1REC

# Scaling brands from clicks to bricks.

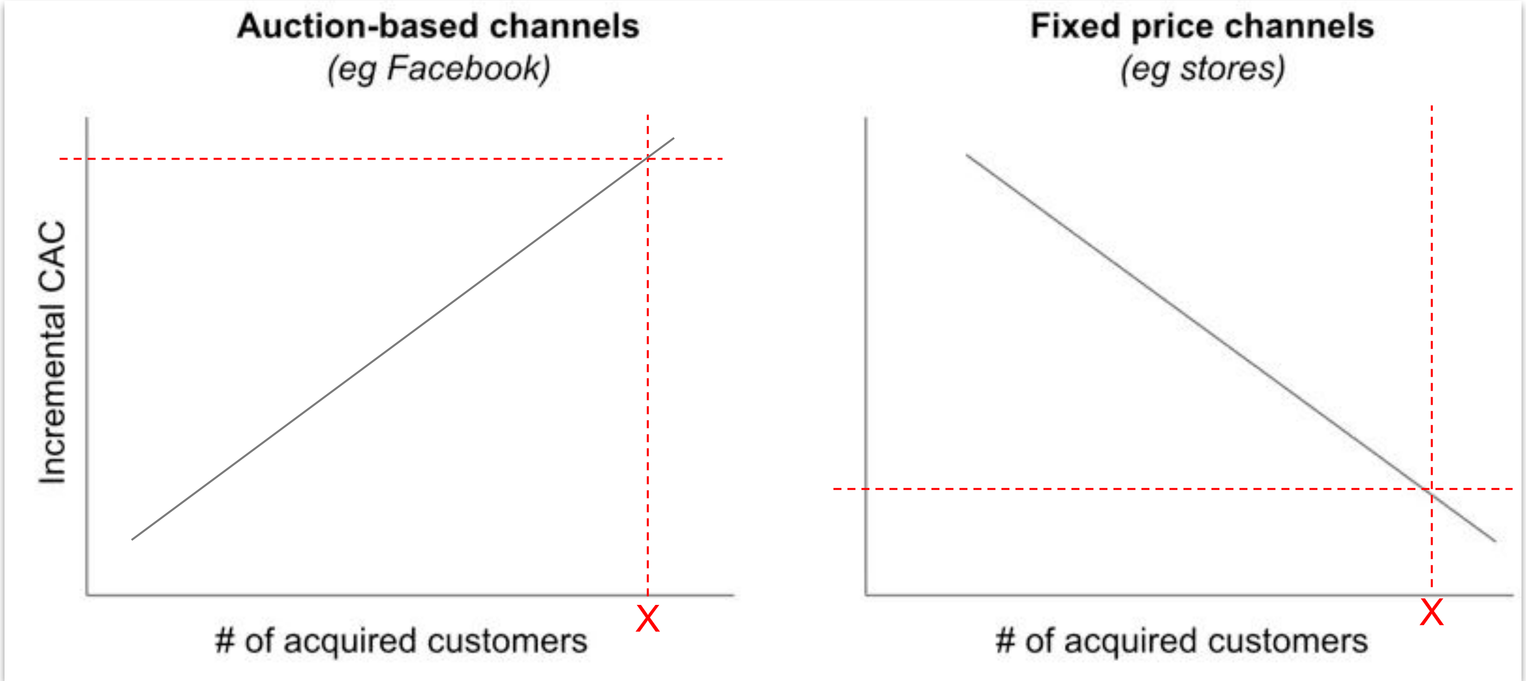
## How to Build and Scale a Retail Channel
(Preview)

# What’s the deal with stores?

| | |
|---|---|
| Growing purely digitally is getting harder and more expensive | CPMs are skyrocketing and CACs are reaching new heights |
| Most retail sales still occur in stores | ~80% of sales still occur in stores |
| Consumers want an omnichannel experience | Consumers rank omnichannel experiences as a must-have |
| Omnichannel consumers are more valuable | Omnichannel shoppers have a 30% higher lifetime value than those who shop using only one channel |
| Stores “supercharge” customers | Customers who visit stores spend up to 60% more on an average order than those who do not |
| Stores reduce CACs and improve CLVs | Retailers who invested in stores early on are reaping the benefits |

# Why I like stores

Supply and demand across acquisition channels ebb and flow; having multiple channels reduces exposure to any single channel's idiosyncrasies (eg iOS 14)



Auction channels LOSE leverage as acquisitions increase in a fixed period of time

Fixed price channels GAIN leverage as acquisitions increases

**Retail is all about cycles; diversification is the key to longevity**

# Success can be defined numerous ways

**The definition of success can, and should, change over time**

- Payback Period → IRR
- 4-wall → Omnichannel
- Sales Growth → Profitability

**Success can be measured in various ways**

Capital Efficiency
- Payback Period
- (M)IRR
- NPV

Operating Health
- Sales growth
- EBITDA %

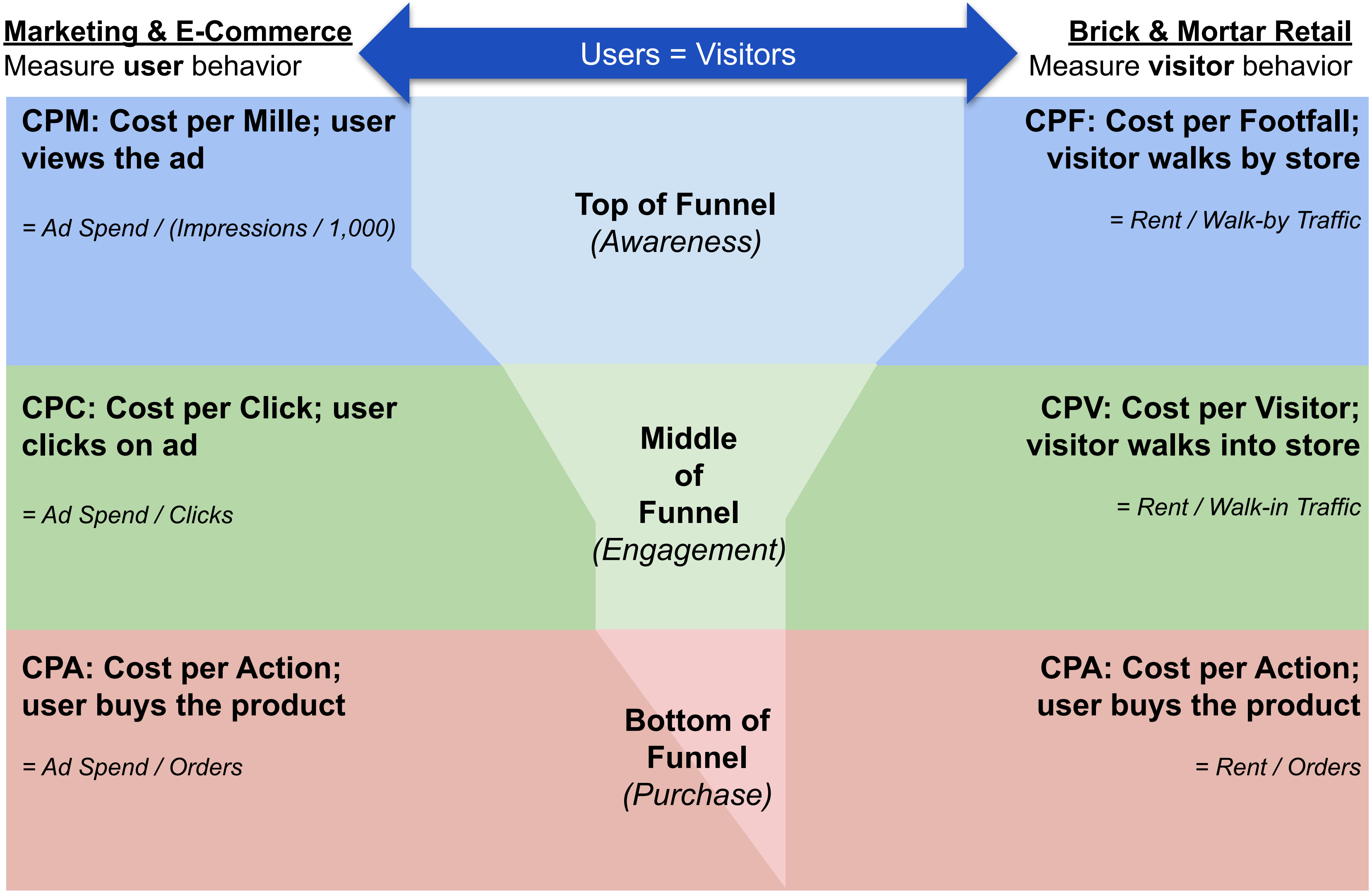
**Every real estate portfolio is filled with successes and failures**

- Forecasting is impossible to nail down every time
- View as a portfolio with cohorts of:
  - Store format
  - Go-to-market format
  - Regions

**A store's success can be another's failure**

- Sales definitions
- Vendors
- Cannibalization across:
  - Channels
  - Locations
  - Growth $

# Applying your metrics from clicks to bricks



**Marketing & E-Commerce**
Measure **user** behavior

Users = Visitors

**Brick & Mortar Retail**
Measure **visitor** behavior

**CPM: Cost per Mille; user views the ad**

*= Ad Spend / (Impressions / 1,000)*

**Top of Funnel**
*(Awareness)*

**CPF: Cost per Footfall; visitor walks by store**

*= Rent / Walk-by Traffic*

**CPC: Cost per Click; user clicks on ad**

*= Ad Spend / Clicks*

**Middle of Funnel**
*(Engagement)*

**CPV: Cost per Visitor; visitor walks into store**

*= Rent / Walk-in Traffic*

**CPA: Cost per Action; user buys the product**

*= Ad Spend / Orders*

**Bottom of Funnel**
*(Purchase)*

**CPA: Cost per Action; user buys the product**

*= Rent / Orders*

# Functional areas

Opening and operating stores requires expertise across four main areas, which mirrors the lifecycle of a strategy and project

## Retail Strategy & Finance

**Building the strategy and crunching the numbers**

- Market sizing
- Vendor networks
- Financial modeling
- Budgets
- Governance
- Process maps
- New store sales forecasting

## Real Estate & Lease Administration

**Finding and negotiating deals; managing existing leases**

- Broker network
- Market & site tours
- LOI negotiations
- Lease negotiations and attorney management
- Real Estate Committees
- Lease renewals, exits, and restructurings
- Lease compliance

## Store Design & Construction

**Designing, building, and maintaining the stores**

- Design prototype
- Site evaluations and budget estimates
- Test fits
- Design drawings and vendor management
- Tenant allowance collections
- Store renovations, refreshes, and maintenance

## Store Operations & Leadership

**Managing store setup, operations, and sales**

- NSO preparation
- Operational SOPs
- Cross functional coordination
- Customer experience
- Employee experience
- Performance management
- Sales forecasting
- Labor modeling

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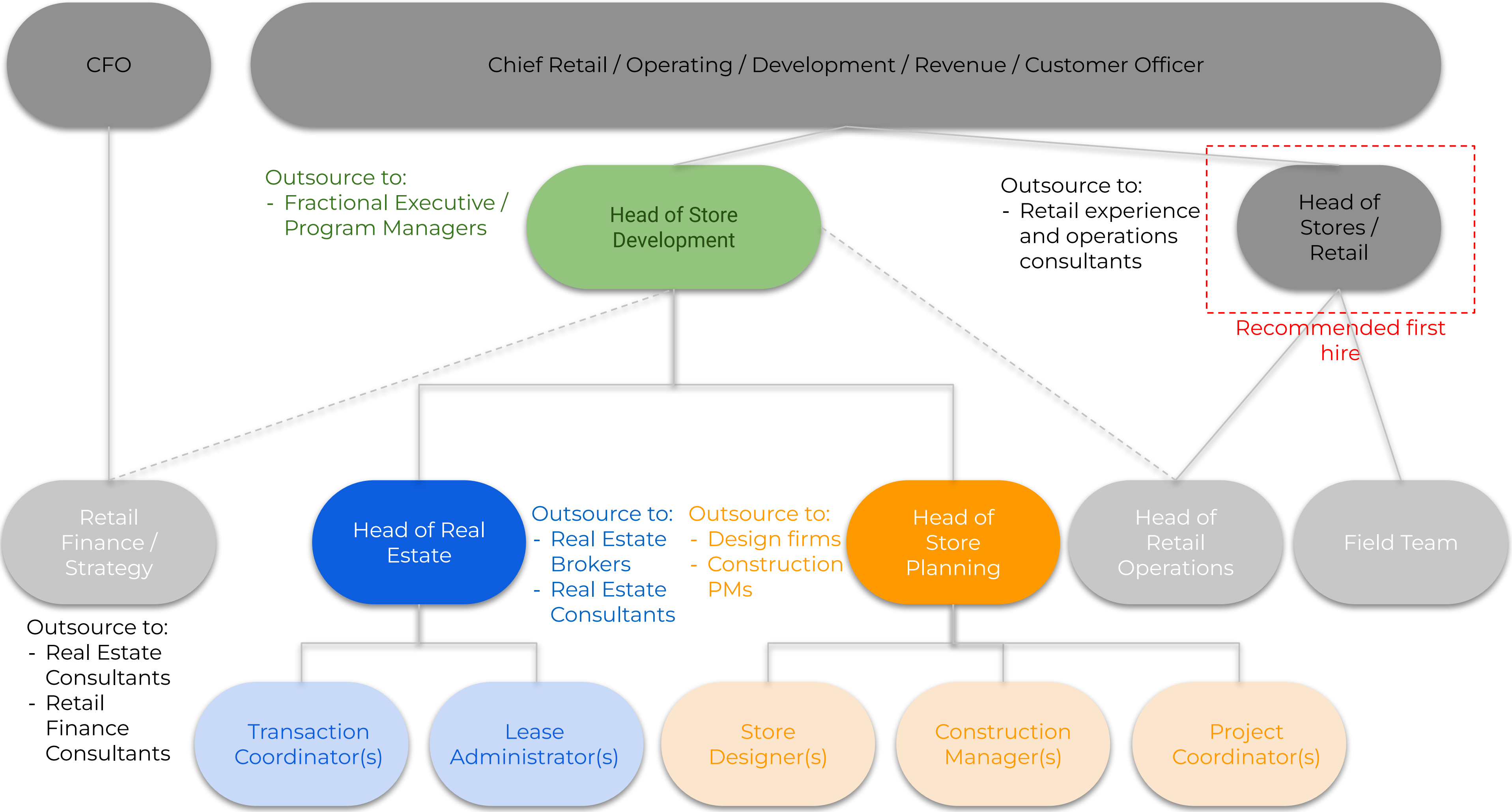
# Organizational design

While you shouldn't hire a large team immediately, you should build it with an end structure in mind. Replace full time employees with vendors, and slowly bring those roles in-house as you scale



CFO

Chief Retail / Operating / Development / Revenue / Customer Officer

Outsource to:
- Fractional Executive / Program Managers

Head of Store Development

Outsource to:
- Retail experience and operations consultants

Head of Stores / Retail

Recommended first hire

Retail Finance / Strategy

Head of Real Estate

Outsource to:
- Real Estate Brokers
- Real Estate Consultants

Outsource to:
- Design firms
- Construction PMs

Head of Store Planning

Head of Retail Operations

Field Team

Outsource to:
- Real Estate Consultants
- Retail Finance Consultants

Transaction Coordinator(s)

Lease Administrator(s)

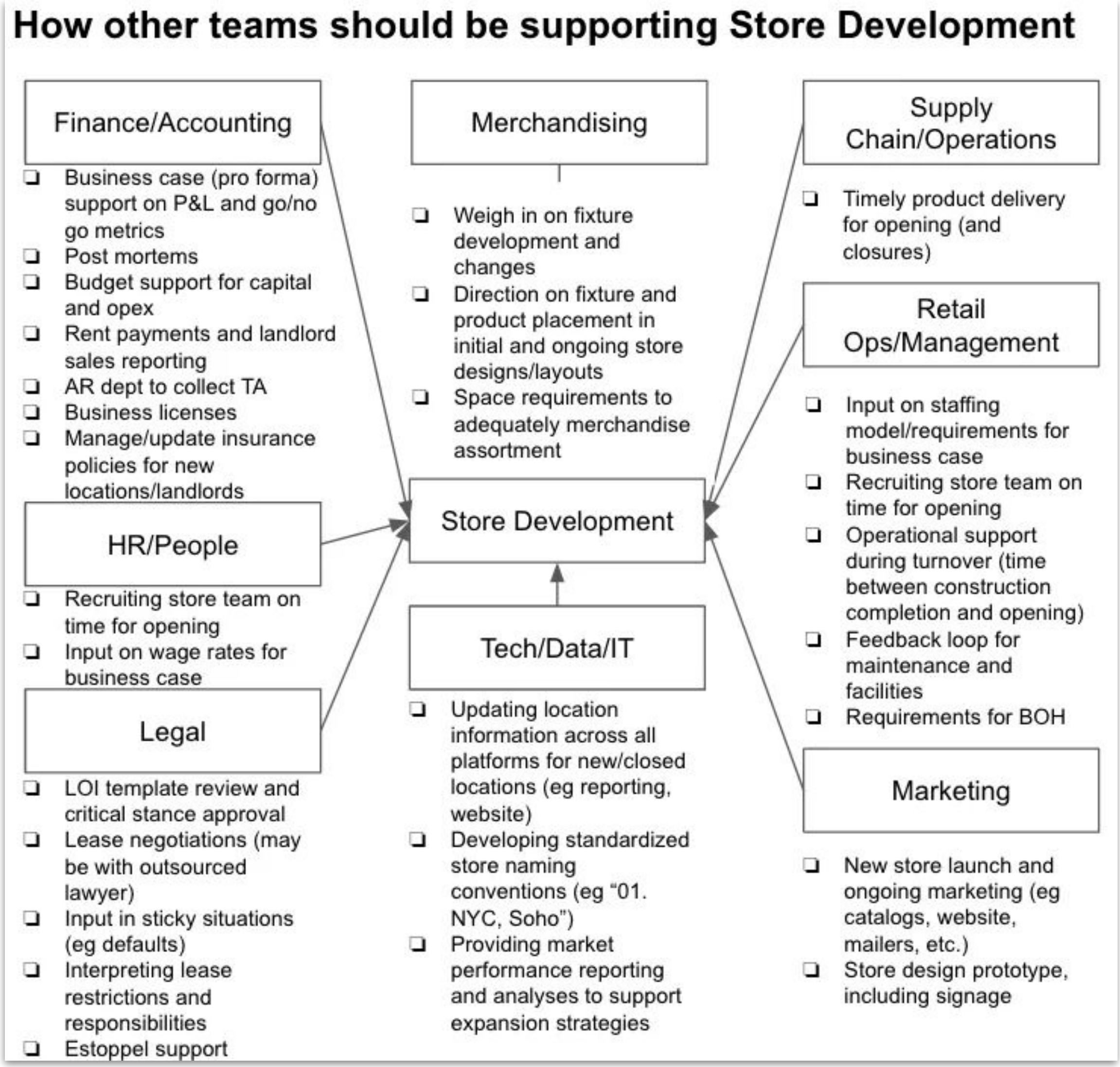
Store Designer(s)

Construction Manager(s)

Project Coordinator(s)

# The importance of centralization

Store development is arguably the most cross functional process in an organization, with information moving in and out of the team constantly. It's important to have a designated lead who can manage all the moving parts. Shared accountability = no accountability.



## How other teams should be supporting Store Development

**Finance/Accounting**

- Business case (pro forma) support on P&L and go/no go metrics
- Post mortems
- Budget support for capital and opex
- Rent payments and landlord sales reporting
- AR dept to collect TA
- Business licenses
- Manage/update insurance policies for new locations/landlords

**HR/People**

- Recruiting store team on time for opening
- Input on wage rates for business case

**Legal**

- LOI template review and critical stance approval
- Lease negotiations (may be with outsourced lawyer)
- Input in sticky situations (eg defaults)
- Interpreting lease restrictions and responsibilities
- Estoppel support

**Merchandising**

- Weigh in on fixture development and changes
- Direction on fixture and product placement in initial and ongoing store designs/layouts
- Space requirements to adequately merchandise assortment

**Store Development**

**Tech/Data/IT**

- Updating location information across all platforms for new/closed locations (eg reporting, website)
- Developing standardized store naming conventions (eg "01. NYC, Soho")
- Providing market performance reporting and analyses to support expansion strategies

**Supply Chain/Operations**

- Timely product delivery for opening (and closures)

**Retail Ops/Management**

- Input on staffing model/requirements for business case
- Recruiting store team on time for opening
- Operational support during turnover (time between construction completion and opening)
- Feedback loop for maintenance and facilities
- Requirements for BOH

**Marketing**

- New store launch and ongoing marketing (eg catalogs, website, mailers, etc.)
- Store design prototype, including signage

# Leveraging data for market and site selection

DTC brands are uniquely positioned to maximize data-driven site selection

**First-party data**

Data collected directly by the company

**Zero party data**

Data provided directly by the end users/customers

**Third-party data**

Data derived indirectly by the customers/users via 3rd party or aggregated data from various sources

## Customer addresses

Use your customers' shipping and billing addresses to understand:

- Where they live vs work
- Neighborhood densities
- Most likely areas they shop
- Intersect with survey responses
- Geodemographics

## Customer surveys

Ask your e-commerce customers:

- **Where** they want you to go
- **Why** they want you to go there → to understand whether motivated by convenience or co-tenants
- **When** they typically go there → to inform staffing model
- **Other brands** they shop → to inform potential co-tenants

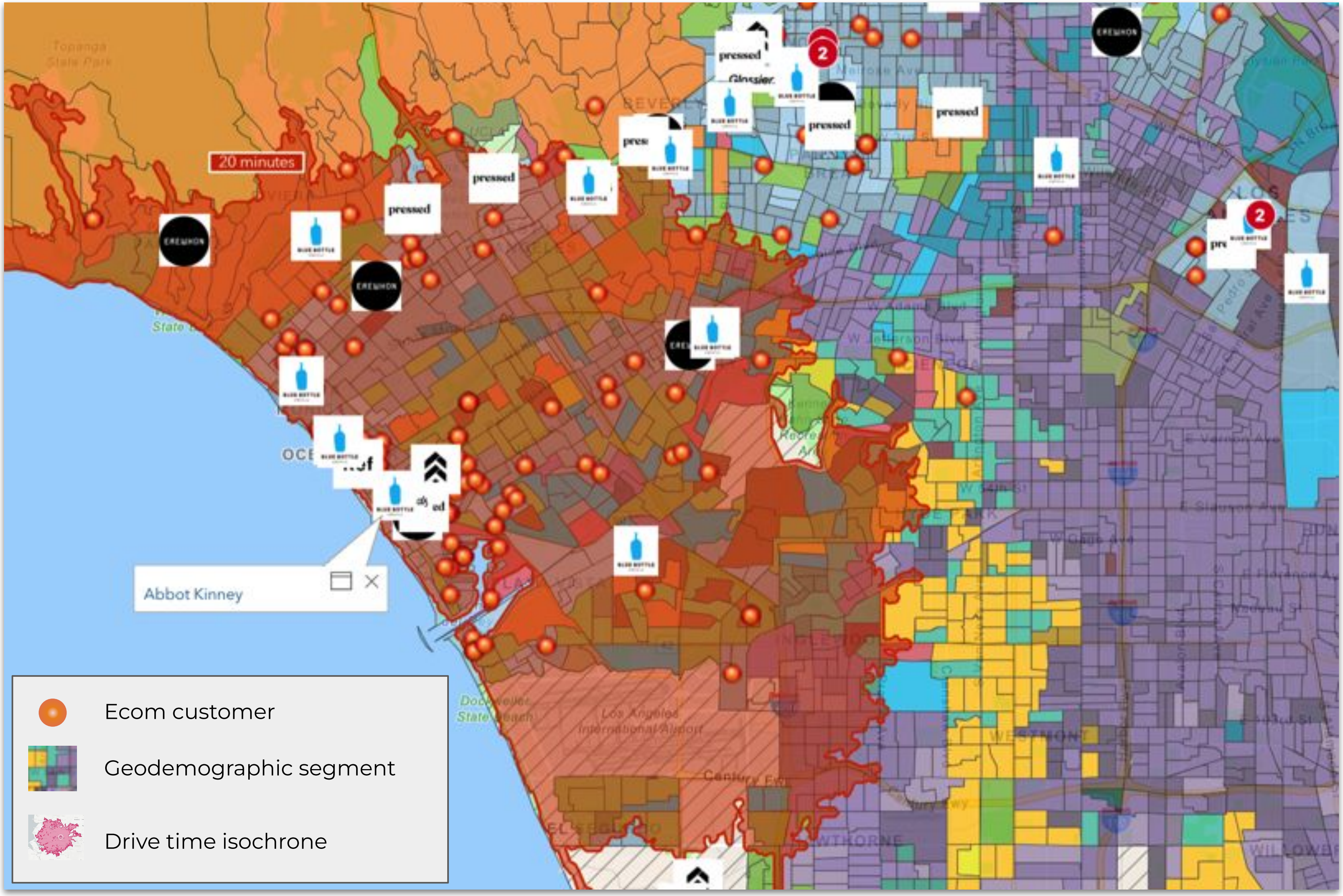
## Chain data

Use your competitors / peers / cross-shopped brands' location data to understand:

- Total amount of locations → long term potential
- How many locations across markets → market prioritization
- Locations within a market → potential real estate target
- Format mix → to inform how much demand is promotional

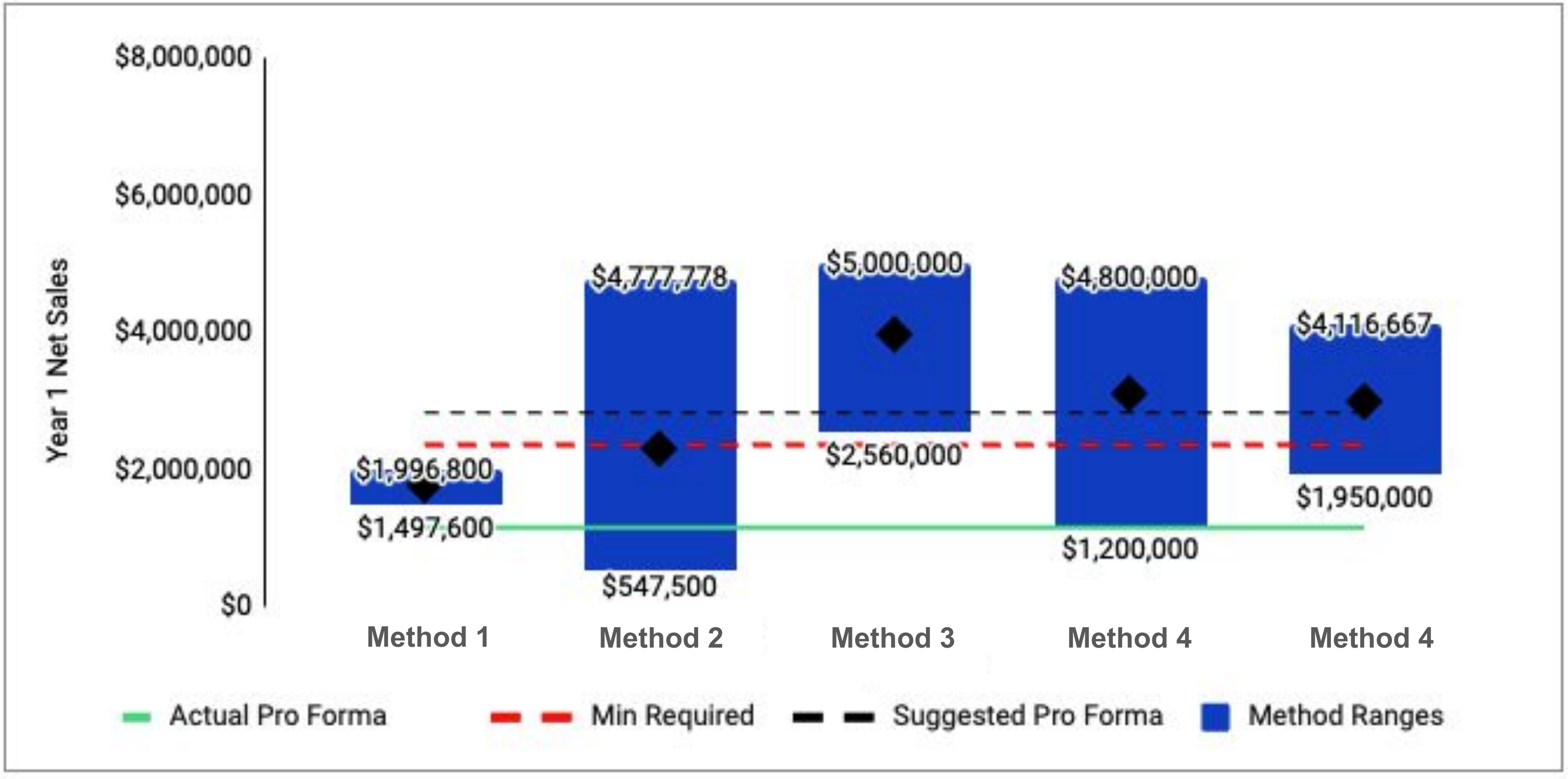
# Visualizing the data

Intersect first party data (ecom customers), third party data (store locations), geodemographics, and isochrones to identify opportunities


Topanga State Park
20 minutes
BEVERLY
Melrose Ave
pressed
Glossier
EREWHON
2
W Adams Blvd
W Jefferson Blvd
E Vernon Ave
E Slauson Ave
Florence Ave
Abbot Kinney
Dockweiler State Beach
Los Angeles International Airport
Century Fwy
EL SEGUNDO
HAWTHORNE
WESTMONT
WILLOWBR
Ecom customer
Geodemographic segment
Drive time isochrone

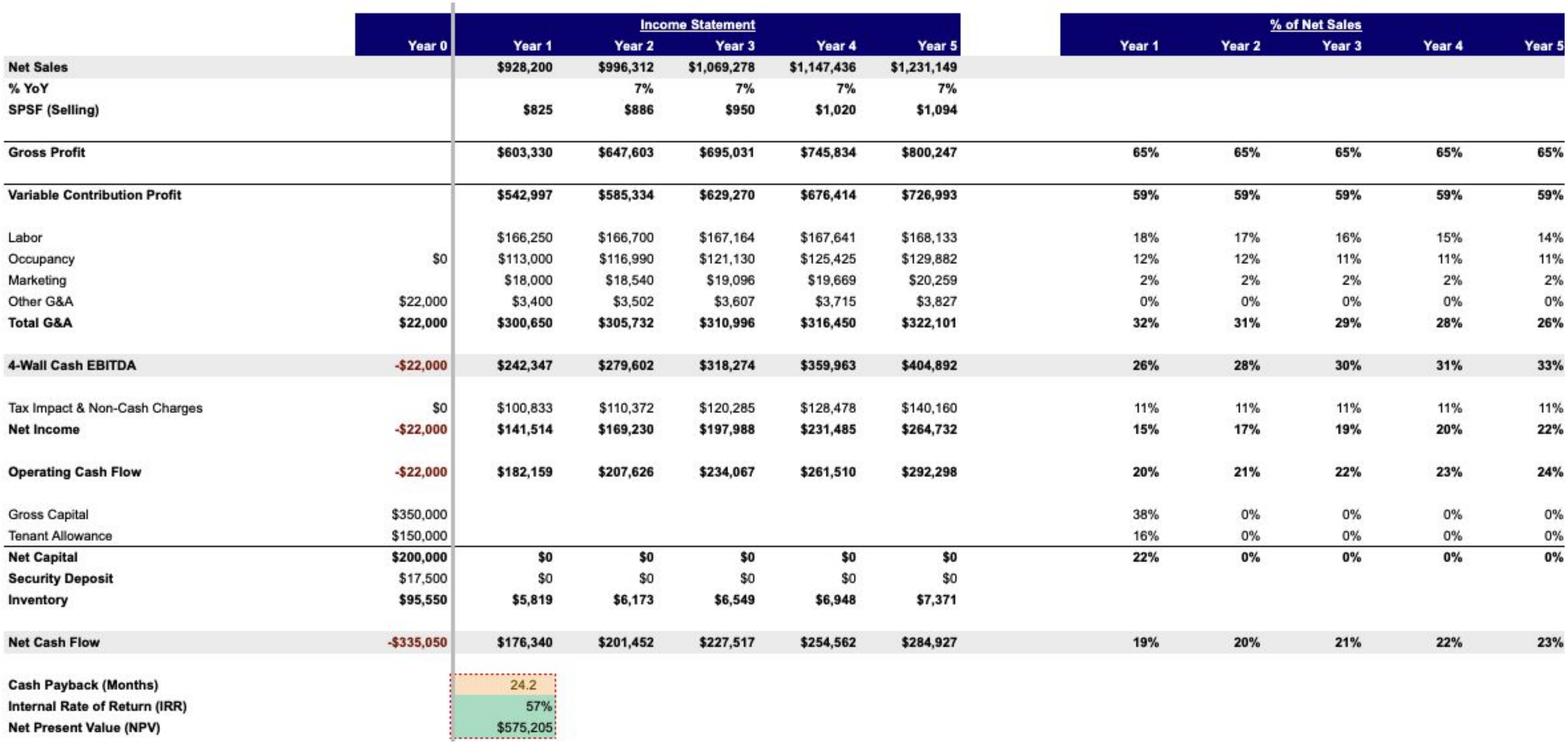
# Sales Forecasting Methodologies

**Estimated Sales Potential**



# New Store Pro Forma (Simplified)

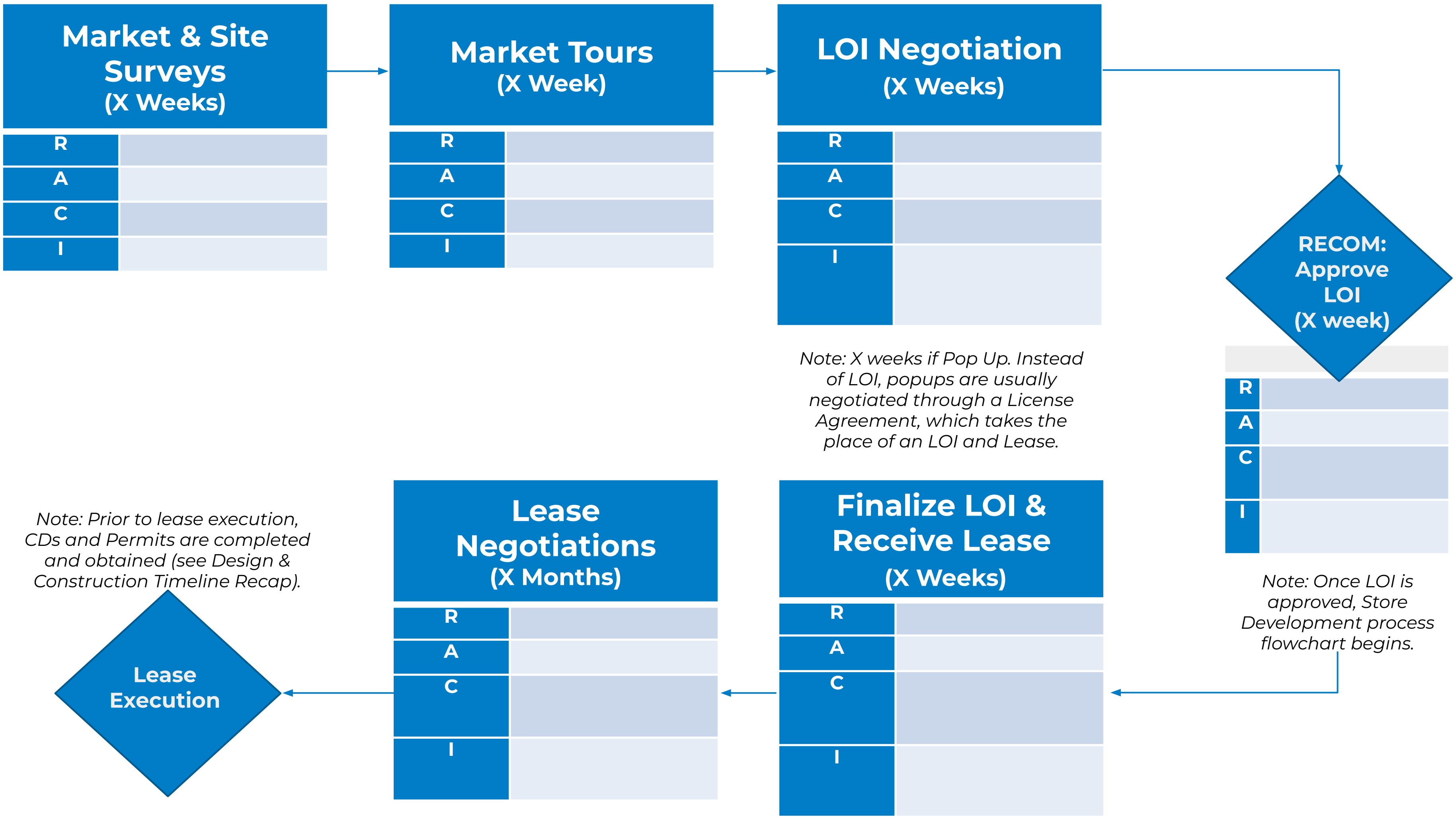
## Financial Model



| | | Income Statement | | | | | % of Net Sales | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| **Net Sales** | | **$928,200** | **$996,312** | **$1,069,278** | **$1,147,436** | **$1,231,149** | | | | | |
| **% YoY** | | | **7%** | **7%** | **7%** | **7%** | | | | | |
| **SPSF (Selling)** | | **$825** | **$886** | **$950** | **$1,020** | **$1,094** | | | | | |
| **Gross Profit** | | **$603,330** | **$647,603** | **$695,031** | **$745,834** | **$800,247** | **65%** | **65%** | **65%** | **65%** | **65%** |
| **Variable Contribution Profit** | | **$542,997** | **$585,334** | **$629,270** | **$676,414** | **$726,993** | **59%** | **59%** | **59%** | **59%** | **59%** |
| Labor | | $166,250 | $166,700 | $167,164 | $167,641 | $168,133 | 18% | 17% | 16% | 15% | 14% |
| Occupancy | $0 | $113,000 | $116,990 | $121,130 | $125,425 | $129,882 | 12% | 12% | 11% | 11% | 11% |
| Marketing | | $18,000 | $18,540 | $19,096 | $19,669 | $20,259 | 2% | 2% | 2% | 2% | 2% |
| Other G&A | $22,000 | $3,400 | $3,502 | $3,607 | $3,715 | $3,827 | 0% | 0% | 0% | 0% | 0% |
| **Total G&A** | **$22,000** | **$300,650** | **$305,732** | **$310,996** | **$316,450** | **$322,101** | **32%** | **31%** | **29%** | **28%** | **26%** |
| **4-Wall Cash EBITDA** | **-$22,000** | **$242,347** | **$279,602** | **$318,274** | **$359,963** | **$404,892** | **26%** | **28%** | **30%** | **31%** | **33%** |
| Tax Impact & Non-Cash Charges | $0 | $100,833 | $110,372 | $120,285 | $128,478 | $140,160 | 11% | 11% | 11% | 11% | 11% |
| **Net Income** | **-$22,000** | **$141,514** | **$169,230** | **$197,988** | **$231,485** | **$264,732** | **15%** | **17%** | **19%** | **20%** | **22%** |
| **Operating Cash Flow** | **-$22,000** | **$182,159** | **$207,626** | **$234,067** | **$261,510** | **$292,298** | **20%** | **21%** | **22%** | **23%** | **24%** |
| Gross Capital | $350,000 | | | | | | 38% | 0% | 0% | 0% | 0% |
| Tenant Allowance | $150,000 | | | | | | 16% | 0% | 0% | 0% | 0% |
| **Net Capital** | **$200,000** | **$0** | **$0** | **$0** | **$0** | **$0** | **22%** | **0%** | **0%** | **0%** | **0%** |
| **Security Deposit** | $17,500 | $0 | $0 | $0 | $0 | $0 | | | | | |
| **Inventory** | **$95,550** | **$5,819** | **$6,173** | **$6,549** | **$6,948** | **$7,371** | | | | | |
| **Net Cash Flow** | **-$335,050** | **$176,340** | **$201,452** | **$227,517** | **$254,562** | **$284,927** | **19%** | **20%** | **21%** | **22%** | **23%** |
| **Cash Payback (Months)** | | 24.2 | | | | | | | | | |
| **Internal Rate of Return (IRR)** | | 57% | | | | | | | | | |
| **Net Present Value (NPV)** | | $575,205 | | | | | | | | | |

Template available on *www.resourcehub.1rec.co*

# Real Estate Timelines



**Market & Site Surveys**
**(X Weeks)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

**Market Tours**
**(X Week)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

**LOI Negotiation**
**(X Weeks)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

*Note: X weeks if Pop Up. Instead of LOI, popups are usually negotiated through a License Agreement, which takes the place of an LOI and Lease.*

**RECOM: Approve LOI**
**(X week)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

*Note: Once LOI is approved, Store Development process flowchart begins.*

**Finalize LOI & Receive Lease**
**(X Weeks)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

*Note: X weeks if Pop Up given License Agreement instead.*

**Lease Negotiations**
**(X Months)**

| | |
|---|---|
| R | |
| A | |
| C | |
| I | |

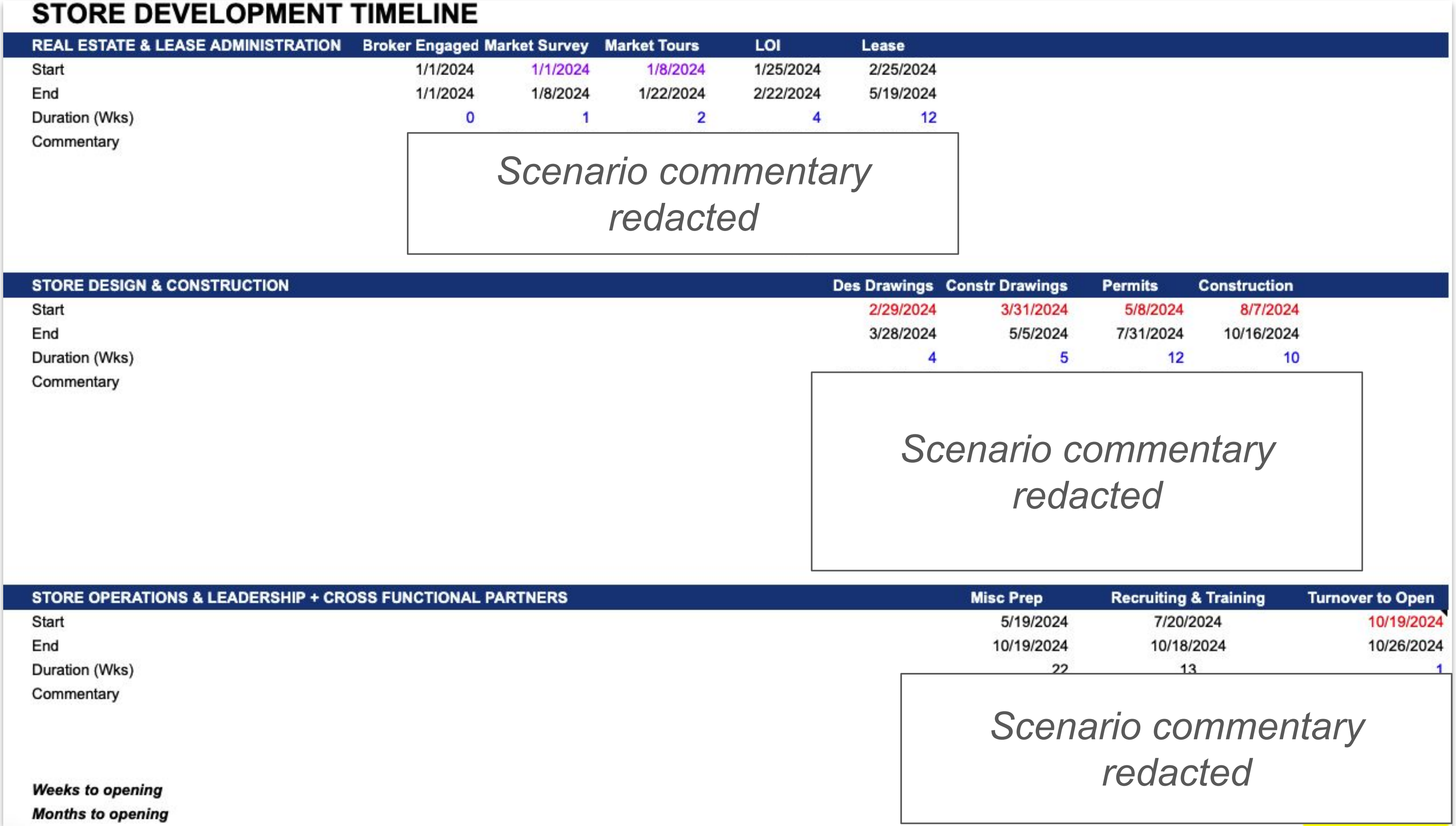
*Note: X weeks if Pop Up given License Agreement instead.*

**Lease Execution**

*Note: Prior to lease execution, CDs and Permits are completed and obtained (see Design & Construction Timeline Recap).*

- Note 1: Exact timeline may vary depending on landlord relationship, deal terms, space conditions and occupancy, etc.; timeline shown above is illustrative and intended to provide a framework for teams to refine.
- Note 2: Template available on *www.resourcehub.1rec.co*

# Timelines: A combined view



## STORE DEVELOPMENT TIMELINE

| REAL ESTATE & LEASE ADMINISTRATION | Broker Engaged | Market Survey | Market Tours | LOI | Lease |
|---|---|---|---|---|---|
| Start | 1/1/2024 | 1/1/2024 | 1/8/2024 | 1/25/2024 | 2/25/2024 |
| End | 1/1/2024 | 1/8/2024 | 1/22/2024 | 2/22/2024 | 5/19/2024 |
| Duration (Wks) | 0 | 1 | 2 | 4 | 12 |
| Commentary | | | | | |

*Scenario commentary redacted*

| STORE DESIGN & CONSTRUCTION | Des Drawings | Constr Drawings | Permits | Construction |
|---|---|---|---|---|
| Start | 2/29/2024 | 3/31/2024 | 5/8/2024 | 8/7/2024 |
| End | 3/28/2024 | 5/5/2024 | 7/31/2024 | 10/16/2024 |
| Duration (Wks) | 4 | 5 | 12 | 10 |
| Commentary | | | | |

*Scenario commentary redacted*

| STORE OPERATIONS & LEADERSHIP + CROSS FUNCTIONAL PARTNERS | Misc Prep | Recruiting & Training | Turnover to Open |
|---|---|---|---|
| Start | 5/19/2024 | 7/20/2024 | 10/19/2024 |
| End | 10/19/2024 | 10/18/2024 | 10/26/2024 |
| Duration (Wks) | 22 | 13 | 1 |
| Commentary | | | |

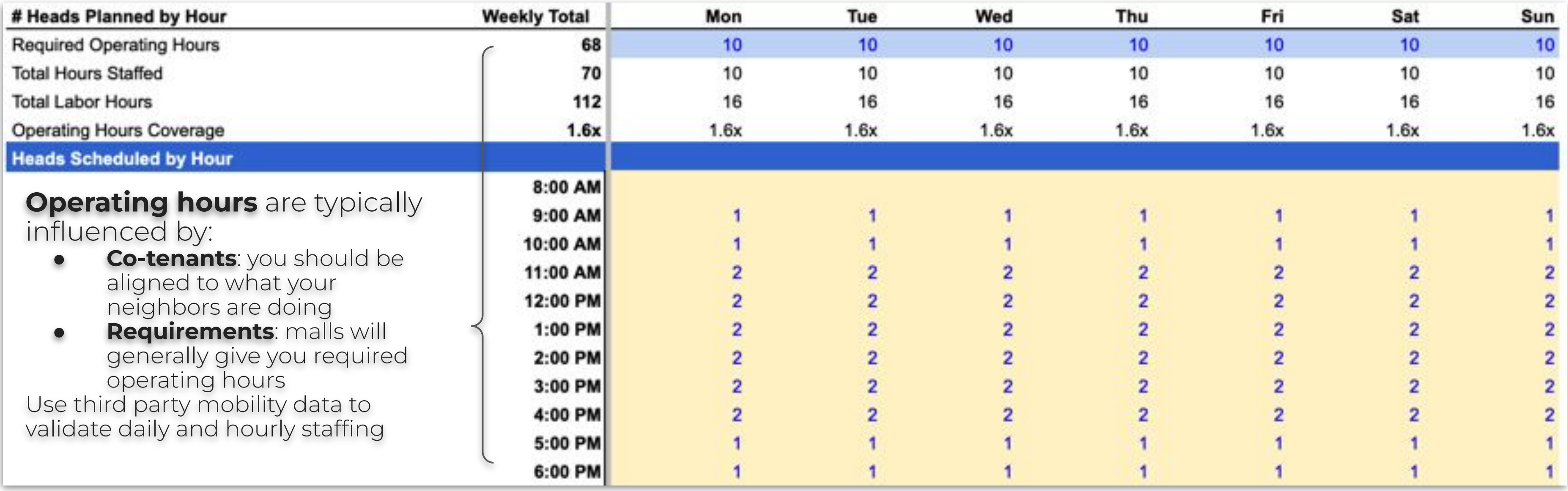
*Scenario commentary redacted*

***Weeks to opening***

***Months to opening***

# Labor Model Basics

Coverage comes in a forms: operating hours, customers, and square feet (sqft)

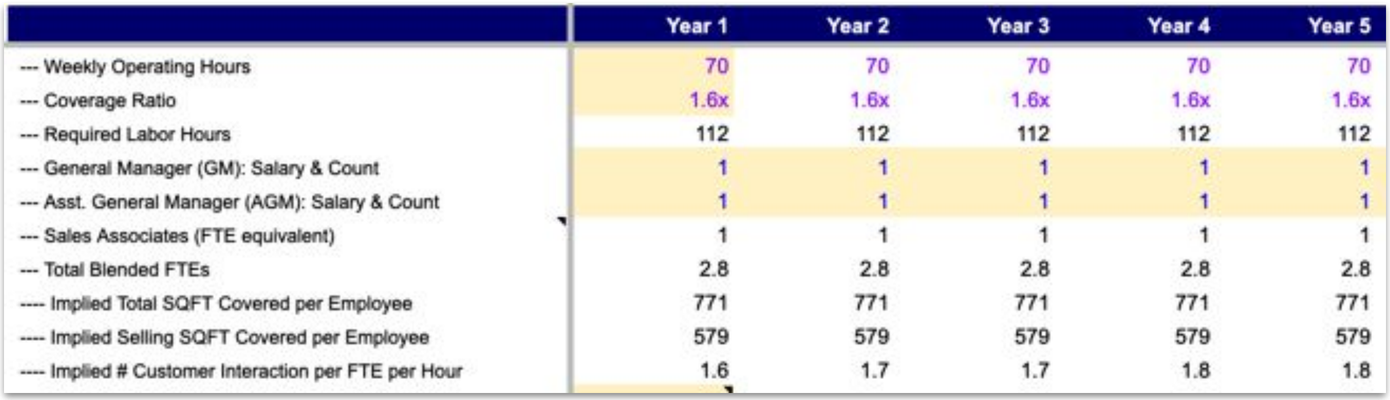


| # Heads Planned by Hour | Weekly Total | Mon | Tue | Wed | Thu | Fri | Sat | Sun |
|---|---|---|---|---|---|---|---|---|
| Required Operating Hours | 68 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Total Hours Staffed | 70 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Total Labor Hours | 112 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Operating Hours Coverage | 1.6x | 1.6x | 1.6x | 1.6x | 1.6x | 1.6x | 1.6x | 1.6x |
| **Heads Scheduled by Hour** | | | | | | | | |
| | 8:00 AM | | | | | | | |
| | 9:00 AM | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 10:00 AM | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 11:00 AM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 12:00 PM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 1:00 PM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 2:00 PM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 3:00 PM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 4:00 PM | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | 5:00 PM | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | 6:00 PM | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

**Operating hours** are typically influenced by:

- **Co-tenants**: you should be aligned to what your neighbors are doing
- **Requirements**: malls will generally give you required operating hours

Use third party mobility data to validate daily and hourly staffing



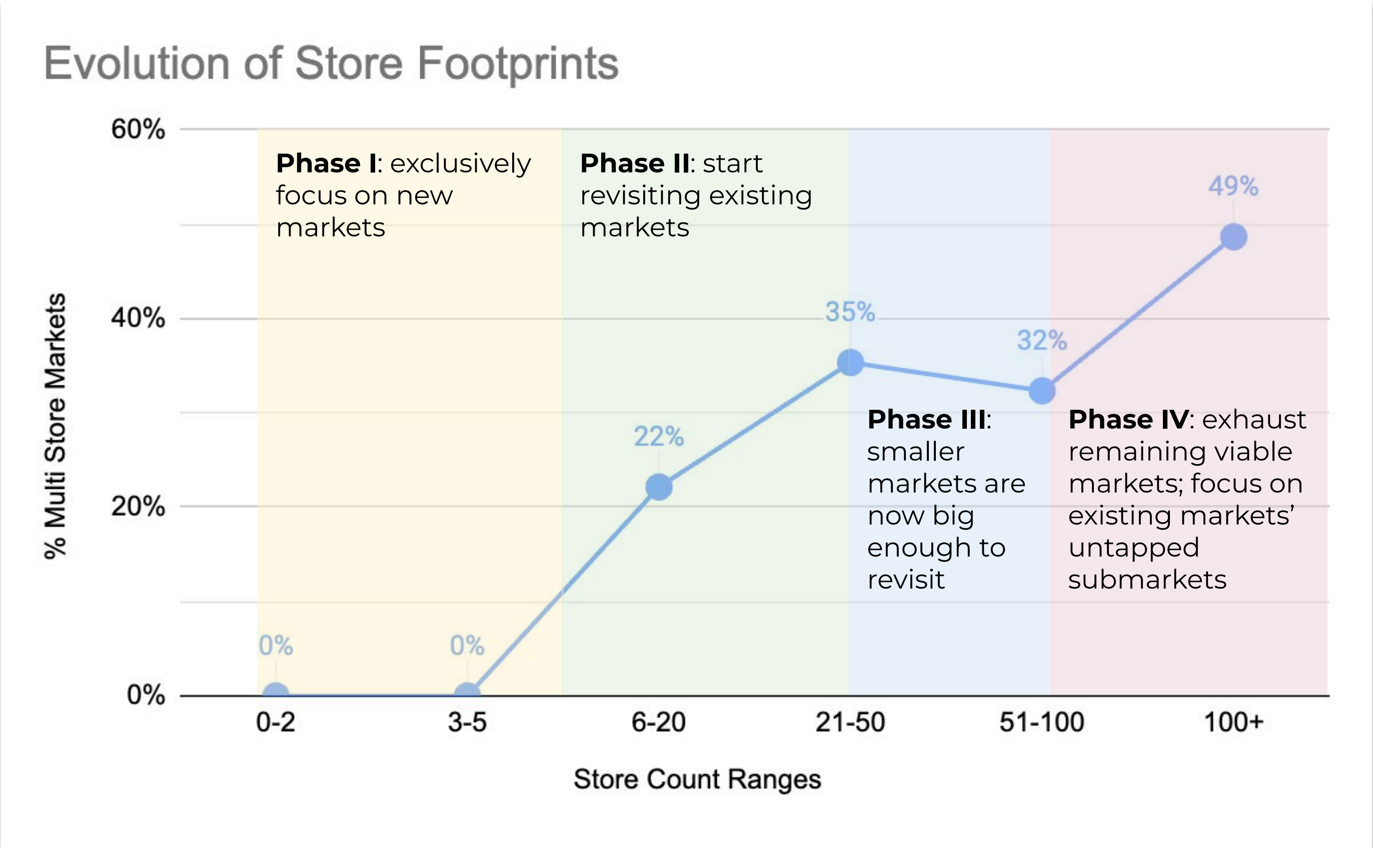
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| --- Weekly Operating Hours | 70 | 70 | 70 | 70 | 70 |
| --- Coverage Ratio | 1.6x | 1.6x | 1.6x | 1.6x | 1.6x |
| --- Required Labor Hours | 112 | 112 | 112 | 112 | 112 |
| --- General Manager (GM): Salary & Count | 1 | 1 | 1 | 1 | 1 |
| --- Asst. General Manager (AGM): Salary & Count | 1 | 1 | 1 | 1 | 1 |
| --- Sales Associates (FTE equivalent) | 1 | 1 | 1 | 1 | 1 |
| --- Total Blended FTEs | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| ---- Implied Total SQFT Covered per Employee | 771 | 771 | 771 | 771 | 771 |
| ---- Implied Selling SQFT Covered per Employee | 579 | 579 | 579 | 579 | 579 |
| ---- Implied # Customer Interaction per FTE per Hour | 1.6 | 1.7 | 1.7 | 1.8 | 1.8 |

**Coverage metrics:**

- **Operating Hours Coverage:** Labor Hrs / Operating Hrs
- **Area Coverage:** SQFT / FTE
- **Customer Coverage:** Daily Traffic / FTE / Daily Operating Hrs

# The "average" scaling journey for DTC brands

Many DTC brands have chosen national expansion over clustering in their first 10 locations



**Phase I**: exclusively focus on new markets

**Phase II**: start revisiting existing markets

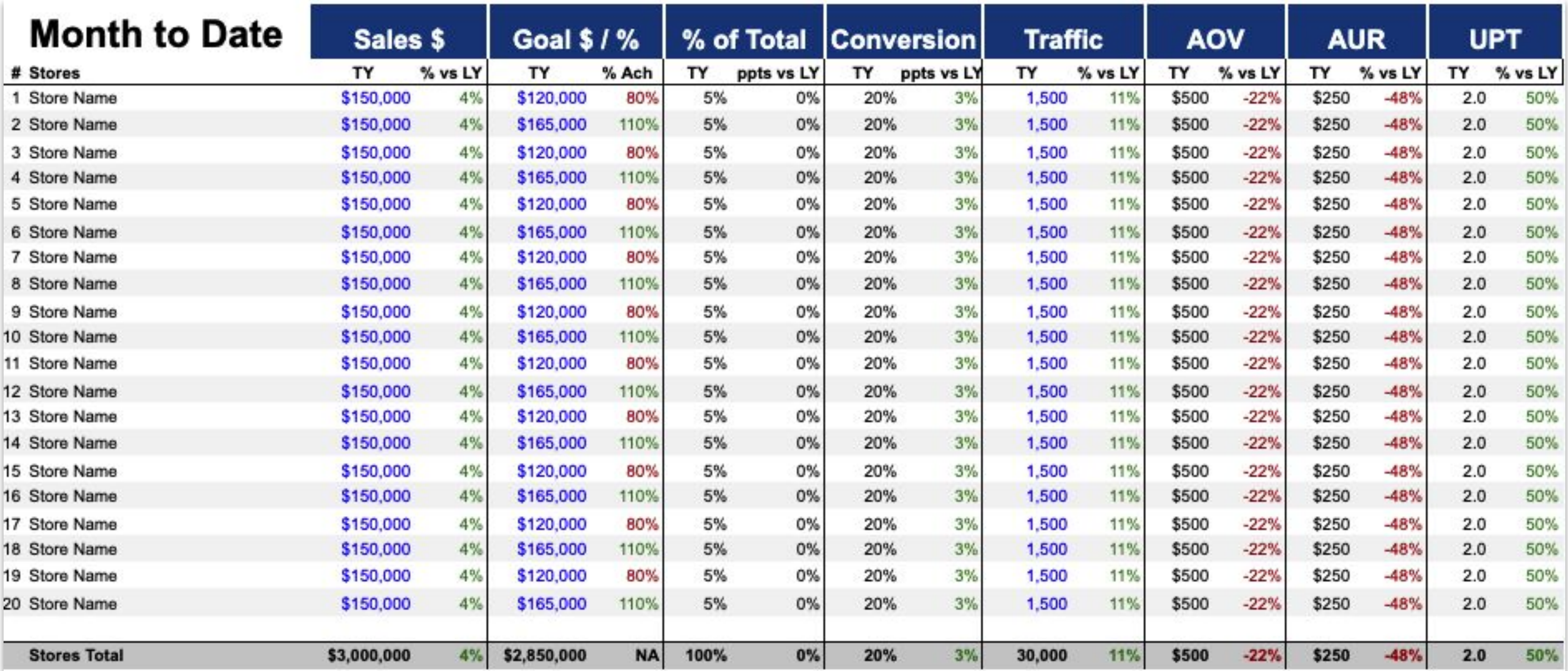
**Phase III**: smaller markets are now big enough to revisit

**Phase IV**: exhaust remaining viable markets; focus on existing markets' untapped submarkets

Note: Chart based on DTC brands' footprint data from ChainXY; includes range of DTC brands including but not limited to Warby Parker, Bonobos, Glossier, and Allbirds.

# Your Performance Management Dashboard

Store sales should be decomposed into its underlying metrics to uncover the source of an over / under performing location



| Month to Date | | Sales $ | | Goal $ / % | | % of Total | | Conversion | | Traffic | | AOV | | AUR | | UPT | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| # | Stores | TY | % vs LY | TY | % Ach | TY | ppts vs LY | TY | ppts vs LY | TY | % vs LY | TY | % vs LY | TY | % vs LY | TY | % vs LY |
| 1 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 2 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 3 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 4 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 5 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 6 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 7 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 8 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 9 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 10 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 11 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 12 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 13 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 14 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 15 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 16 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 17 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 18 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 19 | Store Name | $150,000 | 4% | $120,000 | 80% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| 20 | Store Name | $150,000 | 4% | $165,000 | 110% | 5% | 0% | 20% | 3% | 1,500 | 11% | $500 | -22% | $250 | -48% | 2.0 | 50% |
| | **Stores Total** | **$3,000,000** | **4%** | **$2,850,000** | **NA** | **100%** | **0%** | **20%** | **3%** | **30,000** | **11%** | **$500** | **-22%** | **$250** | **-48%** | **2.0** | **50%** |

**Monthly Goals** are typically set in advance with a 90% achievement minimum in order to unlock bonus payouts

**Sales = Traffic x Conversion x AOV**

This basic formula will reveal where sales growth/decline came from

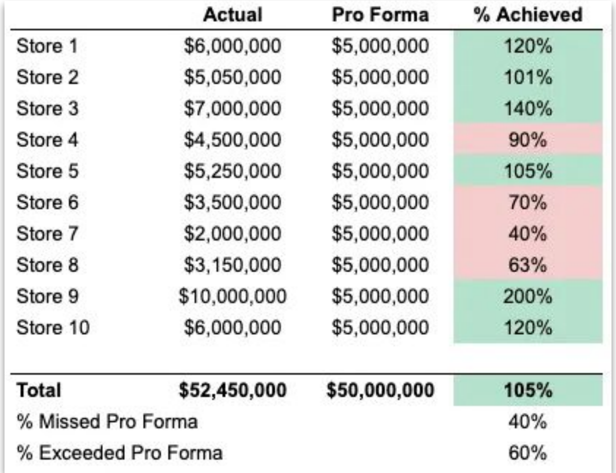
**AOV = AUR x UPT**

This basic formula will reveal where AOV growth/decline came from

# Measuring Success in Hindsight

While success = 24 month Payback Duration or less, you can’t wait two years before evaluating; focus on Year 1 Sales achievement vs pro forma

## Mixed results, but overall success

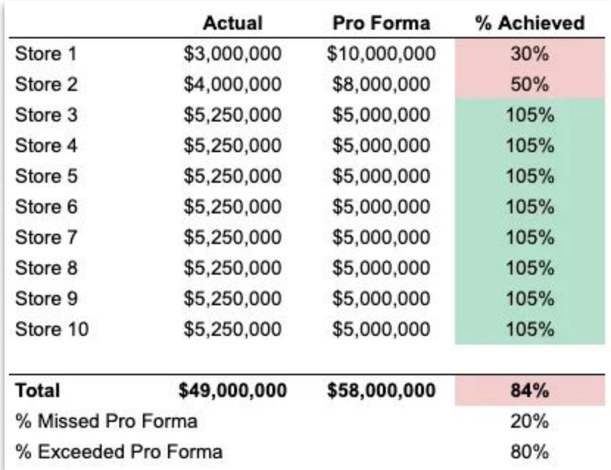


| | Actual | Pro Forma | % Achieved |
|---|---|---|---|
| Store 1 | $6,000,000 | $5,000,000 | 120% |
| Store 2 | $5,050,000 | $5,000,000 | 101% |
| Store 3 | $7,000,000 | $5,000,000 | 140% |
| Store 4 | $4,500,000 | $5,000,000 | 90% |
| Store 5 | $5,250,000 | $5,000,000 | 105% |
| Store 6 | $3,500,000 | $5,000,000 | 70% |
| Store 7 | $2,000,000 | $5,000,000 | 40% |
| Store 8 | $3,150,000 | $5,000,000 | 63% |
| Store 9 | $10,000,000 | $5,000,000 | 200% |
| Store 10 | $6,000,000 | $5,000,000 | 120% |
| **Total** | **$52,450,000** | **$50,000,000** | **105%** |
| % Missed Pro Forma | | | 40% |
| % Exceeded Pro Forma | | | 60% |

Look for consistencies between over and underperformers:

- Store format (malls vs street)
- Square footage
- Co-tenancy
- Merchandise
- Staff
- Basket KPIs

## Poor performance overall, but driven by two big underperformers

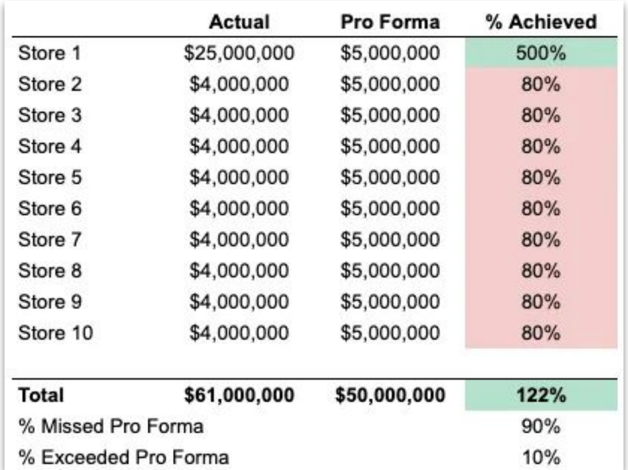


| | Actual | Pro Forma | % Achieved |
|---|---|---|---|
| Store 1 | $3,000,000 | $10,000,000 | 30% |
| Store 2 | $4,000,000 | $8,000,000 | 50% |
| Store 3 | $5,250,000 | $5,000,000 | 105% |
| Store 4 | $5,250,000 | $5,000,000 | 105% |
| Store 5 | $5,250,000 | $5,000,000 | 105% |
| Store 6 | $5,250,000 | $5,000,000 | 105% |
| Store 7 | $5,250,000 | $5,000,000 | 105% |
| Store 8 | $5,250,000 | $5,000,000 | 105% |
| Store 9 | $5,250,000 | $5,000,000 | 105% |
| Store 10 | $5,250,000 | $5,000,000 | 105% |
| **Total** | **$49,000,000** | **$58,000,000** | **84%** |
| % Missed Pro Forma | | | 20% |
| % Exceeded Pro Forma | | | 80% |

Continue strategy for next wave, but dig into the poor performers:

- Store format (malls vs street)
- Square footage
- Co-tenancy
- Merchandise
- Staff
- Basket KPIs

## Great performance overall, but driven by two big overperformers



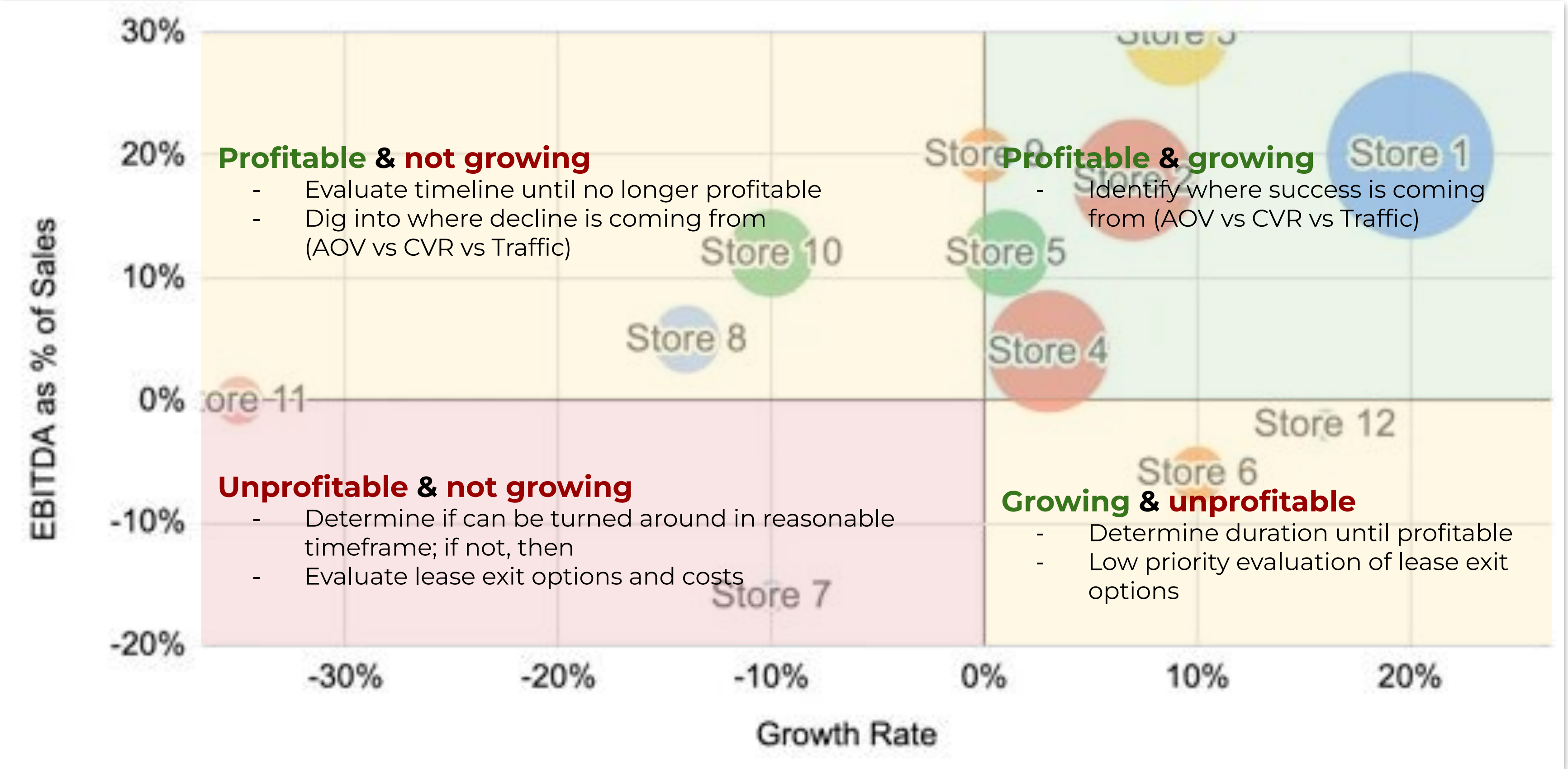
| | Actual | Pro Forma | % Achieved |
|---|---|---|---|
| Store 1 | $25,000,000 | $5,000,000 | 500% |
| Store 2 | $4,000,000 | $5,000,000 | 80% |
| Store 3 | $4,000,000 | $5,000,000 | 80% |
| Store 4 | $4,000,000 | $5,000,000 | 80% |
| Store 5 | $4,000,000 | $5,000,000 | 80% |
| Store 6 | $4,000,000 | $5,000,000 | 80% |
| Store 7 | $4,000,000 | $5,000,000 | 80% |
| Store 8 | $4,000,000 | $5,000,000 | 80% |
| Store 9 | $4,000,000 | $5,000,000 | 80% |
| Store 10 | $4,000,000 | $5,000,000 | 80% |
| **Total** | **$61,000,000** | **$50,000,000** | **122%** |
| % Missed Pro Forma | | | 90% |
| % Exceeded Pro Forma | | | 10% |

Reassess performance expectations:

- Is the pro forma still healthy despite missing expectations?
- Can you lower the bar and still make future deals work?

# Monitoring Store Health

When stores mature into year 2, add the Store Health Matrix lens to your assessments



**Profitable & not growing**

- Evaluate timeline until no longer profitable
- Dig into where decline is coming from (AOV vs CVR vs Traffic)

**Profitable & growing**

- Identify where success is coming from (AOV vs CVR vs Traffic)

**Unprofitable & not growing**

- Determine if can be turned around in reasonable timeframe; if not, then
- Evaluate lease exit options and costs

**Growing & unprofitable**

- Determine duration until profitable
- Low priority evaluation of lease exit options

# Thank you!

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