ALVAREZ & MARSAL
INSIGHT CENTER

Thinking in Five Dimensions: *Ideas That Improve Retail Store Performance*

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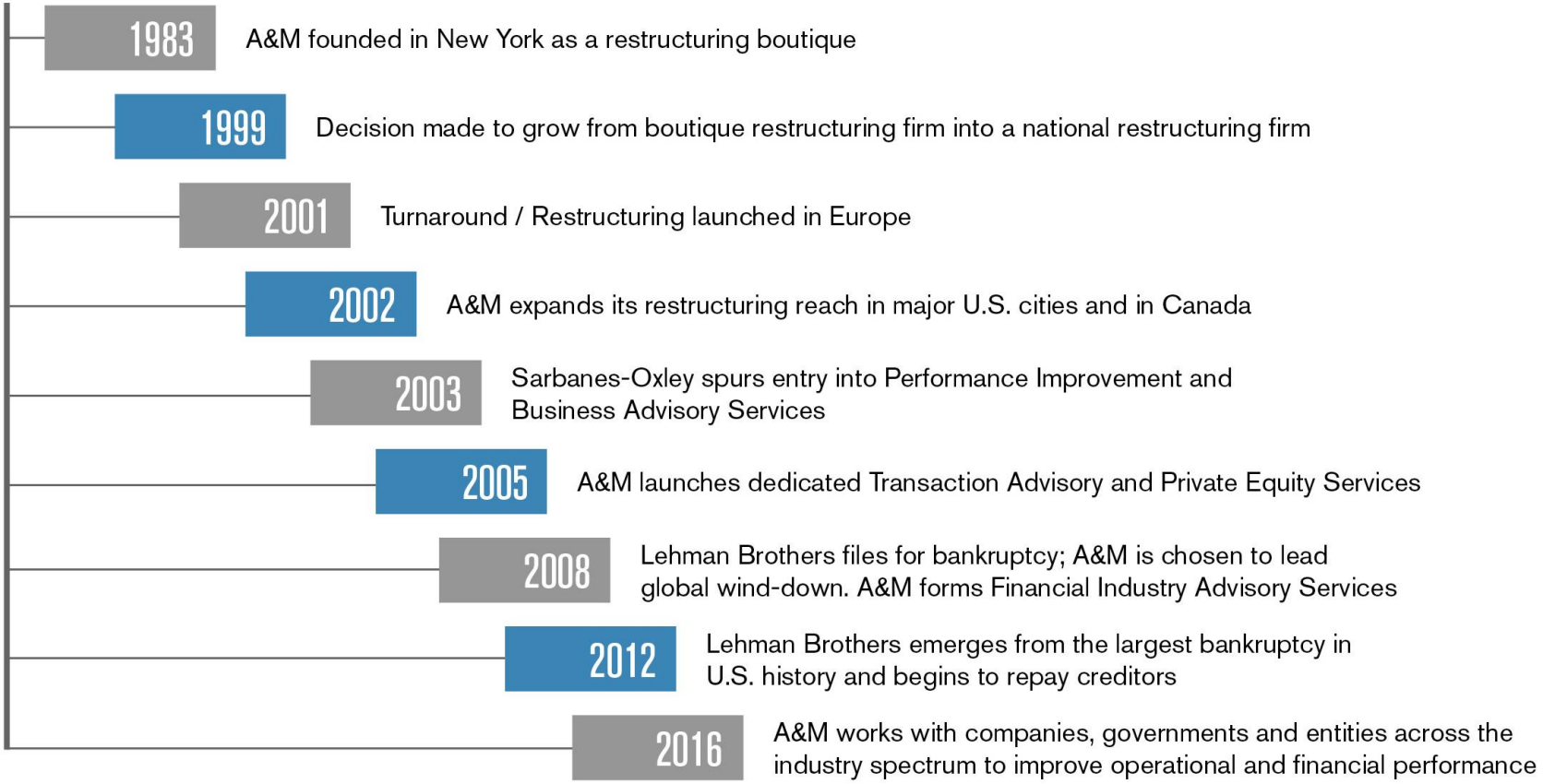
CAN YOU THINK IN FIVE DIMENSIONS? LESSONS FROM THE TOP HAT

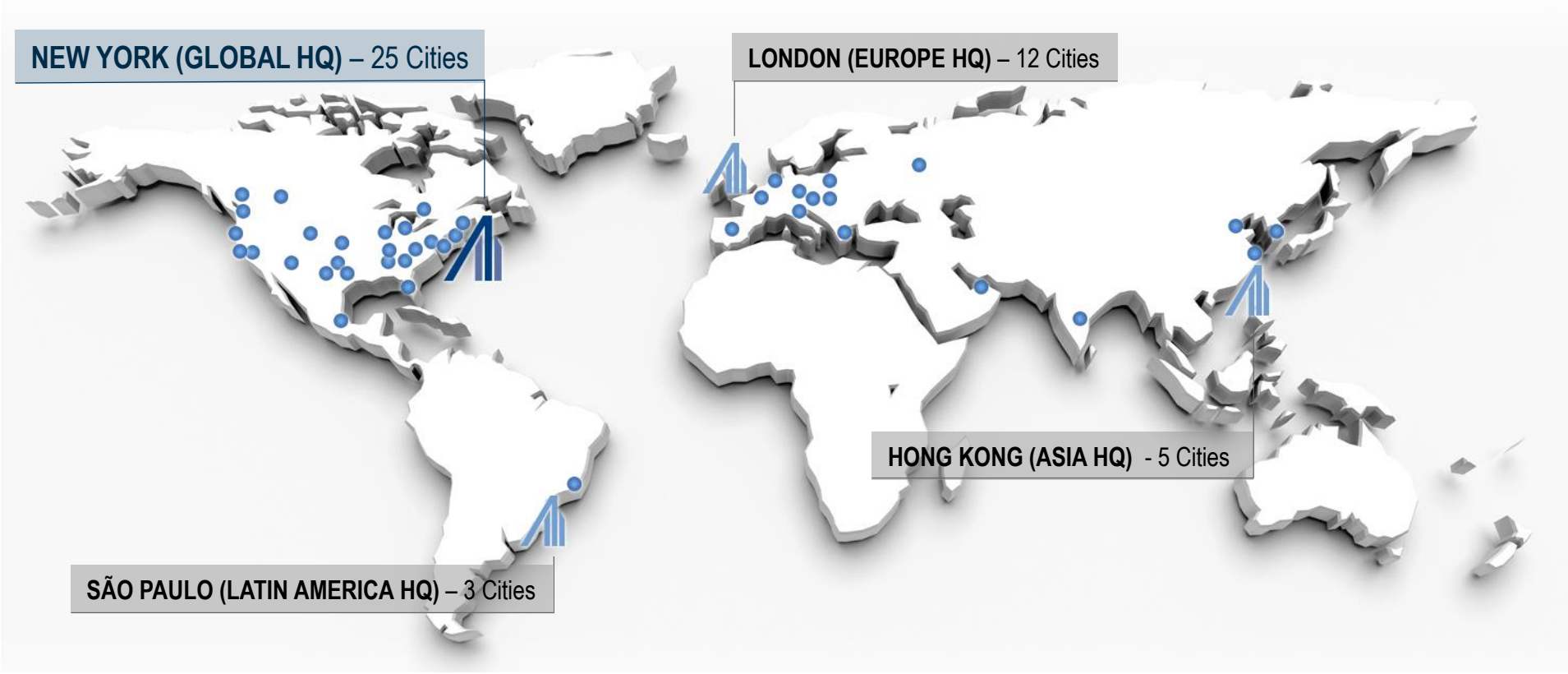
- There are five dimensions?
  - Yes, actually more than five
- Thinking in **five+** dimensions improves understanding of retail store performance
- Dimensions are sometimes **integrated**, other times **disjointed** or **random**
  - Individual store level
  - Portfolio level

WHO ARE WE?



2,500+ PROFESSIONALS | 140 INDUSTRIES | 33 YEARS

WHERE ARE WE?



NORTH AMERICA

New York (Global HQ)

Atlanta
Birmingham
Boston
Calgary
Charlotte
Chicago
Dallas
Denver
Detroit
El Segundo
Greenwich
Houston
Kansas City
Los Angeles
Miami
Nashville
Philadelphia
Phoenix
San Antonio
San Francisco
Seattle
Toronto
Vancouver
Washington, D.C.

EUROPE AND THE MIDDLE EAST

London (Europe HQ)

Amsterdam
Athens
Dubai
Frankfurt
Madrid
Milan
Moscow
Munich
Paris
Prague
Warsaw

LATIN AMERICA

São Paulo
(Latin America HQ)

Mexico City
Rio de Janeiro

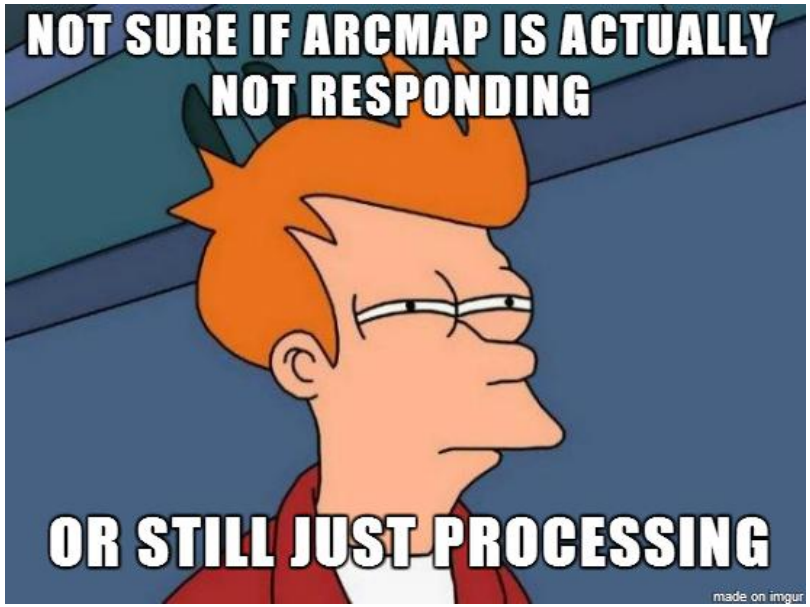
ASIA

Hong Kong (Asia HQ)

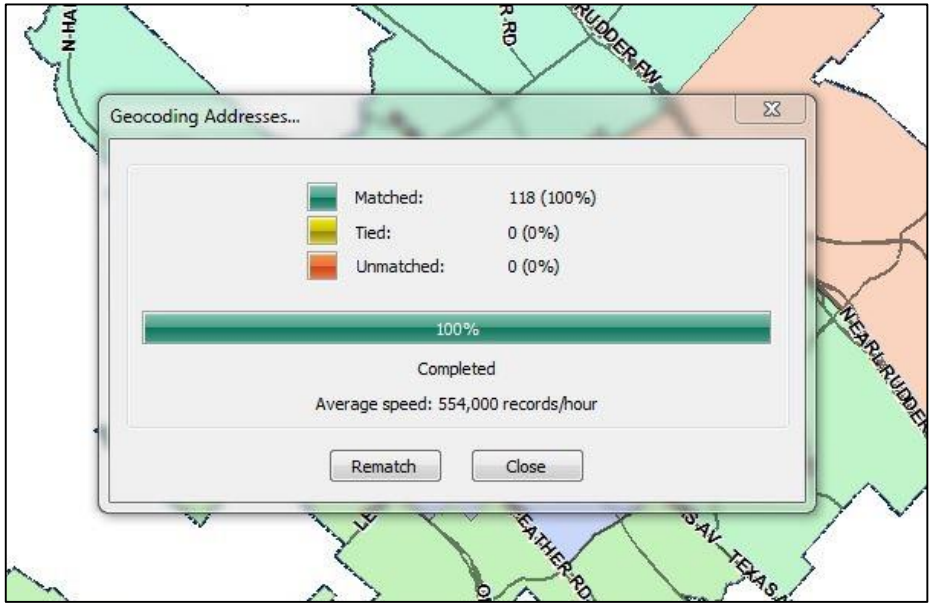
Beijing
Mumbai
Seoul
Shanghai

OUR TEAM AND OUR GIS JOURNEY

Started here



Now we're here!



Which leads to this…

WHAT ARE THE FIVE DIMENSIONS AND WHY THE TOP HAT?

YOU PROBABLY ALREADY THINK IN FIVE DIMENSIONS!

Two dimensions

- Basic ‘flat’ maps, e.g., heat maps, dots on a map

Three dimensions

- Adding context, world in 360º, visibility and exposure

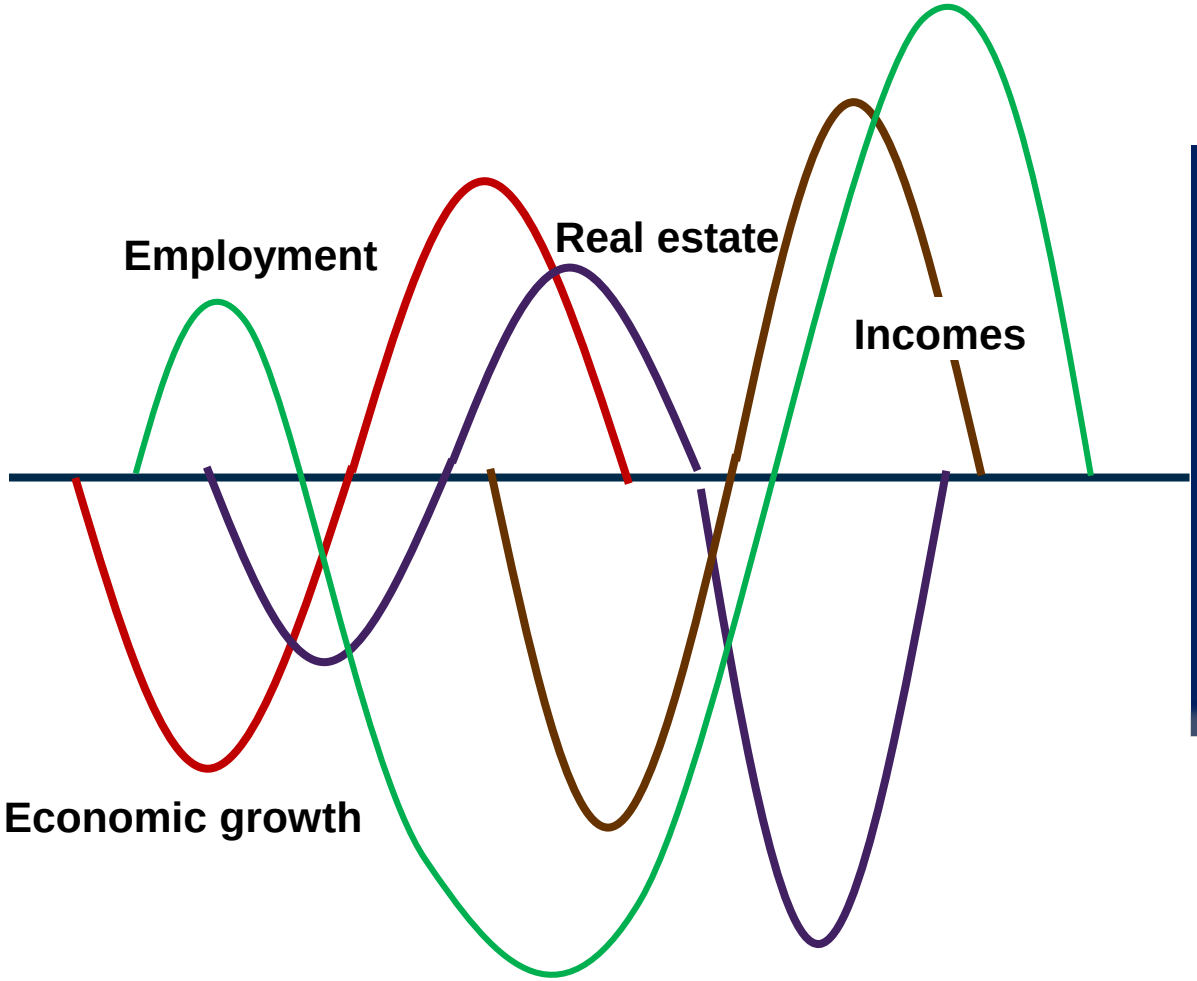
Four dimensions

- Time, understanding the past, present, and future

Five dimensions

- Cycles introduced, and not just one cycle either…

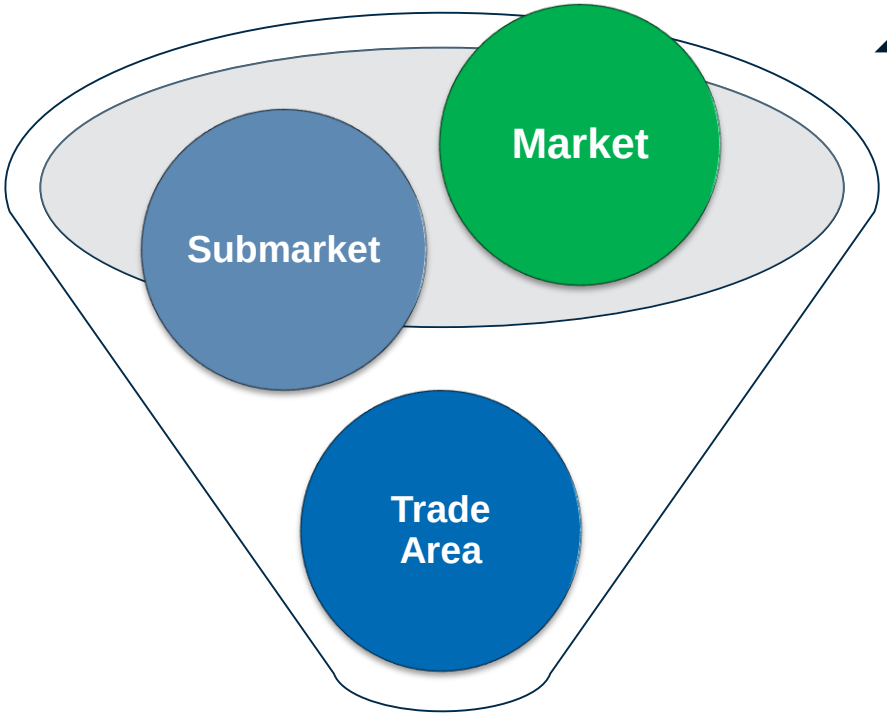
TURNS OUT, PLENTY AND AT VARIOUS GEOGRAPHIES



Other dimensions (cycles)

- Customer locations
- Urban regeneration
- Shift-share patterns
- Construction costs
- Land values
- Technology
- Government policies

TOP DOWN (FUNNEL) + BOTTOM UP (SCORING)

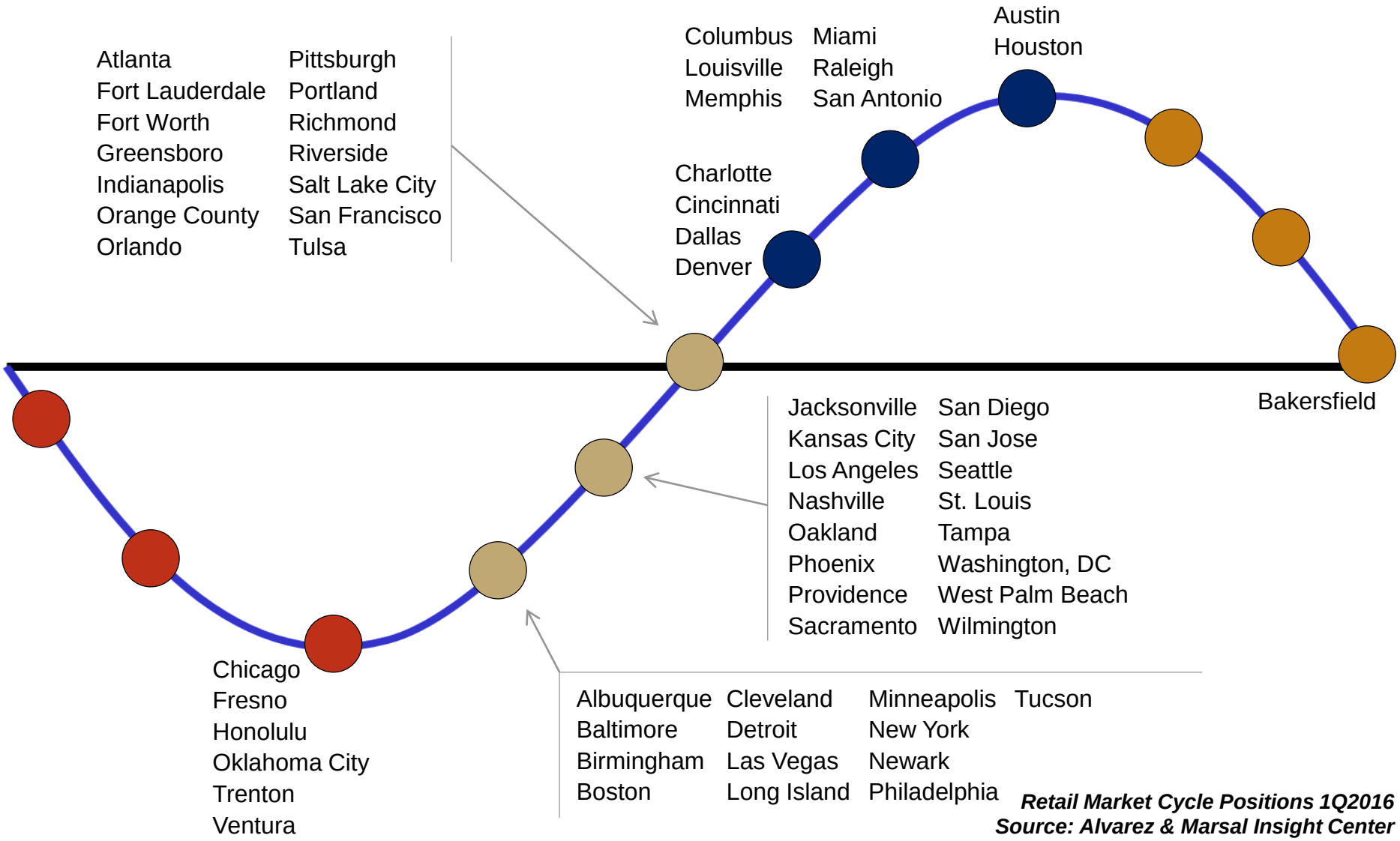


Store Location

Store performance is typically measured, or scored, by:

- **Market attractiveness**
  - ✓ Households, incomes, densities, customers…
- **Operational factors**
  - ✓ Rent, sales per sq ft, store size, EBITDA, margins, center type…
- **Competitive environment**
  - ✓ # competitors and proximity, existing and future…

U.S. RETAIL MARKET CYCLES – RENT TREND IMPLICATIONS



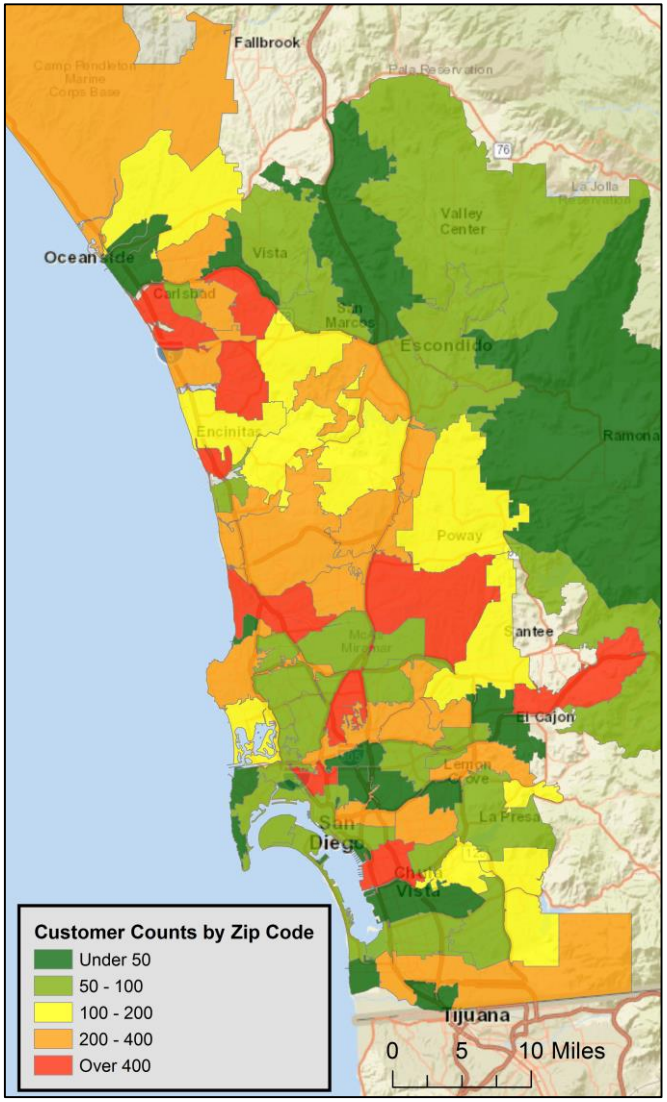
Retail Market Cycle Positions 1Q2016
Source: Alvarez & Marsal Insight Center

SPATIAL VIEW IMPROVES PORTFOLIO RISK AND OPPORTUNITY ASSESSMENT

Retail Market Cycle Positions 1Q2016
Source: Alvarez & Marsal Insight Center

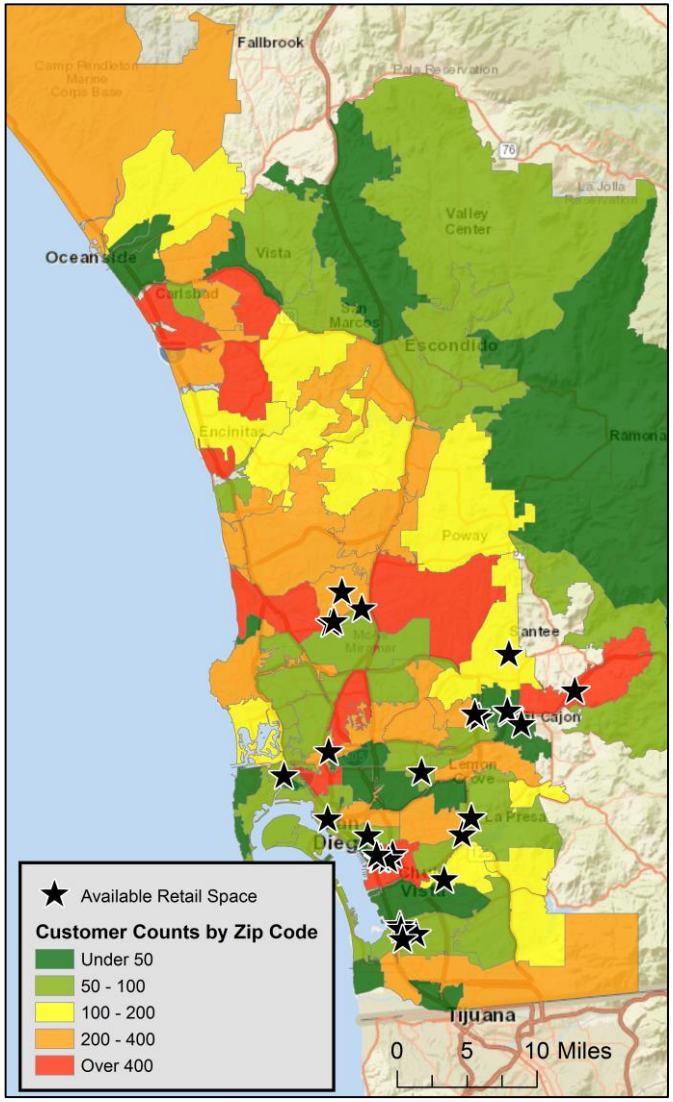
LIMITATIONS OF EARLY DIMENSIONS

Find my customers (2nd)



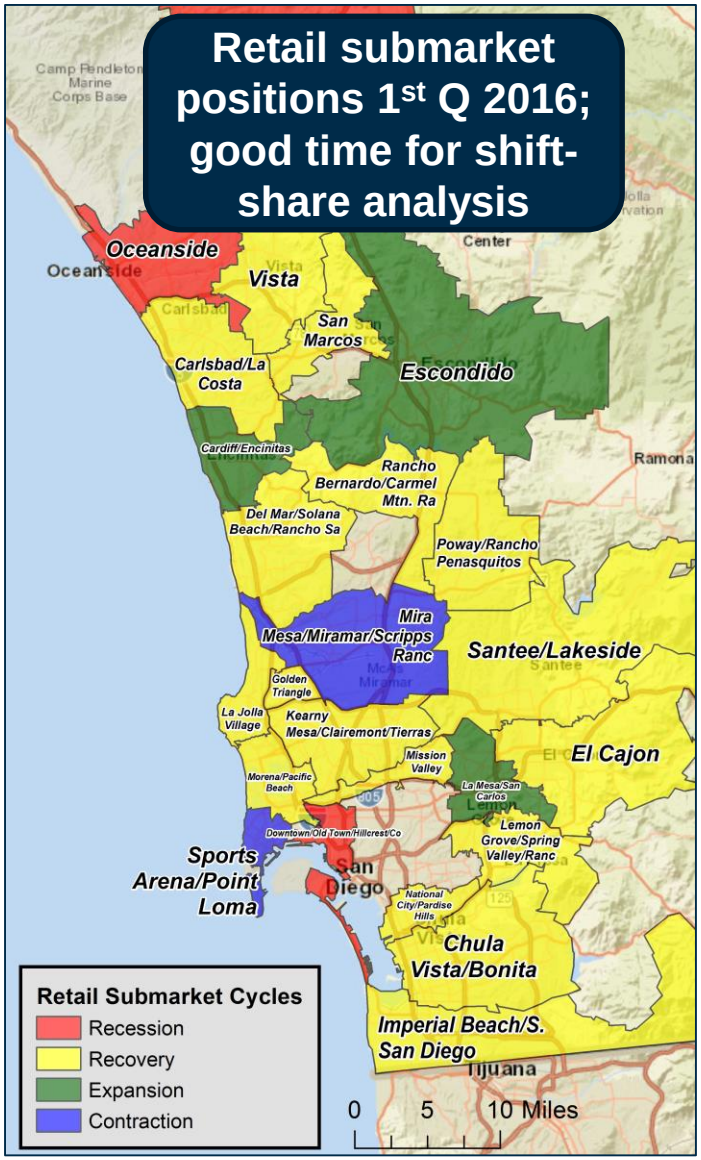
Source: Alvarez & Marsal Insight Center

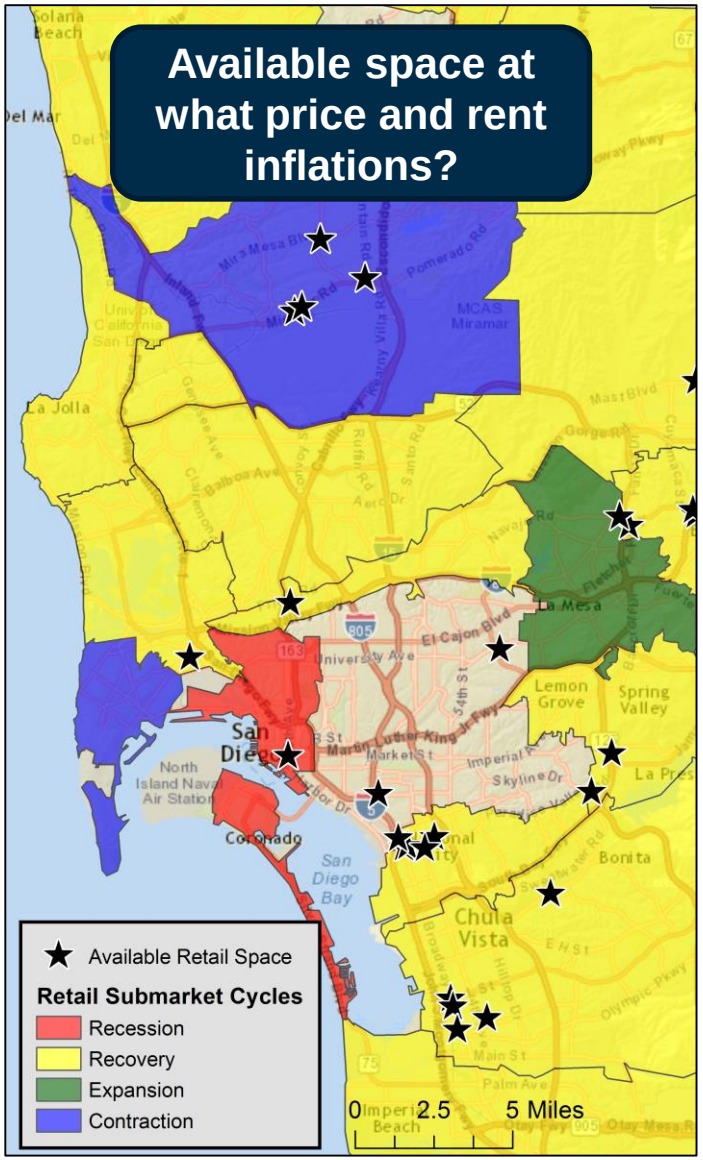
Find my space (3rd)



Source: CoStar, Alvarez & Marsal Insight Center

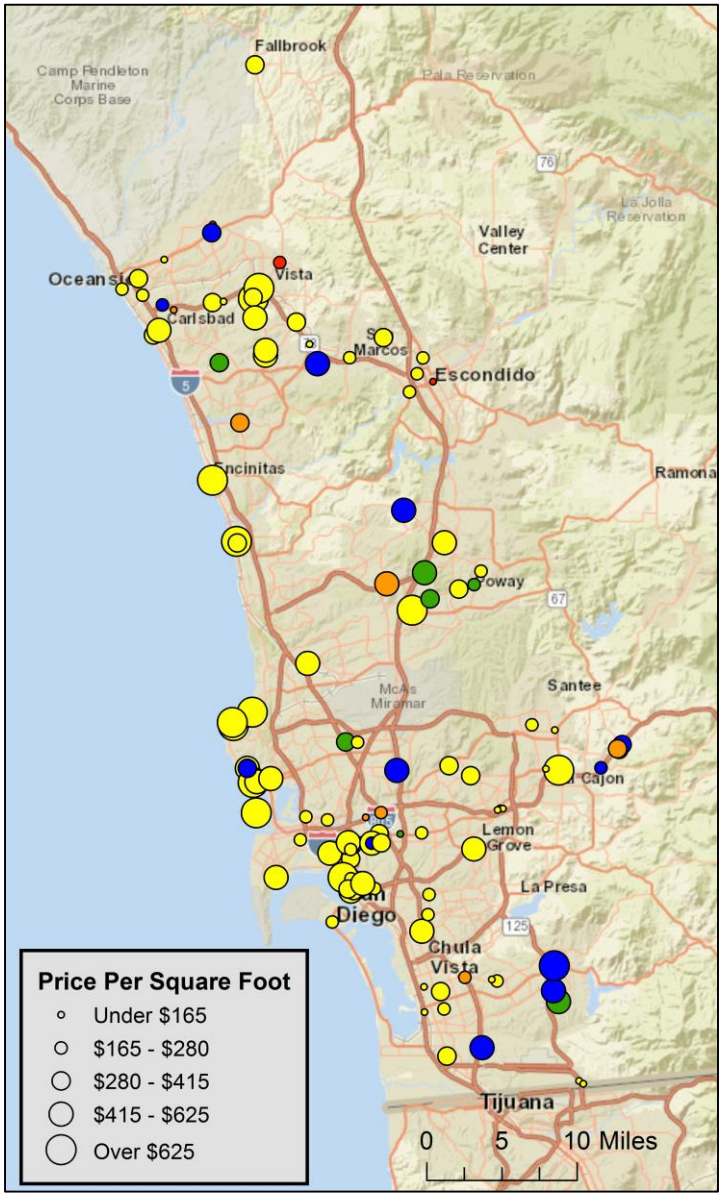
ADDING 4TH AND 5TH DIMENSIONS – PLACING A BET





Source: CBRE Econometric Advisors, CoStar, Alvarez & Marsal Insight Center

ANOTHER DIMENSION – MONITORING CAPITAL FLOWS



Source: Real Capital Analytics, Alvarez & Marsal Insight Center

Why is it important to recognize who's buying and selling?

Are there 'signals' in patterns of capital flows and pricing?

- Private
- Equity Funds
- User
- REITs
- Institutional

Buyer composition

SIMPLE TOOL TO IMPROVE THINKING IN FIVE+ DIMENSIONS

Indicator	Metric	Scale		
Market attractiveness	Customer base	Low		High
Competitive environment	# and proximity to competitors	Few		Many
Retail real estate cycle	Rent and vacancy trends	Rents decreasing		Rents increasing
Shift-share patterns	Trade area households + incomes + tapestries	Losing share		Gaining share
Capital flows	Composition and level of buyers	Low levels		High levels
Store size	Square feet	Too small		Too big
Operational performance	Profitability, sales per sq ft	Below average		Above average

TWO STORES – WHICH IS PERFORMING BETTER?

Indicator	Metric	Scale		
Market attractiveness	Customer base	Low		High
Competitive environment	# and proximity to competitors	Few		Many
Retail real estate cycle	Rent and vacancy trends	Rents decreasing		Rents increasing
Shift-share patterns	Trade area households + incomes + tapestries	Losing share		Gaining share
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Store size	Square feet	Too small		Too big
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THE ELEPHANT IN THE ROOM

- Why are my '*good*' stores '*good*'?
- Why are my '*bad*' stores '*bad*"?
- What benchmarks are relevant?
- How do I realign my portfolio to improve performance?

WE LEAVE YOU WITH A CHALLENGE…SWIM UPSTREAM!

“Remember, a dead fish can float downstream, but it takes a live one to swim upstream”.
WC Fields

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