

Should You Pay for Pretty?

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It literally can be the million-dollar question: should you pay for pretty?

When we talk pretty, we're looking at renovations and updates, as well as building a new facility. It's a difficult choice to pull the trigger on a major project, but according to at least one rather thorough study on the subject, it can pay off big.

Tracey Danaher is a professor in the Department of Marketing at Monash University in Melbourne, Australia, and co-author of a 2014 study called "Comparing the Effect of Store Remodeling on New and Existing Customers," published in the American Marketing Association's Journal of Marketing. This study took a look at two stores undergoing extensive remodeling, comparing sales before and after the efforts, broken down by new and existing customers. The first retailer is an equipment retailer and service provider in a 5,060-sq. ft. location, while the second is a large department store in a major metropolitan city that operates many stores and carries items like men's, women's and children's fashion; cosmetics, housewares and electrical items, among others.

"Remodeling is a viable marketing strategy and should be considered as a rewarding investment (at least in the stores we studied)," Tracey says. "A lot of businesses put off remodeling because of the costs, but we found that for the retailer in our study the gain was more than the cost of the remodel."



Pictured: The interior of the expanded AVEVE Koekelare store outside of Brussels, Belgium.

Specifically, the equipment retailer saw a sales increase of 43% from new customers after the remodel and a jump of 7% from existing customers. But the best part is the study also asked about reactions after the changes and new customers maintained their positive reactions for up to 12 months after the renovations. However, existing customers' reactions went back to pre-remodel levels, the study showed.

"In the other store we studied, the contrast was similar: 44% for new and 10% for existing customers. Even more impressive is that between 30% and 80% of the growth in sales revenue after remodel is attributable to new customers," the authors write in the study. "We also find that new customers exhibited a 16% higher store visit rate after their first purchase in the remodeled store, whereas the visit rate for existing customers increased by only 2%."

In both cases, the retailers recouped their costs after two to three years. And, because the research on the department store retailer involved analyzing loyalty program data, the researchers could tell the age and life status of the new and existing shoppers. It turns out the new customers skewed toward older consumers who likely had a higher disposable income.

So what's the moral here? Part of it is to consider a remodel a marketing venture and the other part is it's important to identify an existing potential new customer base before jumping in.

Chuck Sierke is the national sales manager for Deforche Construct (you can read more advice from Chuck in Ellen's story on page 24), and he recommends starting with refreshing areas that customers notice first: entrances, facades, parking areas and perhaps expanding retail space. But don't do it without a plan.

"The key thing to remember if you do this expansion, expand your product line, have new offerings that you don't have now that will add to your selection and get high margin, high dollar value items," he says, providing examples like fairy gardens, outdoor patio furniture and grills. "Expand with products that are going to be profitable."

He provided the example of AVEVE, a garden retail chain in Brussels, Belgium, that recently completed a 10,000-sq. ft. expansion onto an existing location in Koekelare. Kristoff Depreitere told Chuck he opened the new space the first week of March in 2016 and immediately saw an impact.

"The first year, my sales increased with 15%," he says. "Thanks to my investment, I earn more money than I invested. Happy customer!"

Case Study: Mesquite Valley Growers Nursery

Thomas Birt and Cathy Bishop are no strangers to the garden center business; they've been in business since 1990 with Mesquite Valley Growers Nursery in Tucson, Arizona, and have traveled to more than 30 countries on garden center tours, looking for ideas for their business. Nearly 10 years ago, they were poised to break ground on a new garden center when Thomas heard the news that Lehman Brothers declared bankruptcy and he halted the project.

The prospects for a new, high-end designed gleaned from all their travels seemed hopeless until an epic freeze in 2011 prompted Cathy to bring in 11 truckloads of plants, which gave the operation the windfall they needed to start dreaming again.



Pictured: Visitors are greeted by beautiful flower photography in lightboxes upon entering the "mall" area of Mesquite Valley Growers Nursery's new garden center.

After about \$3 million and 18 months of construction while the old store stayed open (the new facility was built on an additional 4 acres they purchased), the new store opened its doors in June. The reaction? "Just absolutely jaw-dropping wonderment," Thomas says. "It's something they've never seen here before."

His location is a destination, so it draws in shoppers from over an hour away, which is why they located the bathrooms right at the front near the entrance and offer visitors a free water as soon as they arrive. "I can tell who is a regular and who isn't because they will go right to the water," Thomas adds.

Customer count was down in March, April and May, but Thomas isn't worried now that the store is open, and the new place was well received in June and the beginning of July. He's expecting a gangbuster fall due to a hot, dry summer frying the landscape. "Every time we've made some sort of improvement there's been a lot of buzz, a lot of talk," he says. "We're constantly trying to improve efficiency."

The new store mixes modern design and amenities with beautiful, classic touches, like 400-year-old palace doors that customers use to enter the garden shop and gift store. Visitors enter into what Thomas and Cathy call "the mall," an open area with no products featuring beautiful photography of flowers in light boxes. The information center is in the mall, as well as entrances to the garden shop, gift store and greenhouse. Thomas worked with Nexus Greenhouses to customize an arched greenhouse that has a European feel to it.

They built a large shaded porch on the front and a patio on the back. Still to come is a lounge area with a flat-screen TV. Thomas and Cathy sourced many of their high-end fixtures from vendors at the Global Shop trade show that takes place in Las Vegas every year.

So, in the end, would Thomas recommend a new look and feel? "I would be adamant that you pay for pretty if you have the means to do it," he emphasizes. "If you're new in the business, you get everything in order first." **GP**