

Facing the challenge of new purchasing habits

Presented by: University of Paderborn

Presented to: Board of Charlebois Family Investment Inc.

Katharina Fahnenbruck
Malte Obst
Mladen Milicevic
Niclas Montag

Key issues

1

Next strategic steps of Charlebois Family investment Inc. to get profitable

Decreasing Mall visitors due to changing purchasing habits

Leases expire within 12 months

Empty stores

Solution Preview

Short Term

Strategic Actions

- Sell Mall in Connecticut
- Adjust businessmodel for Portland

Implementation Actions

- Sell Mall in Connecticut
- Adjust businessmodel for Portland

Long Term

Strategic Actions – Long Term

- Look for new commercial real estate investments

Implementation Actions

Look for new commercial real estate investments

Agenda

A.
**The current
Assets**

Insights into the current structure, financial and market situation of Charlebois

B.
**The strategic
alternatives**

Evaluation of strategic alternatives

C.
**The road to
success**

Implementation plan for the recommended strategy

D.
**The
conclusion**

Implementation plan for the recommended strategy

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Commercial Real Estate built ground for family business



1st floor

Ground floor

Portland, USA

- 11,650 sq.m. 22 retail stores
- 1,860 sq.m. offices
- Mortgage free

→ Cash Flow decrease

Commercial Real Estate built ground for family business



1st floor

Ground floor

Portland, USA

- 11,650 sq.m. 22 retail stores
- 1,860 sq.m. offices
- Mortgage free

→ Cash Flow decrease



Connecticut, USA

- 40,000 sq.m.
- 89 stores
- Mortgage free

→ Sizable mortgage / anchor stores leave

Commercial Real Estate built ground for family business



1st floor

Ground floor



Portland, USA

- 11,650 sq.m. 22 retail stores
- 1,860 sq.m. offices
- Mortgage free

→ Cash Flow decrease

Connecticut, USA

- 40,000 sq.m.
- 89 stores
- Mortgage free
-

→ Sizable mortgage / anchor stores leave

→ Leases expire within 12 months and both not profitable

Many enterprises near by the mall

Portland, USA

- 515,000 in population
- Lower middle class

Connecticut, USA

- 1,215,000 in population
- Upper middle class

Surrounding

- Airport & offices
- Light commercial surrounding (City centre)
- Walmart
- Rumours of Mall Investment

Surrounding

- High Tech businesses
- Residential sector far away
- Large single family houses
- City centre nearby

→ High risk for retail competition

New trends arise and with them new competitors

Online

- Even food is purchased online
- No constraints for online shoppers due to payment issues

Competitors

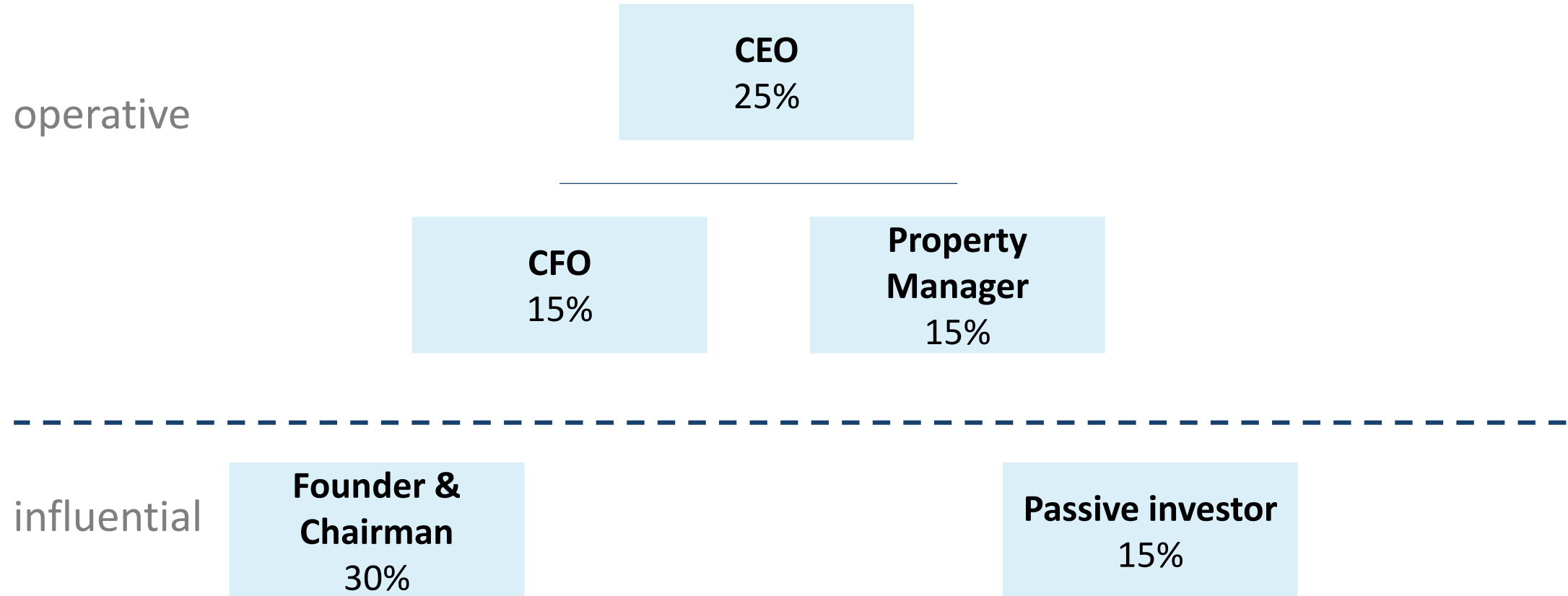
- Whole foods
- Amazon.com

Working behaviour

- People work from their home
- Increase of freelancers

→ New opportunities to use empty stores

Our shareholder structure



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Success Factors

Retail

Frequency

Demand

Office

Availability

Access to Infrastructure

There are three strategic options

Stick to the existing Strategy

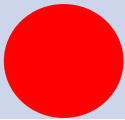








Focus on one Mall


Sell Malls and find new invests

Choosing the perfect mix for short term changes










	Retailer	Offices
Market Growth		
Margin		
Risks		

Choosing the perfect mix for short term changes

	Retailer	Offices	Co-working spaces
Market Growth			
Margin			
Risks			

 Add Co-working spaces to utilize empty spaces and gain knowledge

Long Term choices

Malls with...	Retailer	Offices	Co-working spaces
Market Growth			
Return on Investment			
Strategic Fit			



Risks and mitigations

What if...

Retailers are not
renewing their leases

- New income through co-working
- New income through focus on offices

New Competitors arrive

- Diversification of businessmodel

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3 Steps for the future business

3

Expand your business to the San Francisco area focusing on offices and co-working spaces

2

Focus on your cash cow and concentrate to adopt to new models with co-working spaces in malls

1

Solve current issues on expiring leases on expiring leases by selling the Connecticut mall

Selling current unprofitable asset for further investments

1

SELL CONNECTICUT MALL

WHAT

- Find interested investors
- Investors currently buy living spaces nearby
- Sell to receive cash

WHY

- a lot of expiring leases in next 12 months
- Decreasing amount of visitors
- Bankruptcies and closures

BENEFIT

- Generating cash for future investments
- Getting the best out of the 5 year investment
- More money to invest for the future

Utilize the cash cow for future revenue streams

2

ESTABLISH CO-WORKING SPACE WITHIN THE MALL

WHAT

- Co-working spaces at the same floor like retailers
- We-work concept
- Monthly subscription for workplaces

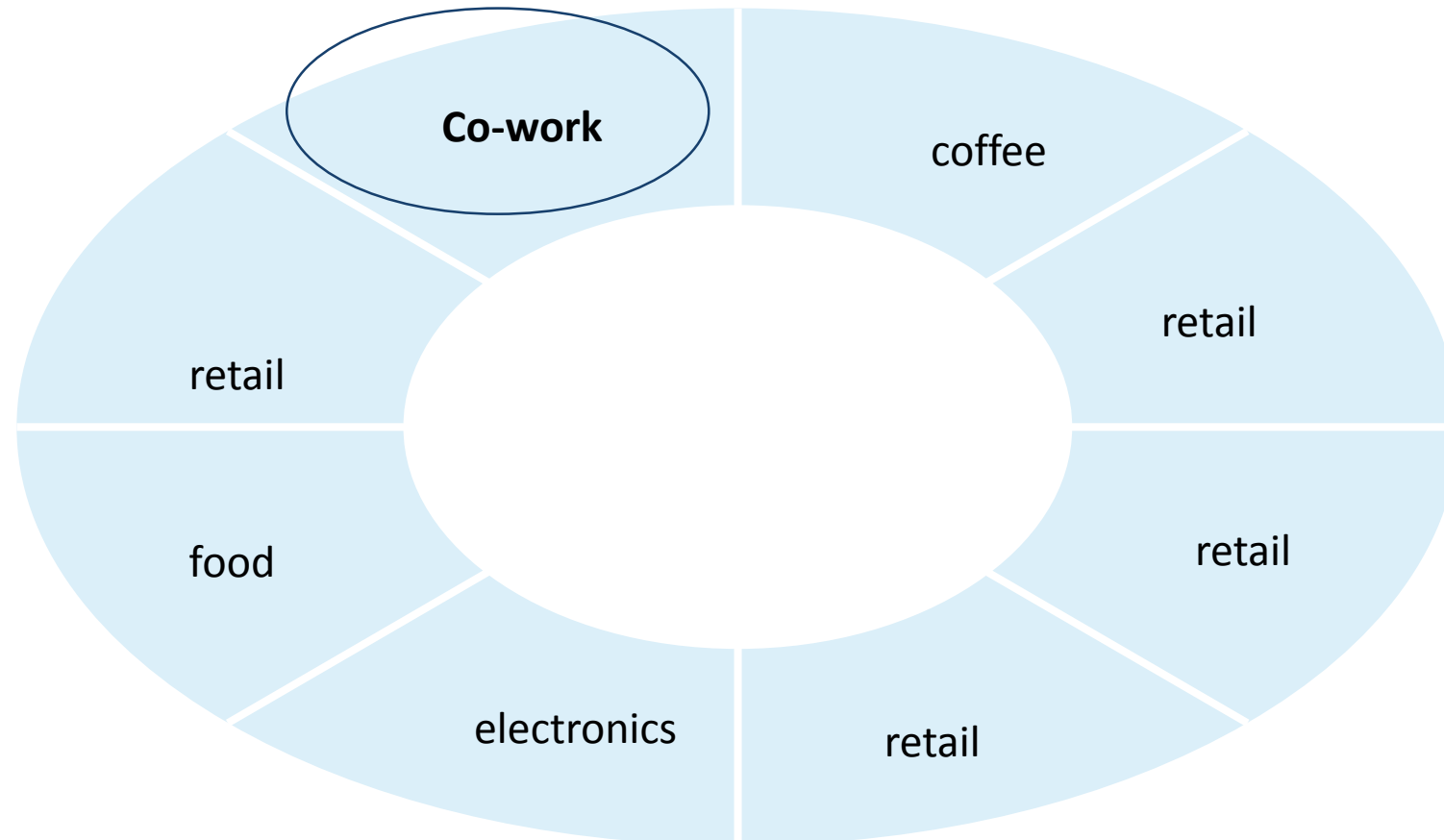
WHY

- Hop-on on the trend train
- Use existing knowledge with office spaces
- Combine work-life balance at one place

BENEFIT

- Quick money for now empty stores
- More customers for the mall
- Utilizing existing places and focusing on experience

Mall at a glance



Investing into office spaces for companies and co-working

3

OFFICE IN SAN FRANCISCO

WHAT

- Buy office spaces in San Francisco area
- Mainly companies and co-working
- Focusing on tech companies

WHY

- Near Silicon Valley
- Companies acknowledge distance to tech hub
- Co-working in an area full of freelancer

BENEFIT

- Mix between offices and co-working
- Constant income
- Demand for co-working is high
- Most internet companies need offices

Pricing for Portland

Retail Stores

- Reduce rental amounts to keep them from leaving the mall
- Increase rents when stores are catching up or more attractive candidates apply

Offices & co-working space

- Ask for higher rental
- Profit from cross-selling products to office users

Sell the Connecticut mall to get financial leeway

	What you get
Mall size	39,000 sq.m.
Price / sq.m.	\$800
Price	\$ 31,200,000

- Sell Connecticut
 - Receive about \$31 million
 - Repay our debt
 - Assumption: 30% still open mortgage
 - **22 million open to invest**

Use financial resources to invest in more attractive sectors & marketing for Portland

Invest in marketing to get Portland up again

Portland

- **Marketing Budget: \$50,000**
 - Decrease number of empty stores and closed sections
 - Get cash flow up again
 - Tolerate lower rental amounts of retail stores for long term goals
 - Become profitable again

Open invest

- **Take profits from sold mall (about \$20m)**
 - Invest in more attractive sector
 - Get higher profits for all shareholders in the long run

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Reconsidering the Key issues

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Empty stores

Next steps

1. Deciding together on selling the mall
2. Commitment to invest in more office spaces
3. Deciding together on implementing won co-working