

Reinvent the Business

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OSB

2018

Executive Summary

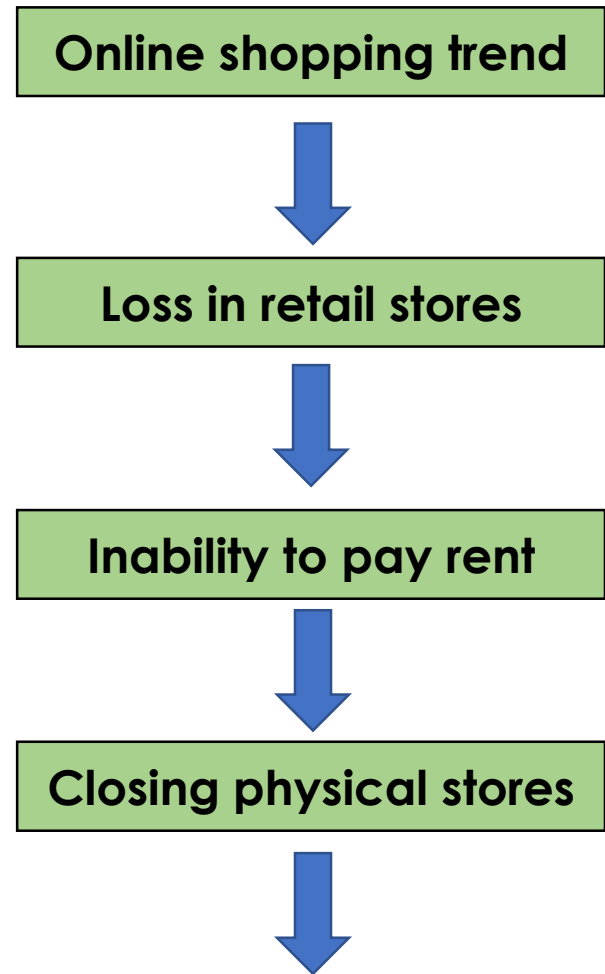
Issue

What strategy should the company adopt with the shopping malls it currently owns?

Recommendation

Reinvent the business by changing the business model

Retail Industry



Decrease in profitability in business

Current situation

Portland mall

Challenges

- Showing signs of wear
- No anchor stores
- Strong competitors nearby (Walmart, discount stores)

Opportunities

- Nearby airport
- Commercial area surrounding

Connecticut mall

Challenges

- Closing of anchor stores
- Carrying a sizeable mortgage

Opportunities

- High-tech business surrounding
- Need for parking spaces

Alternatives

Sell Both Malls

Sell both malls as they are now

Change Business Models

Portland: **Rent the land** to have a Motel built
Connecticut: **Close retail stores to open restaurants & Business room rentals**

Sell both Malls

Advantages

- Avoid the digital trend issue

Disadvantages

- Getting rid of constant income for shareholders
- Difficulty to find investors willing to buy

Change Business Model - Portland

Advantages

- Close to airport
- Lightly commercial area
- Huge parking space

Disadvantages

- Requires renovation
- Risk of success for hotel

Change Business Model - Portland

Advantages

- Close to airport
- Lightly commercial area
- Huge parking space

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Disadvantages

- Risk of success for hotel
- Timely to establish

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**Get lump
sum amount
from lessor**

Change Business Model - Connecticut

Advantages

- High tech business area
- Close to residential sector
- Decrease the negative impact of digital trends

Disadvantages

- Costly to renovate

Change Business Model - Connecticut

Advantages

- High tech business area
- Close to residential sector
- Decrease the negative impact of digital trends



Disadvantages

- Costly to renovate



**Make use
of Lump
Sum from
Hotel
rental**

Reinvent the Business

Connecticut
Mall

***Change target
market***

Portland Mall

Rent out land

Connecticut Mall

Target **high-tech businesses & professional offices**

Convert retail stores into **restaurants, business rooms**

Paid Parking

*Parking for train
commuters*

\$10/day

Restaurants

*Benefit from
employees' lunch
breaks*

40% of retail stores

Free parking if they
eat in the
restaurants

Business Rooms
Rentals

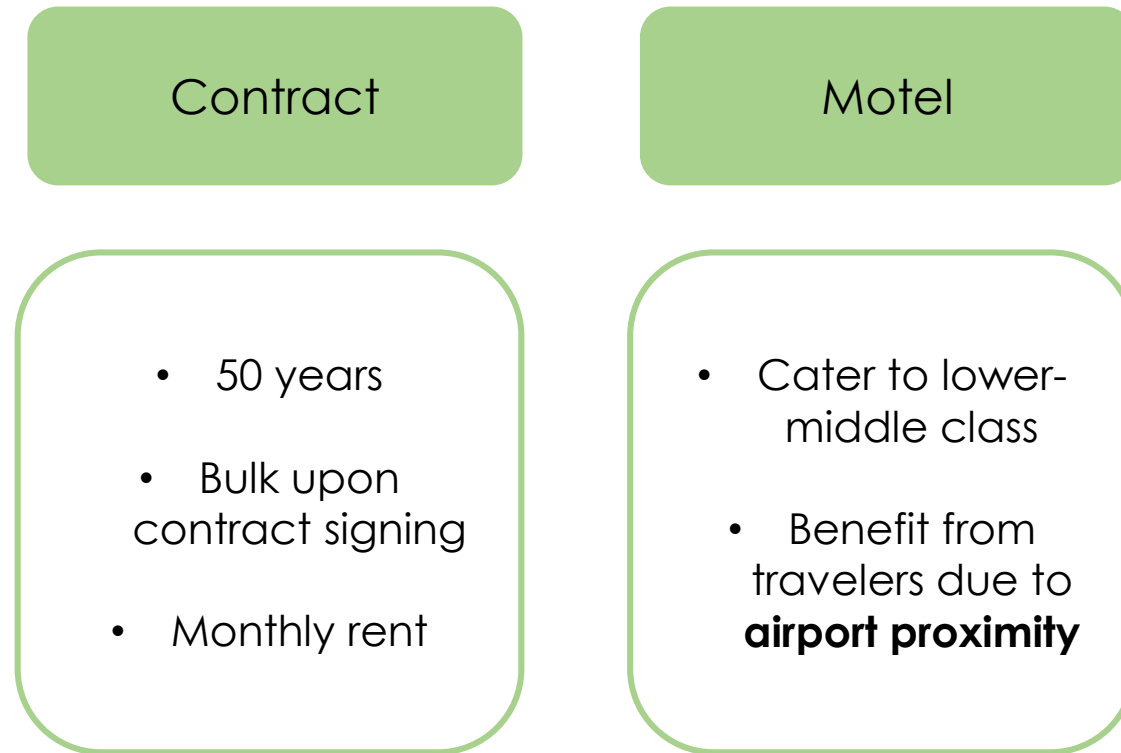
- Conference Rooms
- Office Space

60% of retail stores

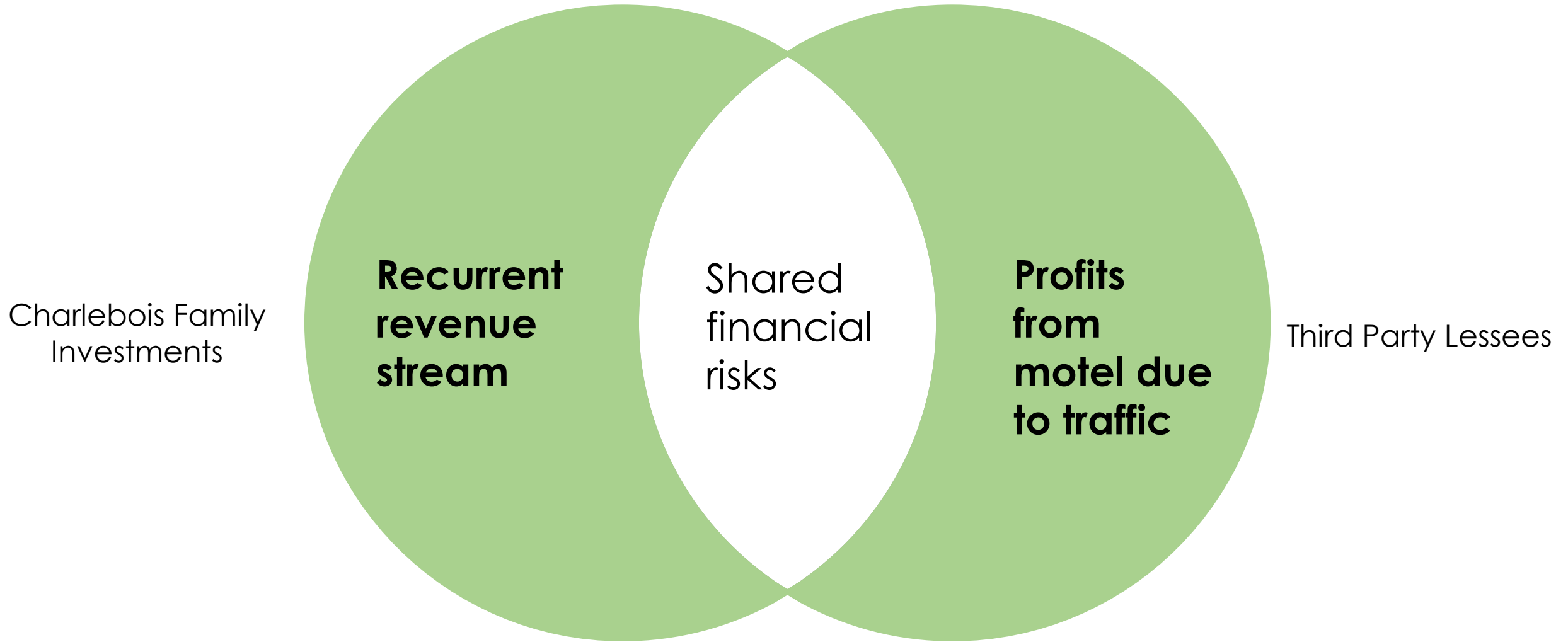
\$250/day

Portland Mall

Rent out land to a third-party lesser to demolish mall & **build motel**



Mutual Benefit



Convincing the Family

Sister-in-law

- Passive Investor
- Cares about growing investment
- Understands retail business trends

Father, Brother, Sister

- Willing to change status quo

Timeline

2017	2018
Get family approval	
	Retail → Restaurants Retail → Buss Rooms
Look for lessees	
	Contracts

Financials

	2018	2019	2020	2021	2022
Parking		10%	15%	25%	40%
Parking Revenues		870,408	1,305,612	2,176,020	3,481,632
Restaurants		1,421,280	2,842,560	5,211,360	7,580,160
Business Rooms		2,436,480	4,263,840	6,091,200	7,918,560
Total Revenues		4,728,168	8,412,012	13,478,580	18,980,352
Total Connecticut Profits (50%)		2,364,084	4,206,006	6,739,290	9,490,176
Hotel Revenues		1,864,000	450,000	450,000	450,000
Costs					
Restructuring	10,000,000				
Contract/Legal	500,000				
Total Profits	- 10,500,000	4,228,084	4,656,006	7,189,290	9,940,176

NPV = \$ 8.5 Mill

IRR = 41%

Conclusion

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