

USC CONSULTING

# BUILDING A BETTER FUTURE

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# KEY TAKEAWAY

Our  
Recommendation

Implementation  
Plan

Expected Results

# TODAYS AGENDA

- 
1. The Situation
  2. Alternatives
  3. Recommendation
  4. Implementation
  5. Timeline
  6. Results
  7. Additional Considerations

# PROPERTIES

## Property 1:

Portland, Maine

Suburban area

No mortgage

Light commercial area

## Property 2:

Hartford, Connecticut

Suburban area

Mortgage

# RETAIL IS EVOLVING

Ecommerce  
increasing

- Customers want a seamless experience

Pedestrian mall foot  
traffic decreasing

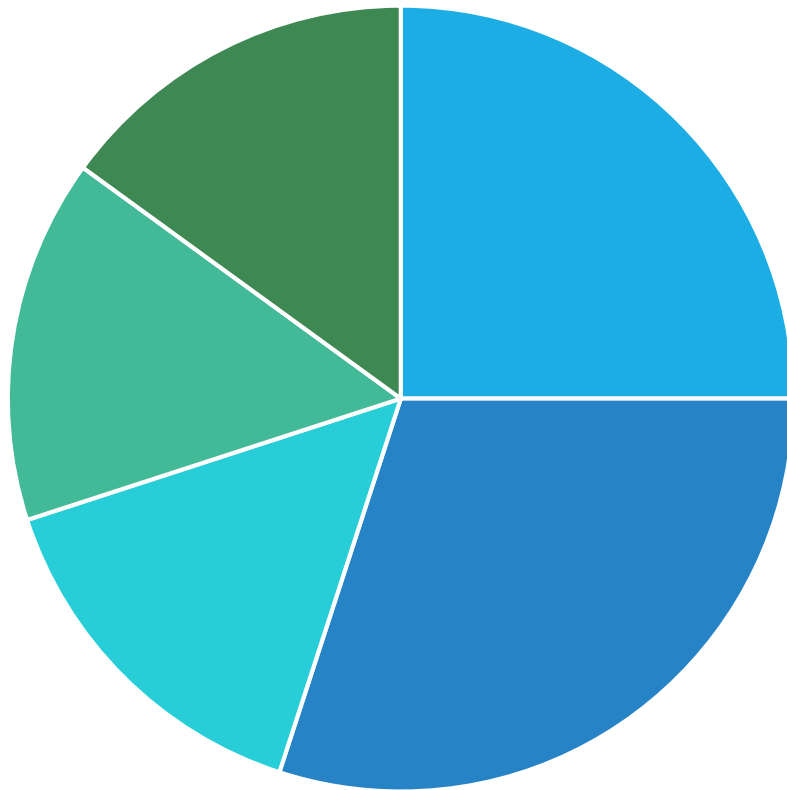
- Customers want in store experience
- Example: Warby Parker

Brick & Mortar  
closing doors

- Sears, JC Penney, Macys

# LOOKING AT THE NUMBERS

## Ownership



■ You ■ Father ■ Brother ■ Sister ■ Father's Sister-in-Law

*“All shareholders rely on this investment for a major part of their income.”*

Both Portland, Maine and Hartford, Connecticut shopping malls were **both profitable until this 2017 year.**

# EVALUATING STRATEGIC ALTERNATIVES

## Key Issues

Shopping malls were not profitable this year

Cash flow extremely important

Family is concerned

## Goal

Achieve increased profitability and growth

## Alternatives

Take out a loan

Sell Maine to finance Connecticut

Sell Connecticut to finance Maine

## Key Performance Indicators

Profitable Maine mall

Company growth

Find new property

# ALTERNATIVE 1

## Take Out a Loan

- Take out loan of \$200k - \$500k
- Use to renovate the Maine property
- Also use to repurpose the Connecticut parking lot as pay-to-park per hour

### PROS

- Adds value to both properties
- This year was only the 1<sup>st</sup> bad year
- Take advantage of Connecticut's proximity to train station

### CONS

- Further indebts the family
- Ignores the weakening retail industry



# ALTERNATIVE 2

## Sell Maine Property to Finance Connecticut Property

- Sell the Maine property as is
- Use money to develop parking garage at Connecticut property
- Use money to improve the Connecticut mall to attract stronger retail clients

### PROS

- Maine property is already paid off
- Garage adds Rev
- Take advantage of Connecticut's proximity to train station

### CONS

- Leaves the Connecticut property still in debt
- Ignores the weakening retail industry

# ALTERNATIVE 3

## Sell Connecticut Property to Finance Maine Property

- Sell the Connecticut property to condominium builders
- They would handle demo and construction
- Use payout to renovate Maine property

### PROS

- High value of land given its location
- Maine is already paid off so future income is profit
- Surplus after renovation can be reinvested elsewhere

### CONS

- Must break contracts with many shop owners

# IMPLEMENTATION

## Decision Criteria:

Condominiums nearby

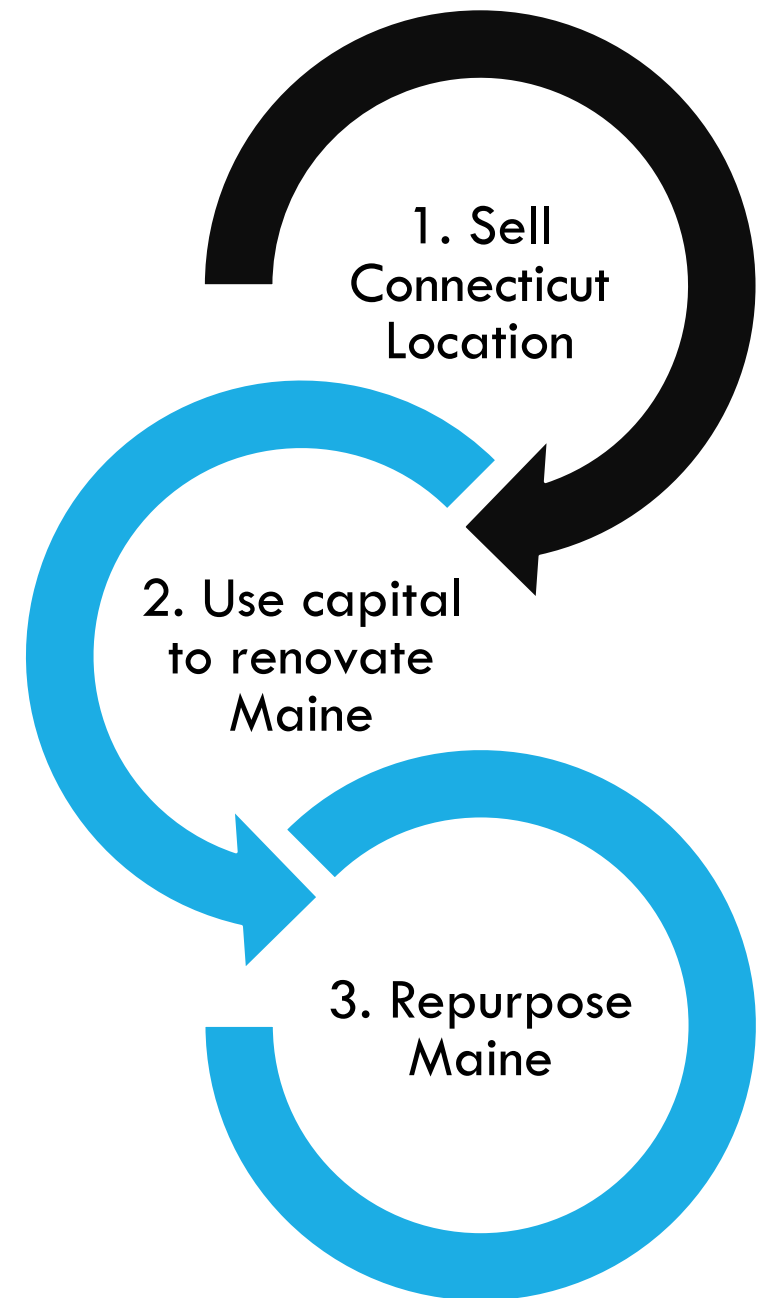
Populated area

NYC suburb

Large mortgage

Access to Train

Size makes it a larger risk with uncertain retail future

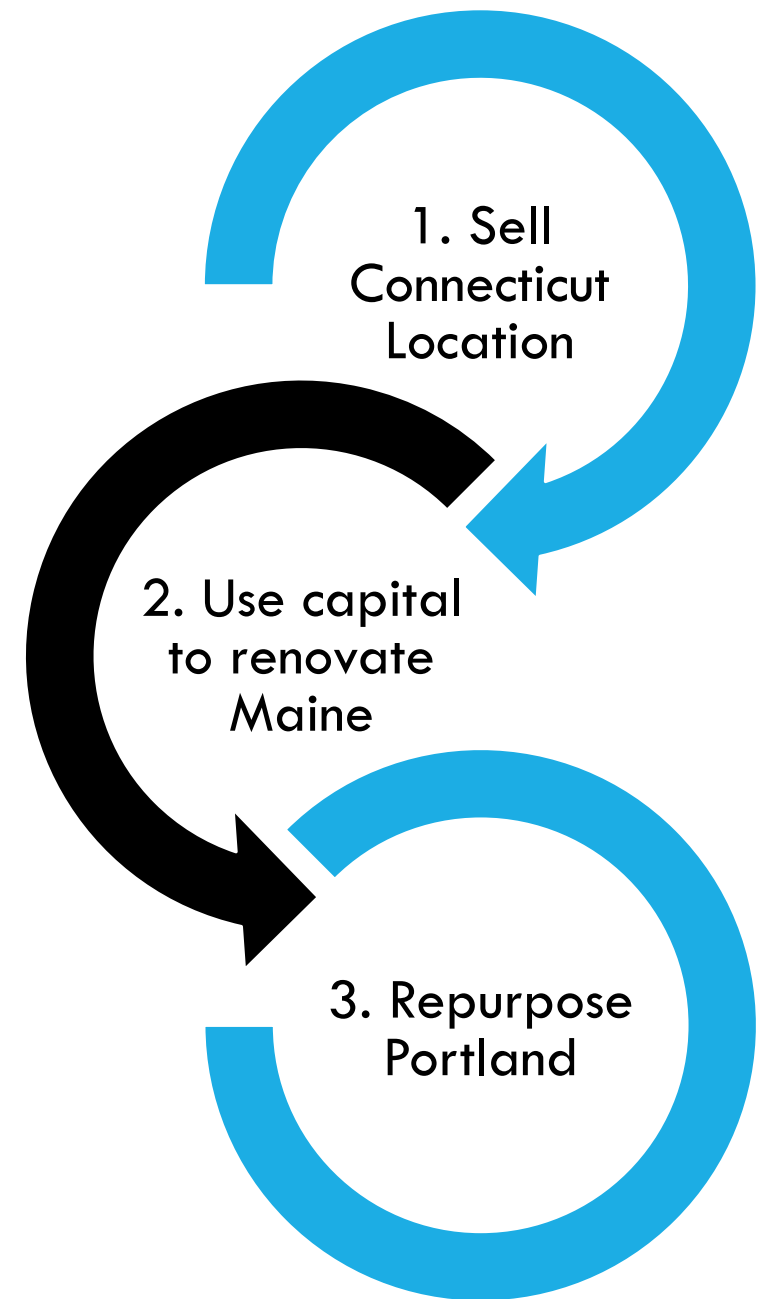


# IMPLEMENTATION

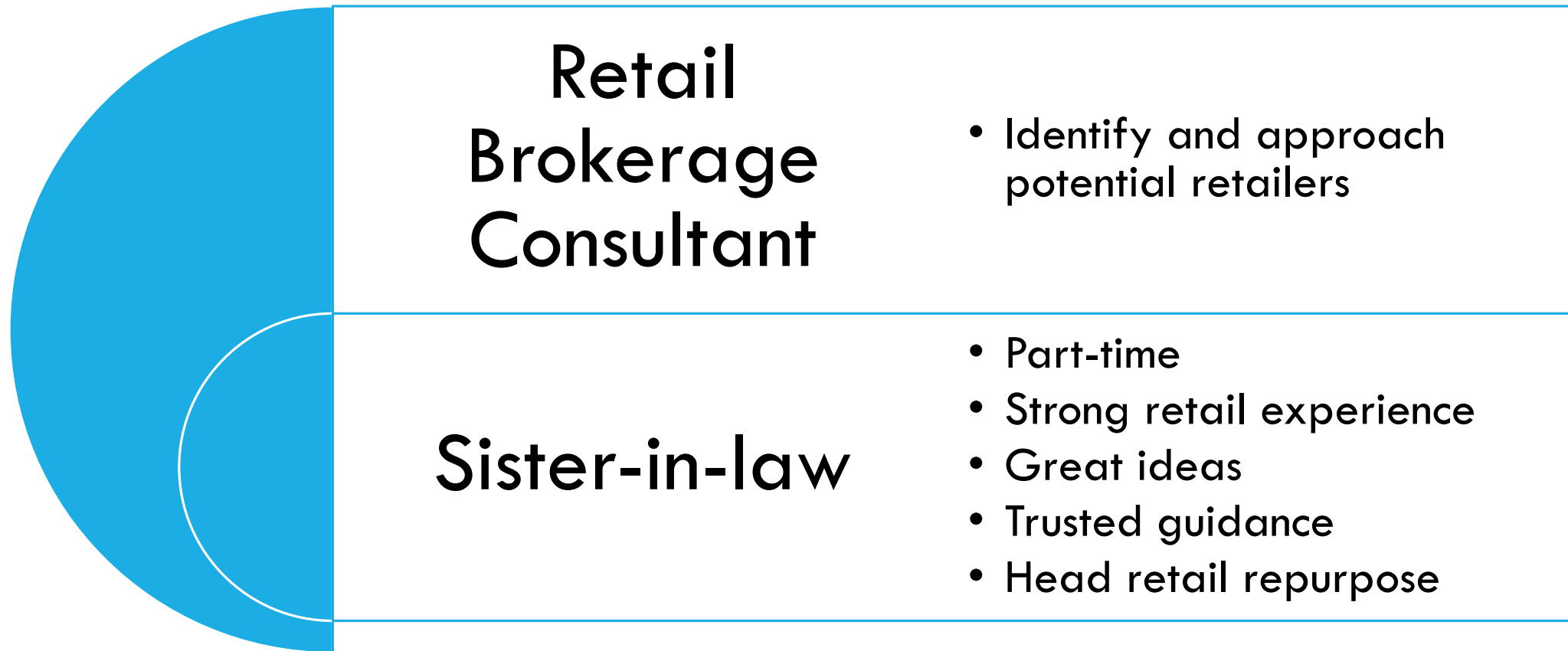
USE CAPITAL TO  
IMPROVE  
EXISTING  
PROPERTY

RETAIL-  
TAINMENT

AMPLE PARKING



# ADDITIONAL HEADCOUNT



# TARGET RETAILERS

Family

“Value” oriented

Convenience

Atmosphere

Think: Warby Parker

Experience

- Not only a place to shop, but to spend quality time with family
- Restaurants
- Game Room

# IMPLEMENTATION

## RETAIL

- ONLY ONE BAD YEAR
- ATTRACT NEW RETAILERS

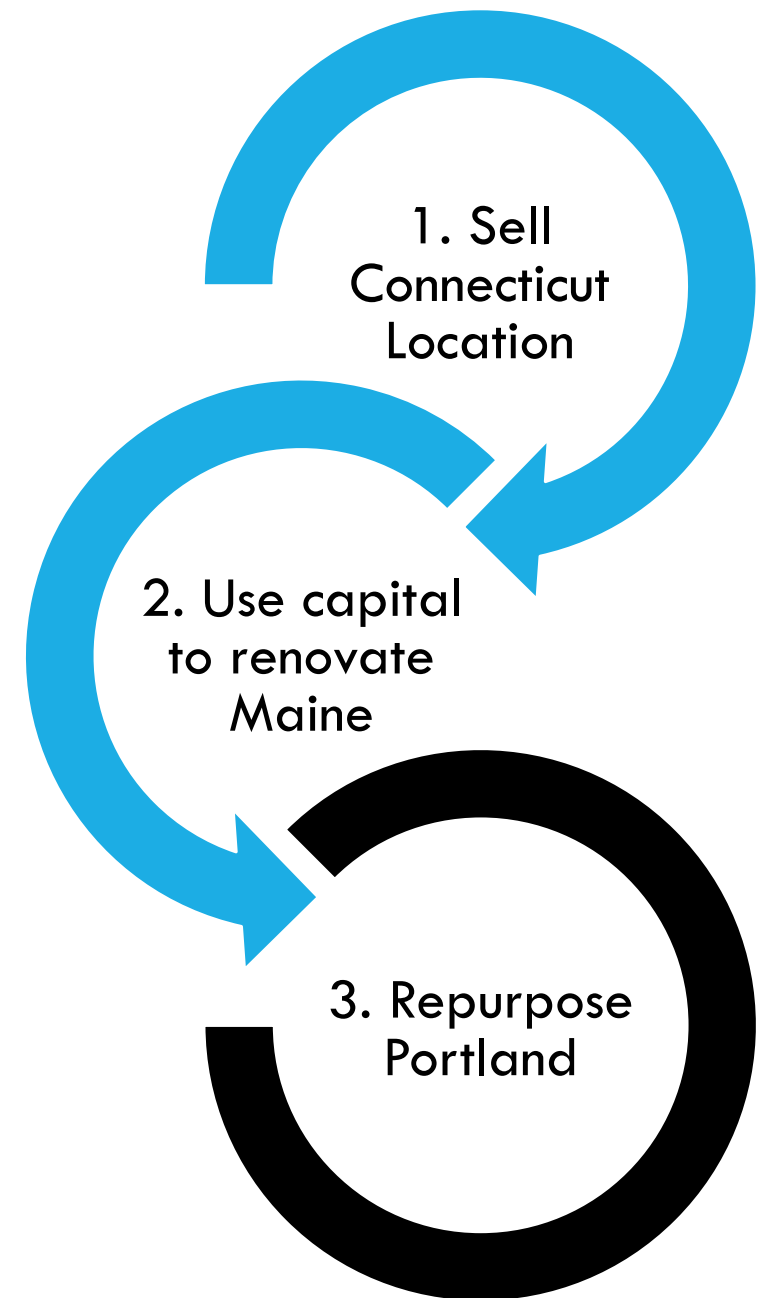
## CONDOMINIUMS

- BUILD RETAIL/ RESIDENTIAL AREAS

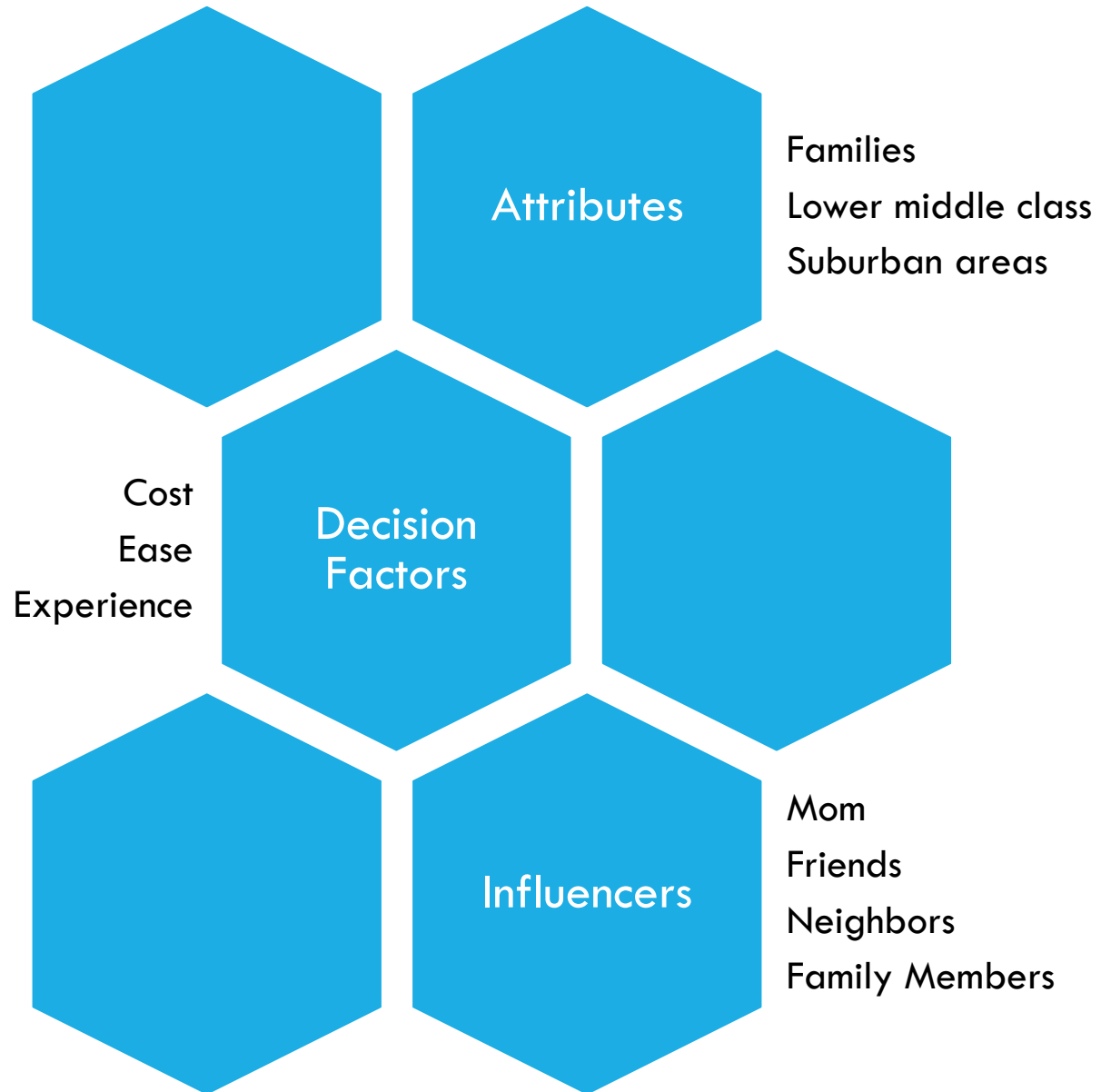
## WORK SPACE

- WE WORK

## PARKING

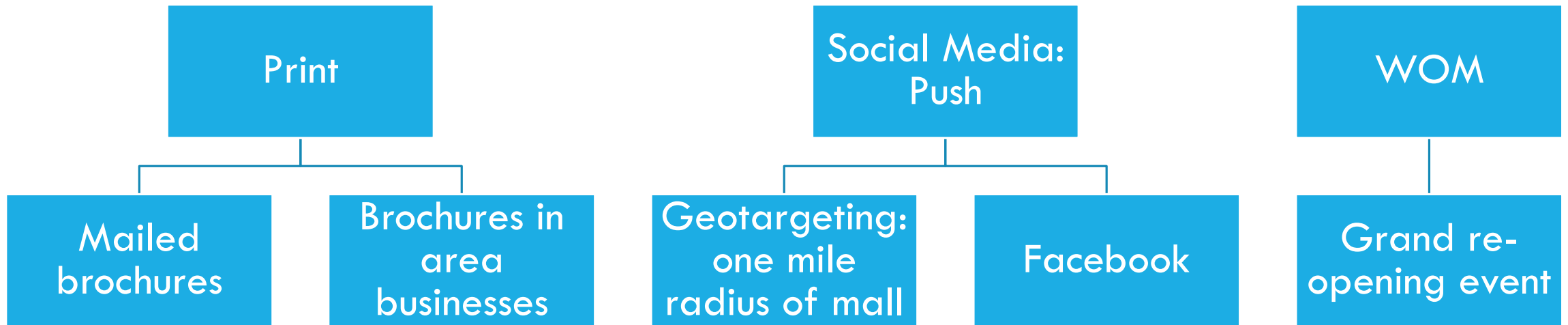


# CUSTOMER





# MARKETING PLAN



Come see our new look!

# PROJECTED TIMELINE

	Year 1				Year 2				Year 3				Year 4				Year 5			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>STEP 1 - Sell Connecticut Location</b>																				
Approach Potential Buyers	■	■	■	■																
Negotiate Contract				■	■															
Complete Sale						■														
<b>STEP 2 - Renovation of Maine Location</b>																				
Plan Renovation							■	■												
Begin Construction & Renovation									■	■	■	■								
Begin Marketing Plan											■	■	■	■	■	■	■	■	■	■
Search for More Clients													■	■	■	■	■	■	■	■
<b>STEP 3 - Repurpose Discussion</b>																				
Family Discussion									■	■										
Begin Repurpose Plan											■	■	■	■	■	■				

# FINANCIALS

## Key Financial Assumptions

- Grow at 3% in line with inflation
- Stores may pay \$72,000 per year to least space
- This number can increase to \$120,000 per year with renovation
- 22 retail stores; Currently, not at full capacity

Income Statement	2017	2018	2019	2020	2021
<b>REVENUE</b>	\$452,100	\$1,320,000	\$1,560,000	\$1,680,000	\$2,160,000
<b>EXPENSES</b>	\$426,470	\$1,034,000	\$1,202,000	\$1,286,000	\$1,622,000
Fixed	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Variable	\$316,470	\$924,000	\$1,092,000	\$1,176,000	\$1,512,000
<b>Total</b>	<b>\$25,630</b>	<b>\$286,000</b>	<b>\$358,000</b>	<b>\$394,000</b>	<b>\$538,000</b>

# FINANCIALS

## BUDGET AVAILABLE TO LOCATE NEW PROPERTY

<b>Budget</b>	
\$10 million	Selling property
\$5 million	Mortgage
\$340,000	Buyout of mall contracts
\$1 million	Renovations
\$4 million	Amount available to locate new property

# KEY PERFORMANCE INDICATORS AND METRICS

Key Performance Indicators	Profitable Maine mall	Company growth	Find new property
Metrics	Positive revenue	10% growth	ID 10 possible locations in next year
Goal	Achieve increased profitability and growth		

# RISKS AND MITIGATION

Risk	Likelihood	Mitigation
Shop owners wish to continue in Connecticut store	High	Negotiate and find solution for all
Portland mall continues to experience negative profits	Low	Target specific stores; cater to locals
Cannot find buyer for CT store	Low	Reach out to other companies than the two construction companies

# ADDITIONAL CONSIDERATIONS

Repurpose portion of  
Portland into parking decks

Succession Planning

**QUESTIONS?**





# BREAKING CONTRACTS

We expect to have to pay a fee to break contract with the remaining stores after 12 months

\$100k for big anchor stores

\$20k for smaller

JC Penny and Home Hardware = \$200k

70 remaining stores \$140