop Construction Plans
- Landlord Plan approval
- Order Fixtures and Light Fixtures
- Deliver Fixtures and Light Fixtures
- Design Sign Elevation
- Approve Sign Elevation
- Permit Sign
- Manufacture Sign
- Ship Sign
- Install Sign
- Landlord Site Turnover
- Confirm all utilities complete
- Construction permits, business licenses
- Construction of Store
- Fixture Installation
- Store turnover to Operations
II. How Does A Typical Landlord/Developer View Retail Store Design?
Malls & Lifestyle Centers
Outlet & Strip Centers
Criteria Development

Care must be taken to reinforce the intimate pedestrian scale of this district through the proper proportioning of storefront openings and fenestration. Proportions emphasizing the vertical are encouraged. Introduction of clerestories, bay windows, projecting metal canopies and glass breakouts to underscore the pedestrian scale is more desirable.

DISPLAY & INTERIOR
Display zones shall extend for an appropriate distance into the store interior and are required to be framed by substantial architectural forms. Display glass shall rest on a minimum 12" high bichon finish in stone or other durable, high quality material. Displays must be placed on raised platforms which are integral with the bulkhead or pulled back 18" from the storefront.

The tenant has the option to promote the interior as part of the storefront or maintain a distinct separation between interior and exterior through the use of more traditional display windows and display background concepts. Interiors should incorporate and extend forms established at the storefront. Interiors are expected to have a distinction and quality that is complimentary to the storefront.

SIGNAGE & ORNAMENT
Primary signage should be a distinct architectural feature within the storefront design. Signage shall be either integral to the storefront architecture, such as a carved pediment or lintel, or be applied as a distinct dimensional architectural element, such as cast letters set as a projected ledge. Primary signage should be
Scope of Work:
“*I thought you did that!*”

- Letter of Intent
- Tenant Design Criteria
- Lease Exhibits
- Work letter
- Construction Documents
IV. Deliverables:

Architect and General Contractor
INDUSTRY LEADERS QUOTE

Ray Silverstein, Senior Vice President, Limited Brands

Everyone on the project has the ability to either screw it up or make it successful, regardless of whether they are an internal team member or an external consultant / vendor / supplier. So, if you communicate a lot internally but don't devote the same level of commitment to communicating with your external team - you will likely see problems. Setting up regular meetings with both internal and external team members and sharing databases or reports across the team is very important.
Suddenly, a heated exchange took place between the king and the moat contractor.
Build-able Construction Documents vs. Design Build

What is the Difference?
Building Permits

• Who is contractually responsible
• Do you know what is required where you're building?
• Expediters
• Trade Permits
• Contractor Licenses
Shop Drawings

- What are They?
- Why should an Owner Care?
- Approval
- Shop Drawing Logs
- Procurement Schedule
• Request for Information
• Why should you care?

• RFI Log

• Critical Path Items
Status Reports

- System
- Who gets Them, Who Reads Them?
  - A/E, Onsite Inspectors, General Contractor, Sub-Contractor
- Website Programs
- Internally Developed System
## General Store Information

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<thead>
<tr>
<th>RE STORE</th>
<th>CITY</th>
<th>MPM</th>
<th>FINAL</th>
<th>BID</th>
<th>PERMITS</th>
<th>CONSTRUCTION</th>
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### Status

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<th>B-BID</th>
<th>EST</th>
<th>UPDATE</th>
<th>OVERTIME</th>
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### L - Ongoing

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<th>C.O.</th>
<th>H/S</th>
<th>CONST COMPLETE LGL</th>
<th>A/P</th>
<th>BE OPENING CONDITIONS</th>
<th>DATE</th>
<th>DATE</th>
<th>ARIVAL</th>
<th>FIX</th>
<th>SHOE</th>
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### FF&E

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### Notes

- 1 SC 2079 RL WEST BEND NE 0 M.N.H 925/11/1/ Y 10/30# 3 01/25 02/05 Y EV 10/05 02/05 02/12 PLOW+ 02/05/99
- 2 SC 298 RL JACKSON MS A DRC 01/5/25/ Y 12/10# 6 01/11 02/14/99 Y EV 01/20 02/14 02/15 LANCE 02/12/99
- 3 M/R 3672 RL AUBURN AL A DRC 06/2/15/ Y 01/15# 4 01/18 02/14/99 Y EV 01/27 02/14 02/15 KENNE 02/12/99
- 4 SC 1516 RL LONG BEACH CA L M.H 2.11/10/ Y 11/06# 3 11/06 11/23 Y N 11/09 02/21 02/22 PERFE 02/19/99
- 5 M/R 1649 RL GREEN BAY WI D M.N.H 01/1/14/ Y 01/22# 4 01/25 ON SCH Y EV 02/08 02/22 02/15 SCHAF 02/22/99
- L PARADISE RD/MAIN ST 6MM Y FINAL # ON SAS & RC OPENED 2/8. LJI T OPENED 02/05/99
- L HEAD OF BROOK/STATE JEJE Y FINAL # ON SAS & RC OPENED 2/16/99. MH T OPENED 02/12/99
- L VILLAGE HALL JEJE Y FINAL # ON SAS & RC OPENED 2/16/99. MH T OPENED 02/12/99
- L CARSON/606 FREWAY T.JH Y FINAL # ON SAS & RC. MH T FFE/SIGN INST 02/19/99
- L BAY PARK SQUARE JEJE Y FINAL # ON SAS & RC. JEG T FFE/SIGN INST 02/22/99

### European Retail Property School

**Multiple Project Status Reporting**
Contracts

- Contract Format
  - AIA
  - AGC
  - ABC
  - Proprietary
- Terms and Conditions
  - Work Scope
  - Legal Notification
V. Managing the Budget
Bryan Novak, Senior Director of Site and Building Construction, Walmart

Communication, Communication, Communication...PM's/Store Planners that communicate effectively, historically turn over the best projects. The rest just get lucky once in a while.
Forecasting

• Pre-Construction Services
  – Project Large or Small
  – Internal Project Manager
  – Outside A/E
  – General Contractor

• Pulling it all together
Change Orders

- What Kinds are there?
- Is Timing Important
- Authority
- Responsibility
Contingency

- Conceptual Design 20%
- Schematic Design 10%
- Design Development 10%
- Final Design Construction Documents
  - GC 5%
  - A/E 5%
  - Site Work 10% Until your out of the Ground

- Wise Owner always hold 2-3 %
- of the Total Project
What Ifs

- Early Recognition of Problems
- Open and Honest Teamwork
- Evaluate Major Building System
- System Analysis
- Value Engineering
- Update, Update, Update
- Face the Hard Fact’s
VI. Staying on Schedule
Coordinated Master Schedule

- What is a Master Schedule vs. Contractors

- Who owns the schedule Responsibility

- Method
  - Manual
  - Software
  - Updates
• Logical Construction Progression
• Quantification of Scope
• Man Power Loading
• Precedent’s
• Major Milestone’s
• Procurement Schedule
• Delay’s
• Float
Real Life Site

- Schedules to be used must be simple and understandable
- Weekly Site meeting to Monthly Progress Meeting
- Keep the schedule updated
- Limit detailed scheduling to a Rolling 3 Weeks for the Crafts
- Understand Actual to Planned
Scheduling Pitfalls

- Unrealistic Durations
- Poor Follow-up
- Lack Of Updates
Getting Back on Schedule

• Increase Productive Manpower

• Selective Shift work / Overtime

• Increase Clean-up

• Complete Selective Area’s
VII. Construction Administration and Quality Control
Owner’s Rep

• The Gambit of Ways
  – Corp of Engineers
  – Retired Baby Sitter
• Projects dictate the Need
• Authority and Responsibility
• Testing Companies
• Specific Item Expert’s
• Code Officials
• General Contractor Staff
• Sub Contractor Staff
• Manufacture Inspection and Certifications
• The Old Smoke Test!
• What is your Comfort Level of the Architect's on site involvement?

• What is A/E required to do by:
  – Law
  – Contract
  – Local Code Enforcement
Class Evaluation:
Please remember to complete the class evaluation by using your smartphone or tablet.

Class Evaluations Link:
survey.icsc.org/2014ERPS