

Welcome to the REAL World

REAL Strategy: How to Determine the Appropriate Branch or Retail Network Real Estate Investment Strategy

Meet Our Speaker



Barry Lynch,
CFM, SFP, RA, MBA, IFMA FELLOW

Strategic Facility Planner



LABARRE
ASSOCIATES
"One Source, One Solution"



Added Bonus – from Barry Lynch

“Real Estate Location Analysis” template

“How to Develop a Branch Location Strategy White Paper”







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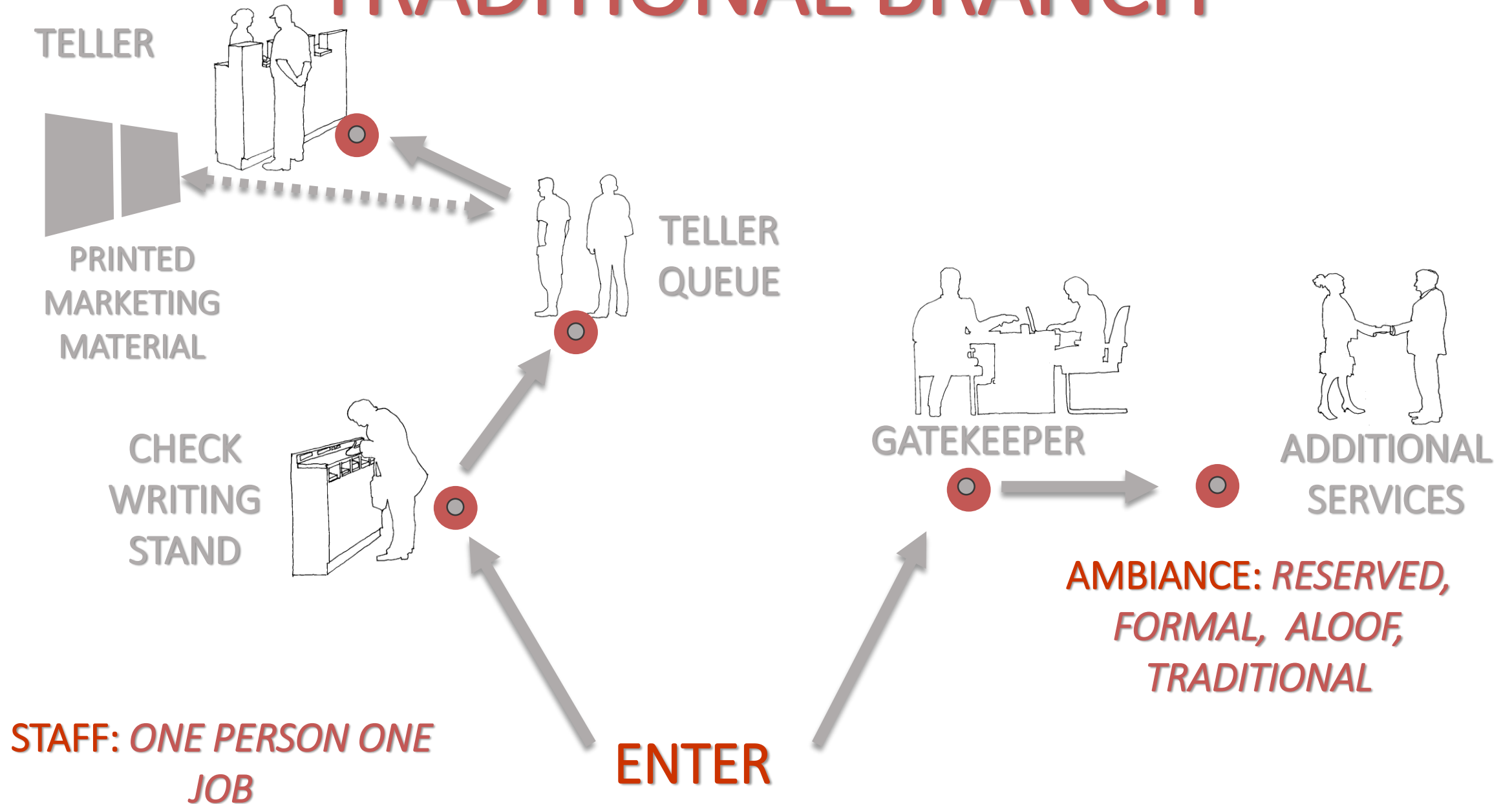
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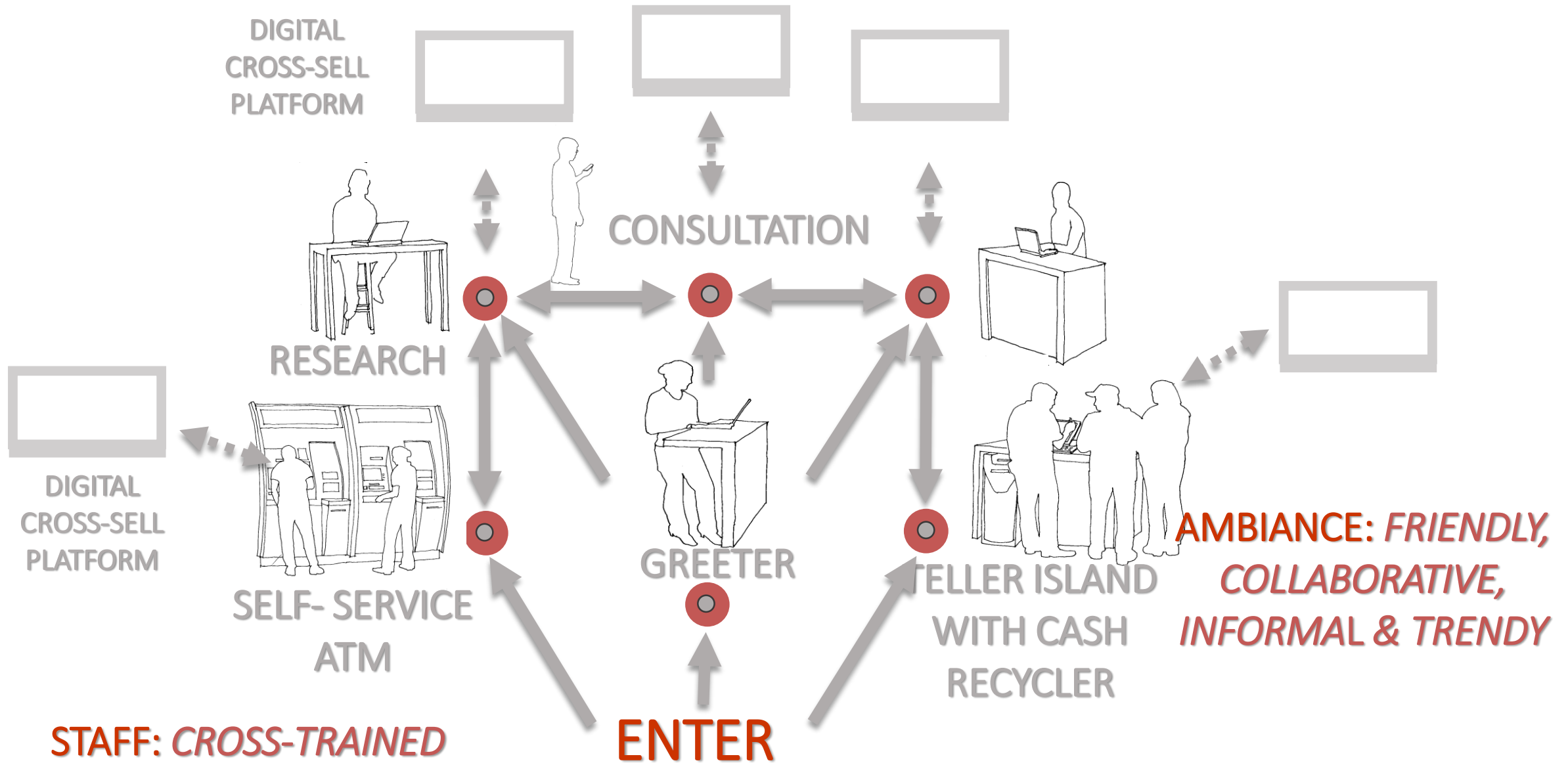
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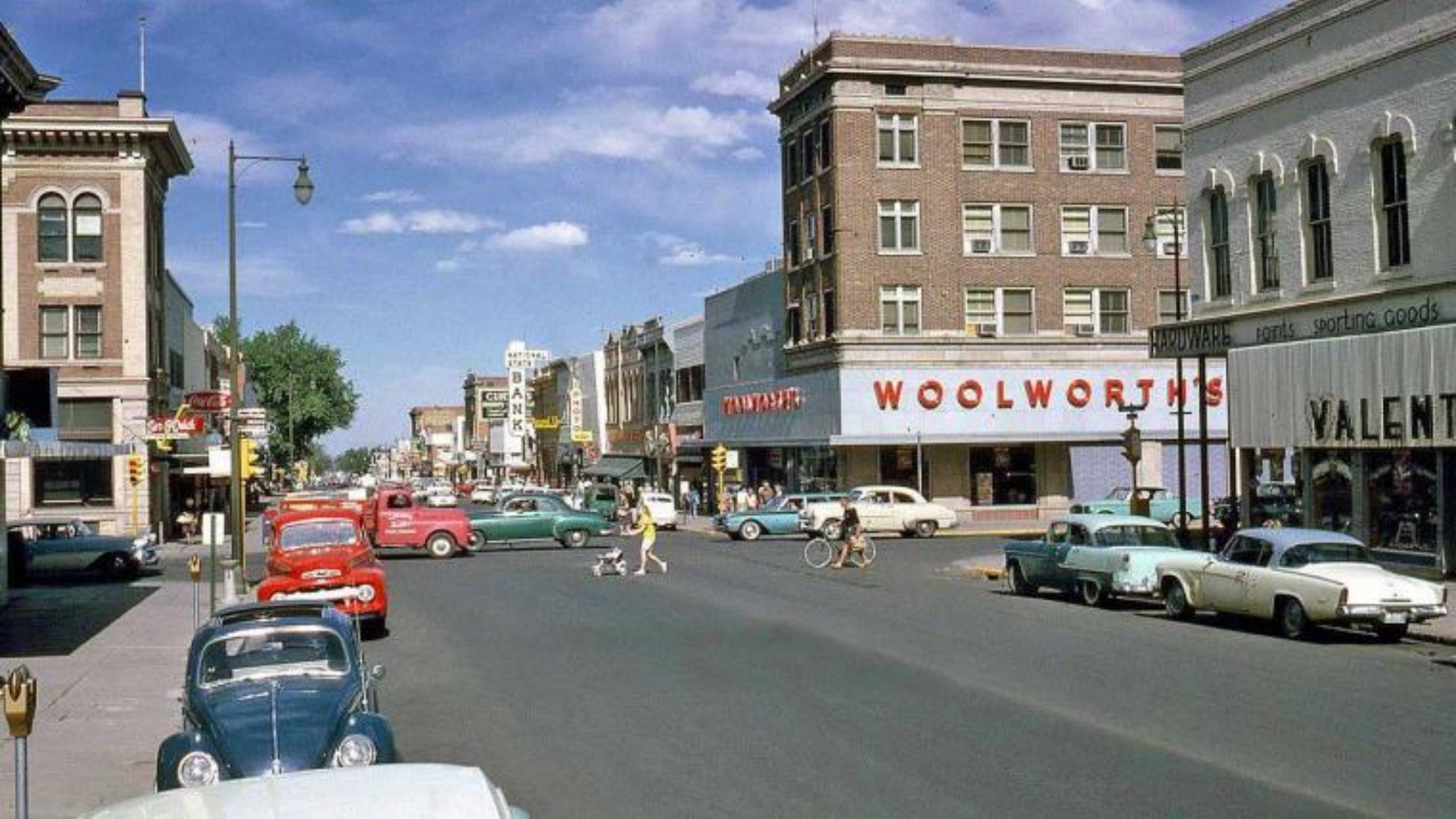
REAL ESTATE MARKETS ARE CONSTANTLY CHANGING

We don't notice the change day-to-day or year-to-year.

Change creates:

Challenges

Opportunities



WOOLWORTH'S

VALENT

Crossroads Mall, Boulder, Colorado



1951



2002





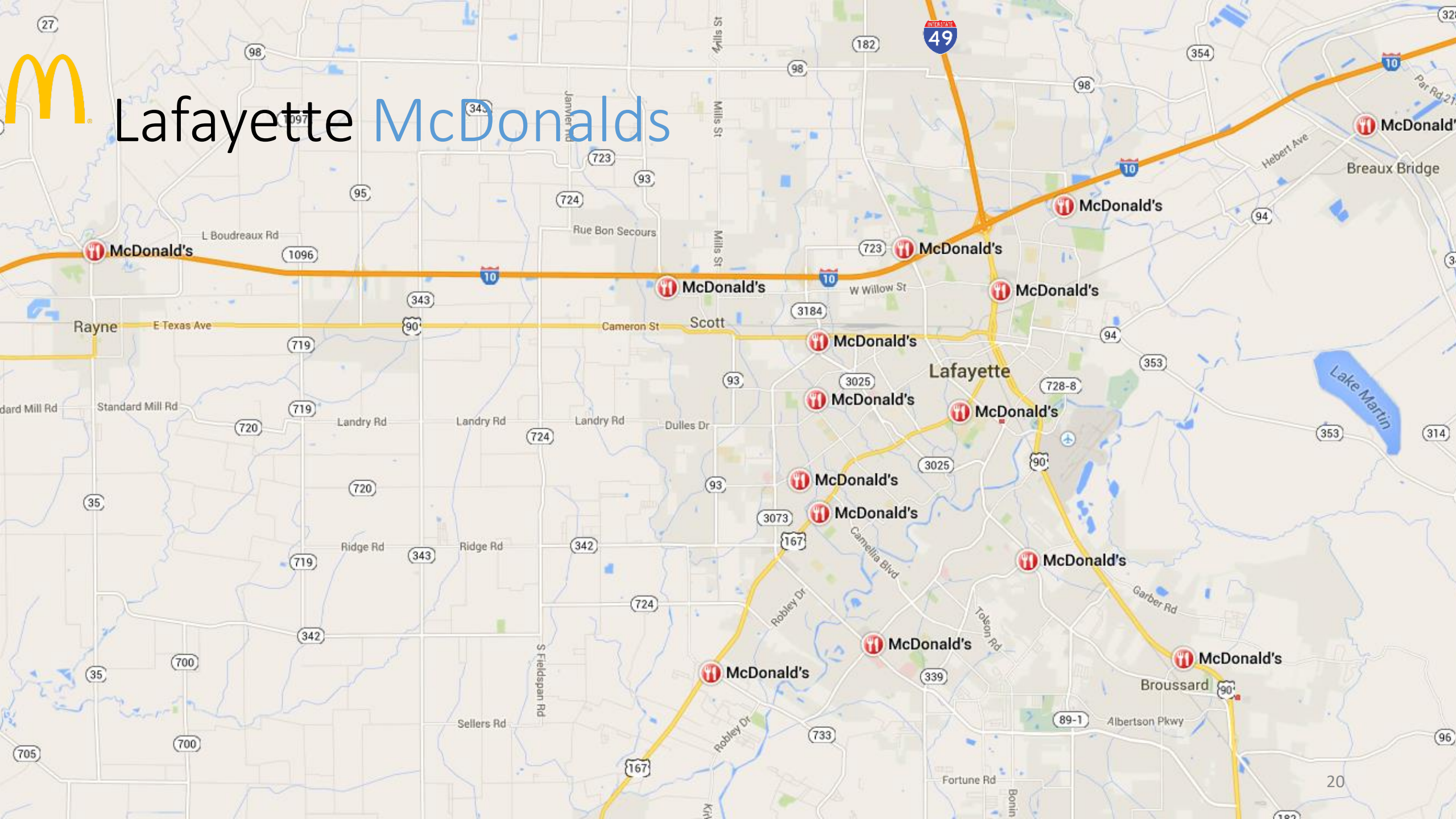


A Location Must Address:

- Convenience



Lafayette McDonalds

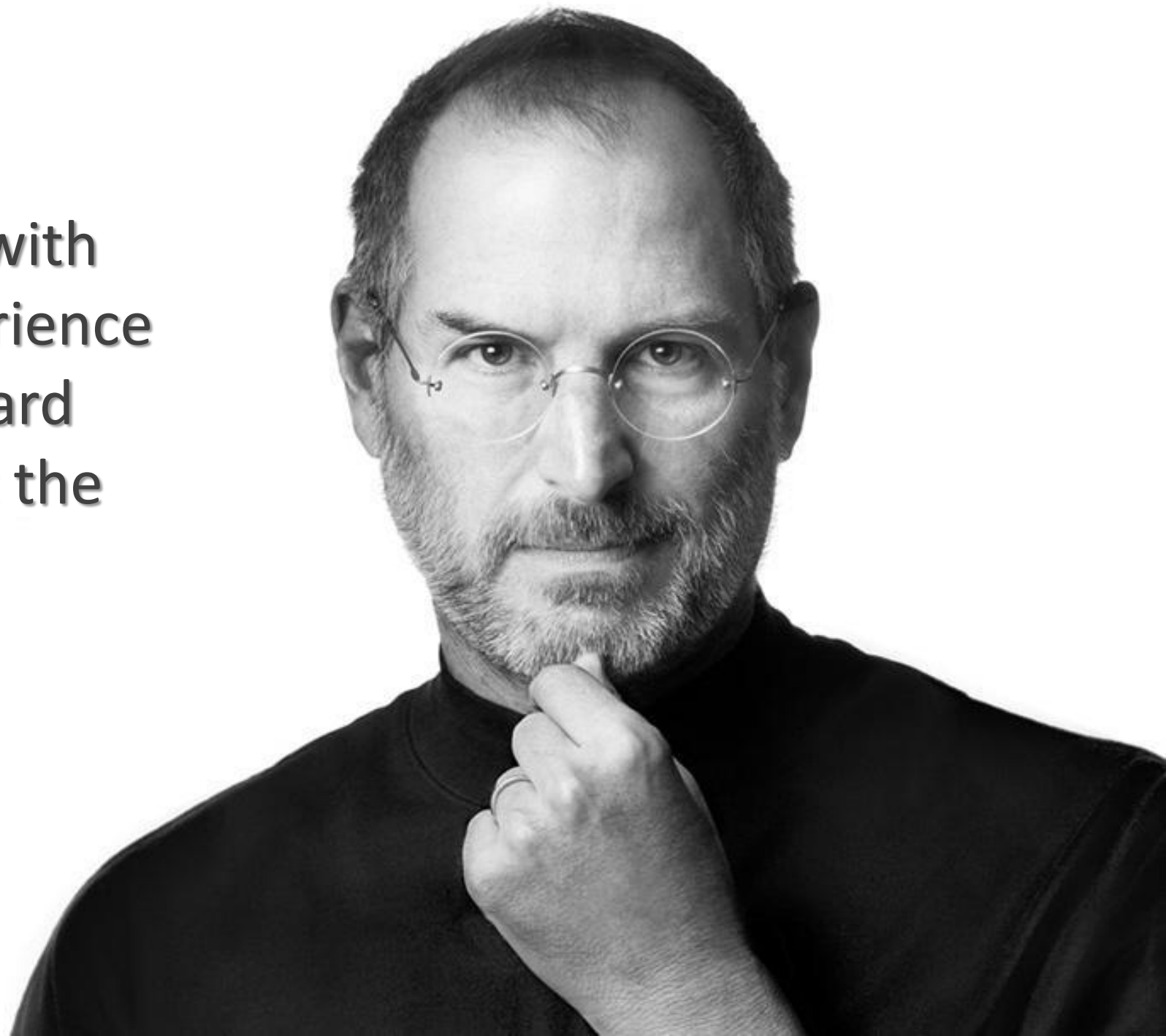


A Location Must Address:

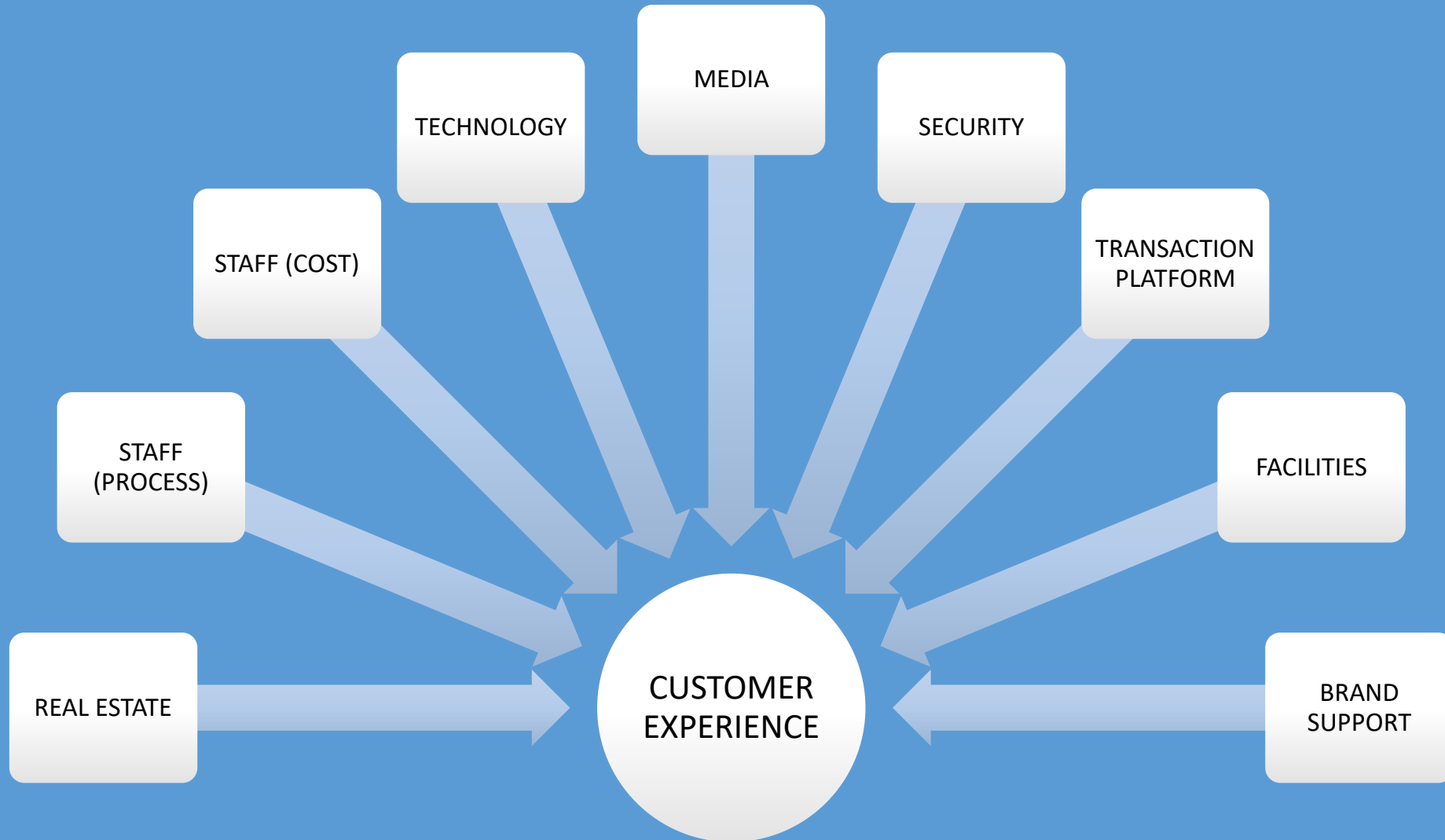
- Convenience
- **Customer Experience**

You've got to start with
the Customer Experience
and work back toward
the technology, not the
other way around.

Steve Jobs



The Customer Experience Touches Almost Every Area of Operations



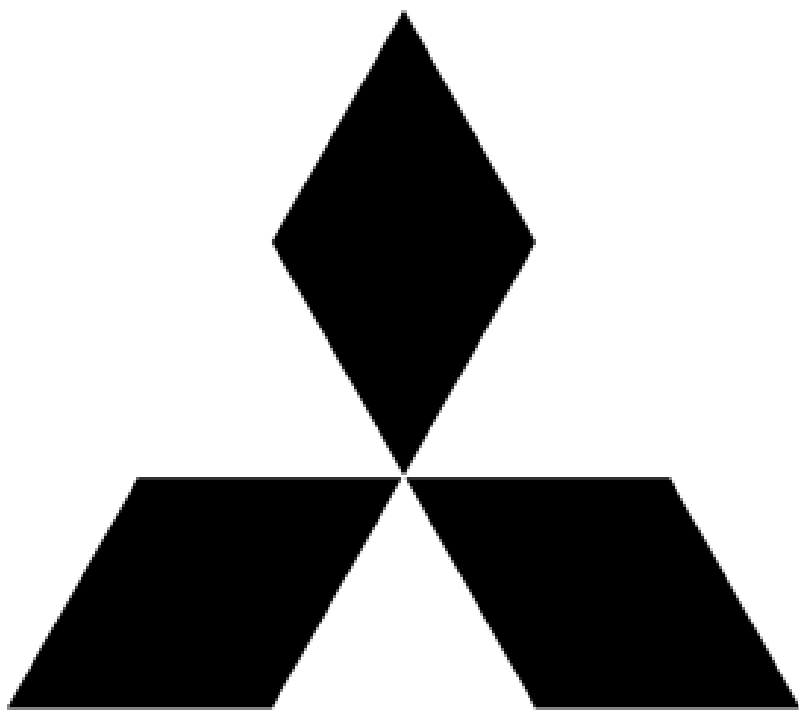
A Location Must Address:

- Convenience
- Customer Experience
- **Brand Reinforcement. A Brand must Deliver a Consistent Customer Experience Through:**
 - Website
 - Apps
 - Retail Location or Branch

A Brand:

- **Resides in the Hearts and Minds of Customers and Prospects**
- **Is the sum of Customer Experiences with the enterprise.**

1995



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ITACHI

2017



Google



Microsoft

amazon

BERKSHIRE HATHAWAY INC.

EXXON



Walmart

Bank of America



A Location Must Address:

- Convenience
- Customer Experience
- Brand Reinforcement. A Brand must Deliver a Consistent Customer Experience with:
 - Website
 - Apps
 - Retail Location or Branch
- Design (Commodity, Firmness & Delight)

Science of the Built Environment:

[Welcome to Your World: How the Built Environment Shapes Our Lives](#)

Sarah Williams Goldhagan

- Our perception of Space in Non-Conscious
- We think and Act Differently depending Upon the Room we Are in
- Design IS important
- Oftentimes, the Features that create a positive Experience are Value-Engineered out of a project





FEEL the door handle









New McDonald's

FIXER★UPPER

#FixerUpper

Tuesdays 9|8c

MAIN

VIDEOS

PHOTOS

EPISODES

BLOG

SEASON 3

SEASON 2

SEASON 1



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New Gallery
+ Exclusive Video!

A Rustic Italian Dream Home

51 Photos

Chip and Joanna add a helping of Italian flavor to a bland suburban home in an impressive renovation for a California couple.

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The Bar

Sitting is the new
Smoking. So People
semi-sit.

A Location Must Address:

- **Convenience – Today's Focus**
- Customer Experience
- Brand Reinforcement. A Brand must Deliver a Consistent Customer Experience with:
 - Website
 - Apps
 - Retail Location or Branch
- Design (Commodity, Firmness & Delight)

REAL Questions:

How well does our Network provide Coverage?

How do we Know we Have Good Locations?

Is there a “Best Practice” for Investment?

How Do our Locations Reinforce our Brand?

Is there a formula for Determining Investment Limits?

Where do we start??? Is there a Process???

Problem-Solving Process: *Strategic Facility Planning*



WHERE YOU'VE
BEEN

WHERE YOU'RE
HEADED

HOW TO GET
THERE

DECISION-
MAKING/
CONSENSUS
BUILDING

Strategic Facilities Planning is a systematic and continuous process where past performance and a range of organizational futures are studied, then fact-based decisions about capital expenditures to support organizational needs, functional obsolescence, future infrastructure needs, and facility renewal are determined.

Problem-Solving Process: *Strategic Facility Planning*



WHERE YOU'VE
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DECISION-
MAKING/
CONSENSUS
BUILDING

The Final Product is a Long-Term Capital Plan that has been thoroughly studied and which supports the Enterprise's Strategic Business Plan.

Problem-Solving Process: *Strategic Facility Planning*



WHERE YOU'VE
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THERE

DECISION-
MAKING/
CONSENSUS
BUILDING

We will use the 4-Step Strategic Facility Planning Process as a guide in evaluating our current Network and helping us chart a new course.

Do

It

yourself

A. WHERE WE'VE BEEN



Where We've Been/ Where We're At

- What are our Occupancy Costs?
 - Trends?
 - Benchmarks?
- What is our Facility Renewal Liability?
- Market Values vs. Book Values?
- Do Current Locations Work?
- Operational Issues?



Retail Network Analysis



Where to Start?

1. What is has been our Network Strategy in the Past?

Does anyone know?

2. Existing Branches - *1-2-3 Real Estate Evaluation*

Handout



Webinar Hanout

Current Location Real Estate Assessment Sample

8 Branch Template

October 25, 2016



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Handout

Your Logo Here

INTRODUCTION

Current Location Assessment | Real Estate

CURRENT LOCATION ASSESSMENT

The purpose of this report is to provide feedback about how well current Branch locations meet traditional real estate criteria for a good “Retail Branch location.”

The criteria used for this report consist of the following:

- Ease of access to the area
- Good access to the site
- Good egress from the site
- On a commuter route
- In a retail area
- On the going’ home side
- High traffic counts
- Intangibles

The eight criteria received a score of 1, 2 or 3 according to the following:

- 1 = Inadequate
- 2 = Acceptable
- 3 = Good

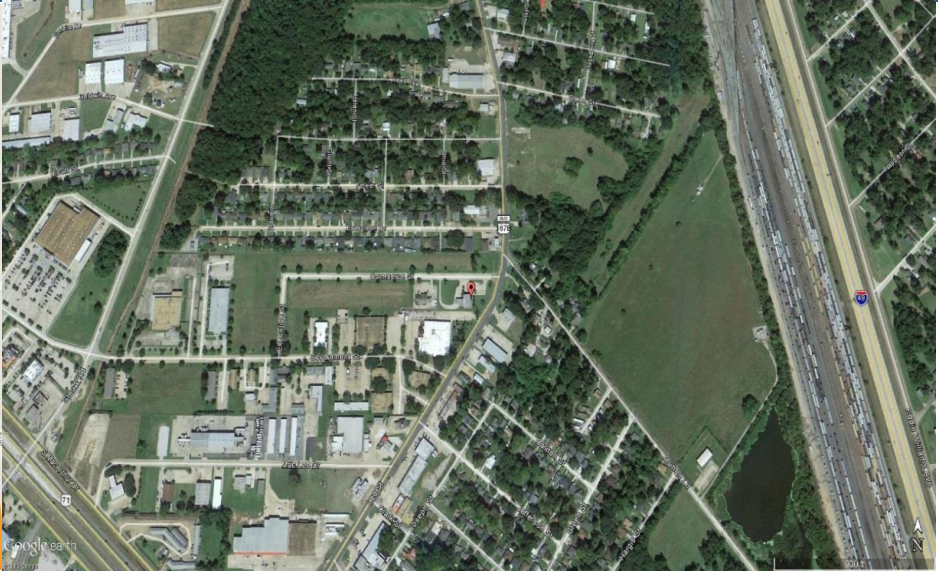
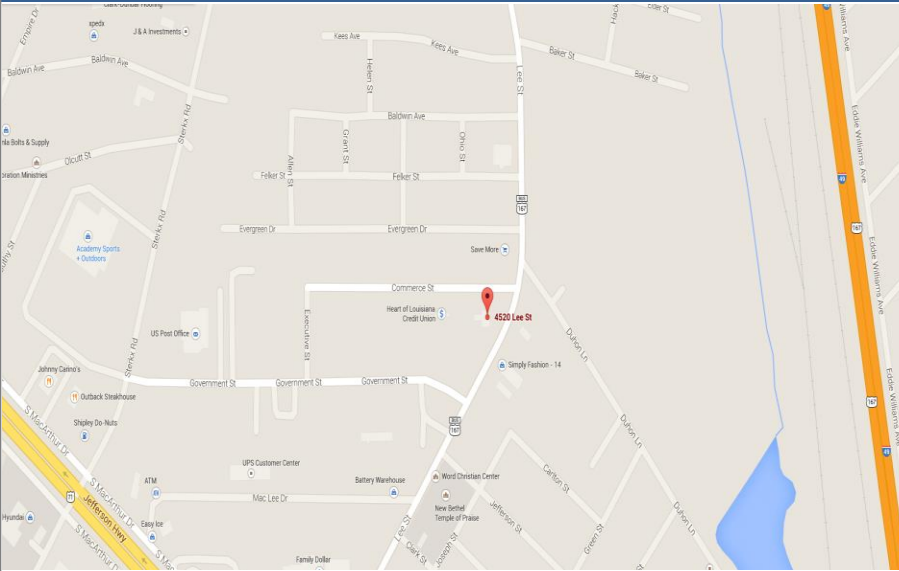
Handout

YOUR LOGO HERE

Branch 1

Parish

CURRENT LOCATION ASSESSMENT



CRITERIA

SCORE

1. Ease of Access to the Area	2
2. Good Access to the Site	3
3. Good Egress from the site	3
4. On a commuter route	1
5. In a retail area	1
6. On the Goin' Home Side	1
7. High Traffic Counts	1
8. Intangibles	1
9. Average	1.63

Scoring Key

3 = Good
2 = Acceptable
1 = Inadequate

Notes:

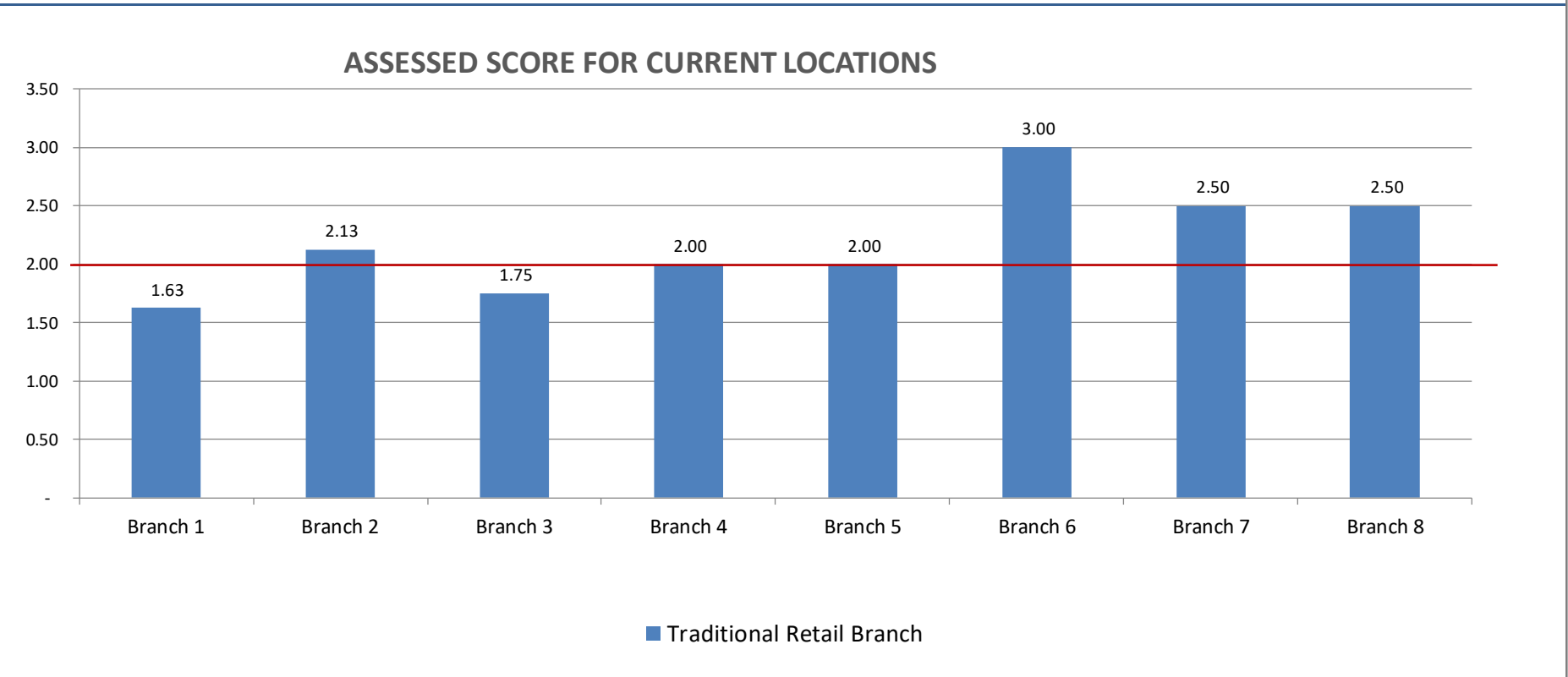
Handout

YOUR LOGO HERE

SUMMARY

Assessed Score for Each Location

CURRENT LOCATION ASSESSMENT



CRITERIA	
1.	Ease of Access to the Area
2.	Good Access to the Site
3.	Good Egress from the site
4.	On a commuter route
5.	In a retail area
6.	On the Goin' Home Side
7.	High Traffic Counts
8.	Intangibles

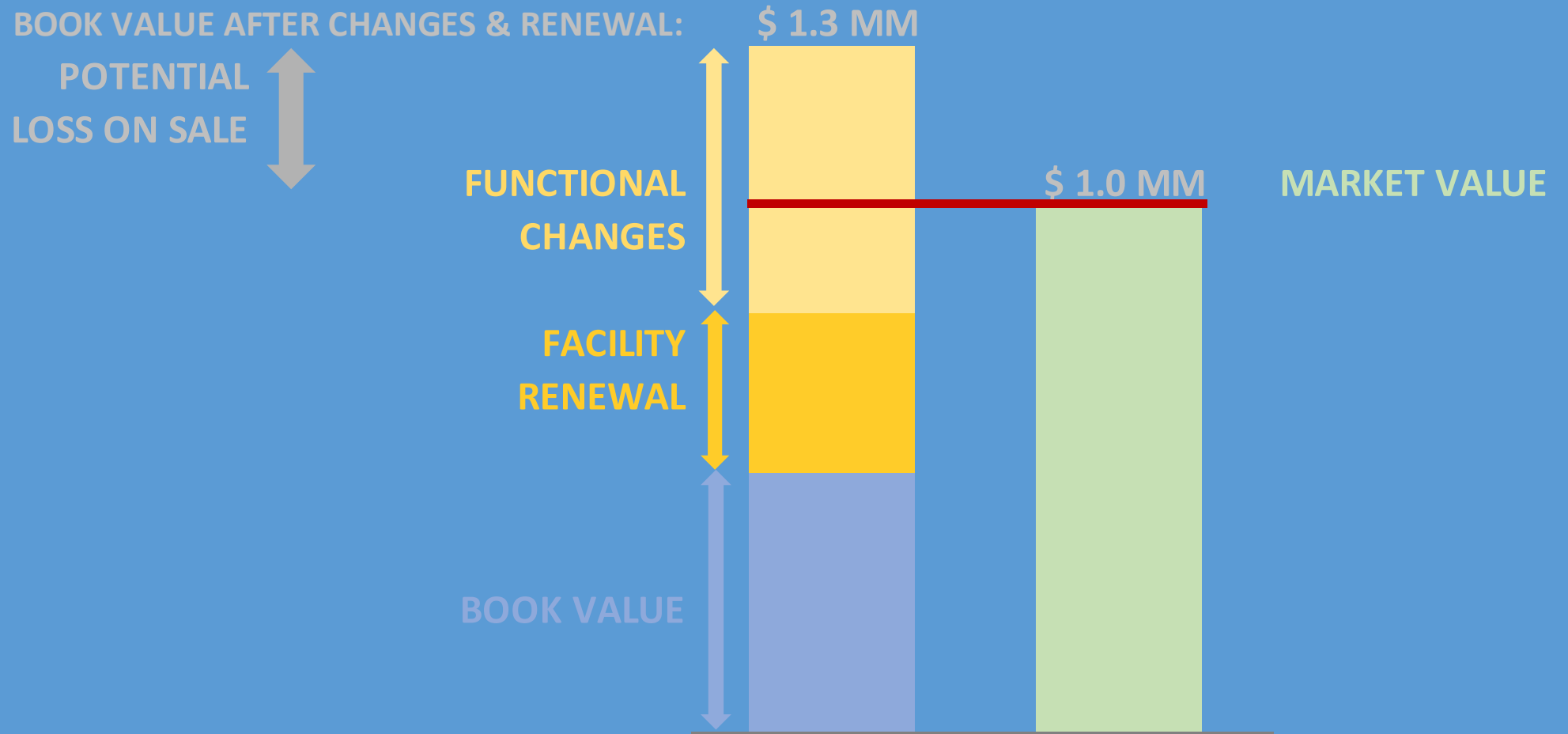
Scoring Key
3 = Good
2 = Acceptable
1 = Inadequate

3. Are you upside down on any Branches?

Branch/ Retail Real Estate Economics

- Replacement Value
- Market Value
- Book Value
- Required Facility Renewal Expenditures

Are you upside down on any Branches?



4. What Kind of Locations

BRANCHES

Transaction Branch?

Loan Branch ?

RETAIL

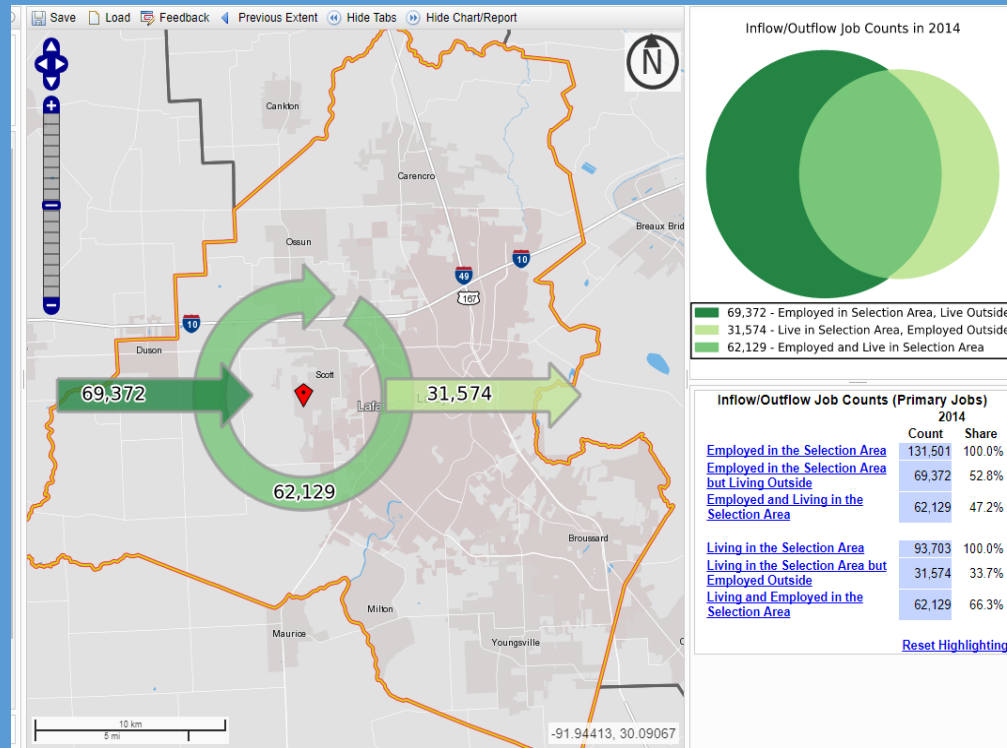
*Within your Company
Size?*

*Target Demographics?
Store Age?*

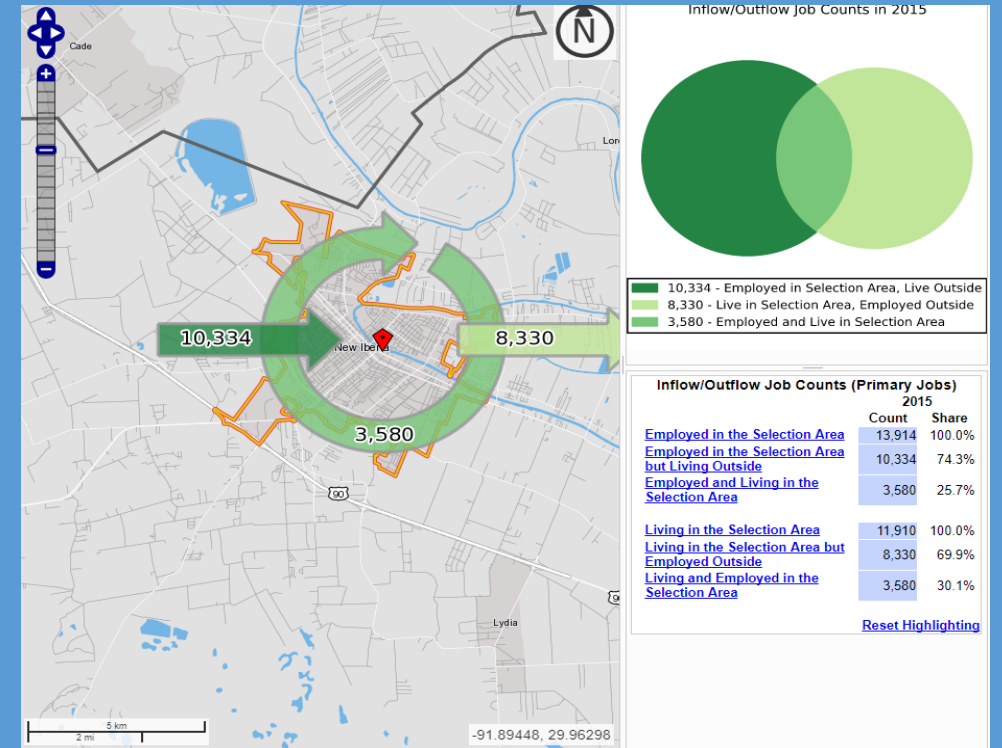
5. Demographics - Commuting

<http://onthemap.ces.census.gov/>

Lafayette Parish



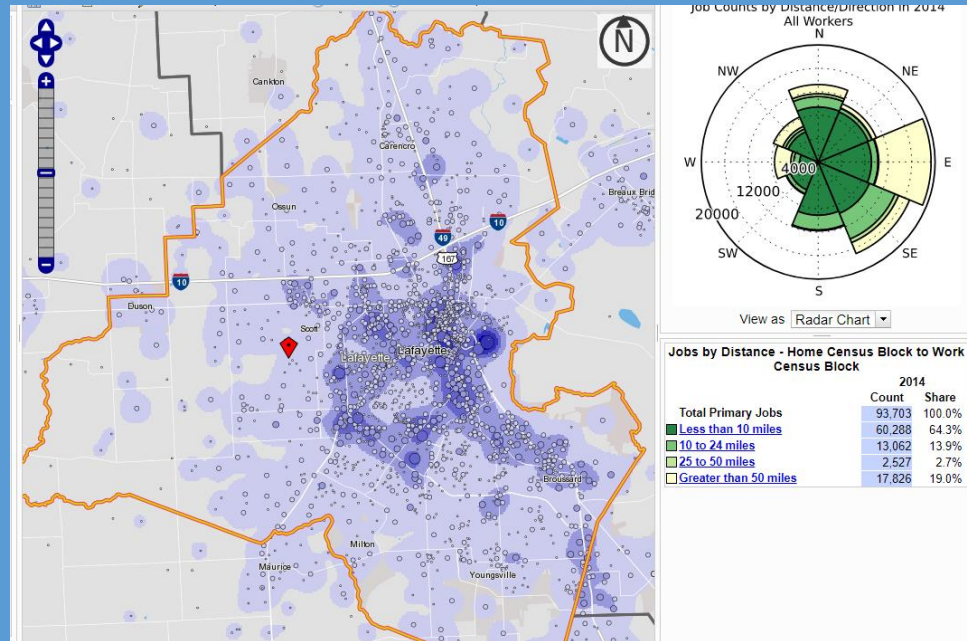
New Iberia



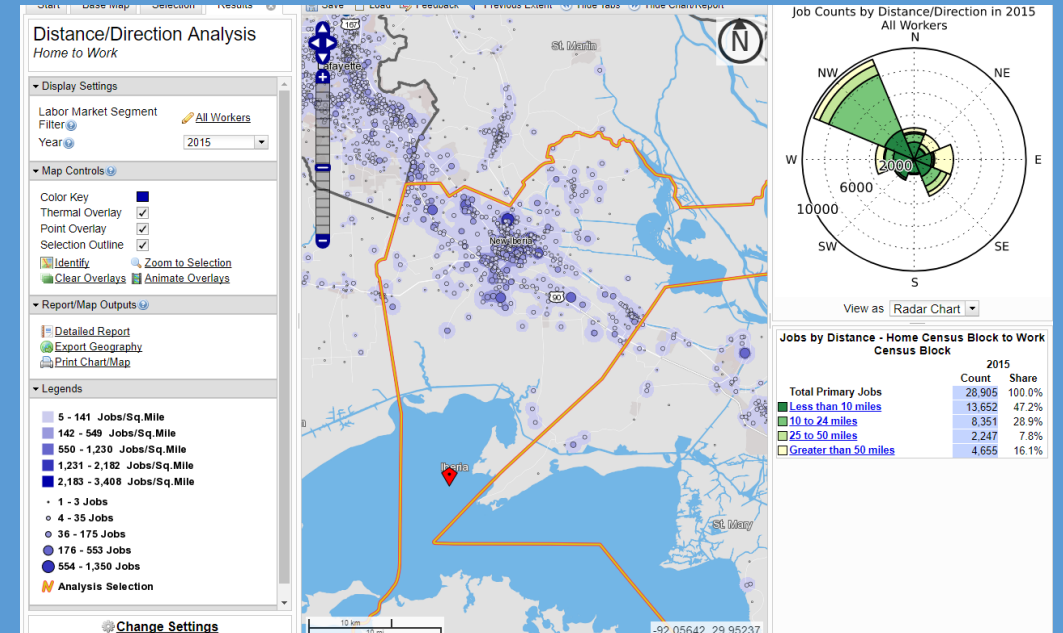
5. Demographics – Jobs: Heat Index

<http://onthemap.ces.census.gov/>

Lafayette Parish

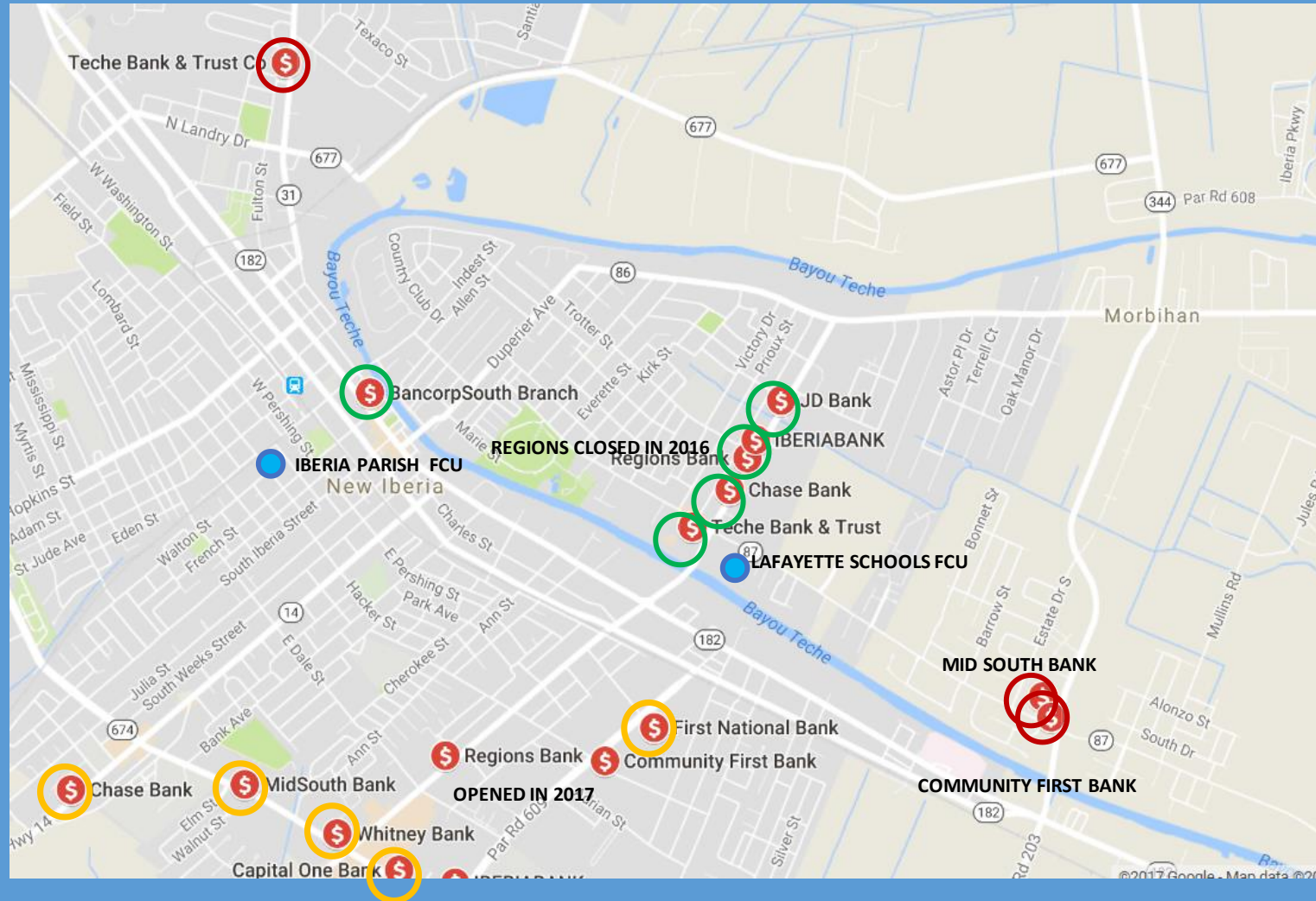


New Iberia



6. Demographics – FDIC DATA

<https://www5.fdic.gov/sod/sodSumReport.asp?barItem=3&sInfoAsOf=2015>



7. Facility Renewal

Property Condition Assessment

Observation and Budget

Mathematical Model

8. Income / Expense Operating Data

	Cost	Sq. Ft.	Cost/ Sq. Ft.		Benchmark Cost/ Sq. Ft.	
2235 South College Rd. Extension						
Cleaning	\$4,776	4,296	\$1.11		\$1.75	Ref. Labarre Louisiana Branch Study (112 Branches)
Maintenance & Repai	\$3,276	4,296	\$0.76		\$2.18	Ref. FMLINK.com - national average for all office buildings
Utilities	\$10,559	4,296	\$2.46		\$3.01	Ref. IFMA Rank Branches - Gulf Coast
Grounds	\$9,452	4,296	\$2.20		\$1.05	Ref. Labarre Louisiana Branch Study (112 Branches) - 2013
Security	\$240	4,296	\$0.06		\$0.06	Ref. BOMA Baton Rouge 2014
Administrative	\$0	4,296	\$0.00		\$1.59	Ref. BOMA National Average 2013
<hr/>						
Total Operating Cost	\$28,303	4,296	\$6.59		\$7.67	

- Maintenance Cost too low – Issues to Address
- Ground Costs High – due to Large Site

Data Required for Analysis:

- Previous Strategy/ Planning Documents
- Location Assessment (Handout)
- Market Insights
- Research into Road Construction
- Interviews with Managers & Staff
- Read the Master Plan for each locality
- Demographic Research (Trends) for Market & Each Location
- Replacement Value (Insurance)
- Book Value
- Market Value (Appraisal or Broker Price Opinion)
- Facility Renewal Liability
- Budgets for Renovation

B. Where We're Headed



Where We're Headed

- What do you want to accomplish with the Analysis?
- How will Success be evaluated?
- What is the Right Path for Growth?



Retail Network Analysis

Strategy?

Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win.

Sun Tzu, The Art of War

*But Sometimes with Real Estate
Network Planning, You Have to Go
Through the Entire Process Before Your
Strategy Emerges.*



If you Start with a Feasibility Study:

You have already reached a decision. The Study is validation of the concept.

With a Strategic Facility Planning Approach, You Re-Examine Your Network, Your Cost Structure, What You Would like to do and What you Can Afford



What are we trying to accomplish?

Improve existing customer service with a better location in an existing market?

Develop a market presence in a new area?

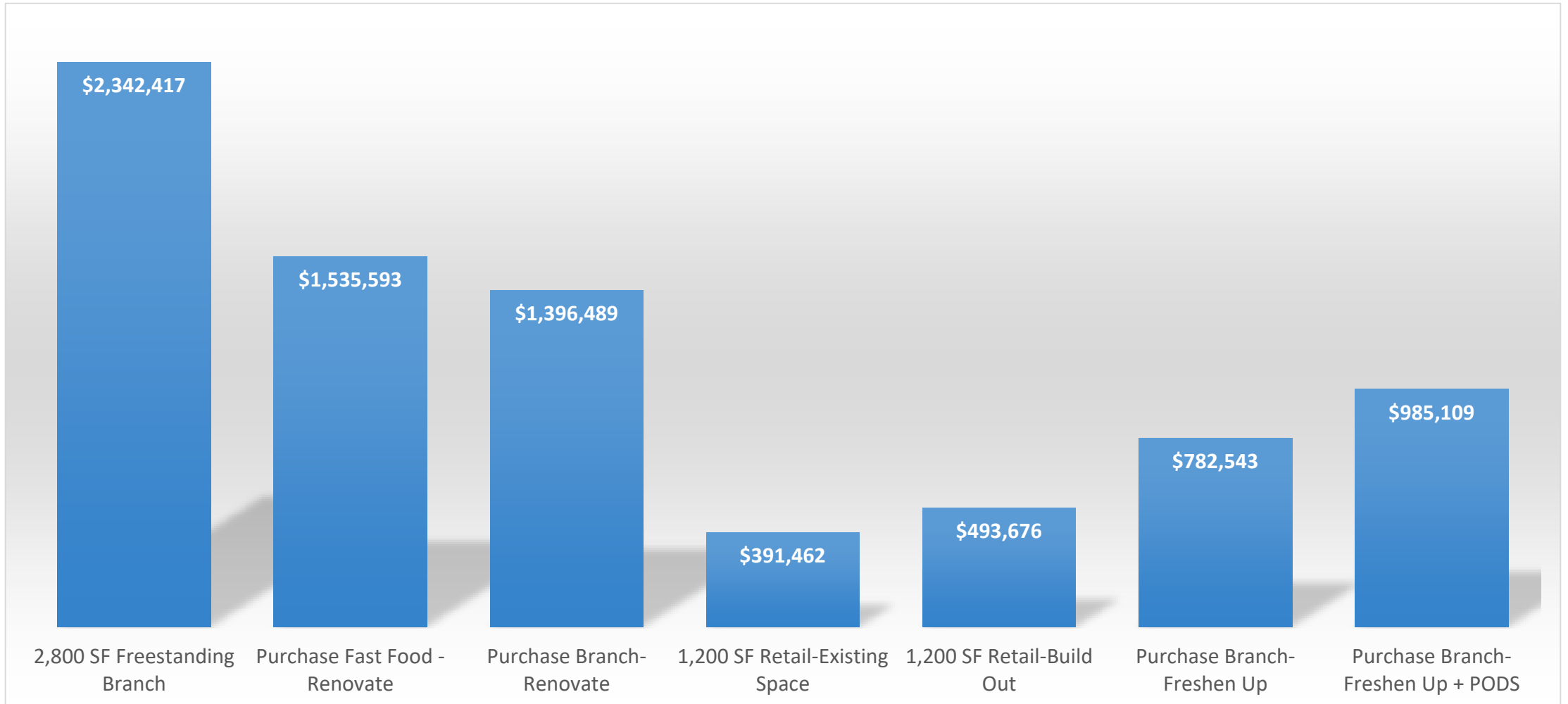
Grow Assets, income, customers or other?

How will success be evaluated? Market Share? Profits?

What is the break-even point for a potential market for a specific store or branch type?
How long do we think it will take to reach that point? What is our exit strategy if things don't work out?

What is the final number of Locations for each market (long term plan)? What will drive the timing of new Branch construction?

Capital Investment Options:



Data Required for Analysis:

- **Architect - Site and Building Size. Cost for Renovations and New Construction**
- **Real Estate Broker – locations and cost?**
- **Financial – How will this location help us make money?**
- **Financial Analysis – what are the break even points?**

New Buzzword: *“Analytics”*

It's What you do with Data From
“Where You've Been” & How you Use
it to Create Value for the Enterprise

C. How to Get There



How to Get There

- Buy/ Hold/ Hold & Improve/ Dispose?
- Overarching Strategy



Retail Network Analysis

WHERE YOU'VE
BEEN

WHERE YOU'RE
HEADED

HOW TO GET
THERE

DECISION-
MAKING/
CONSENSUS
BUILDING

QUESTION:

Where should you
be?



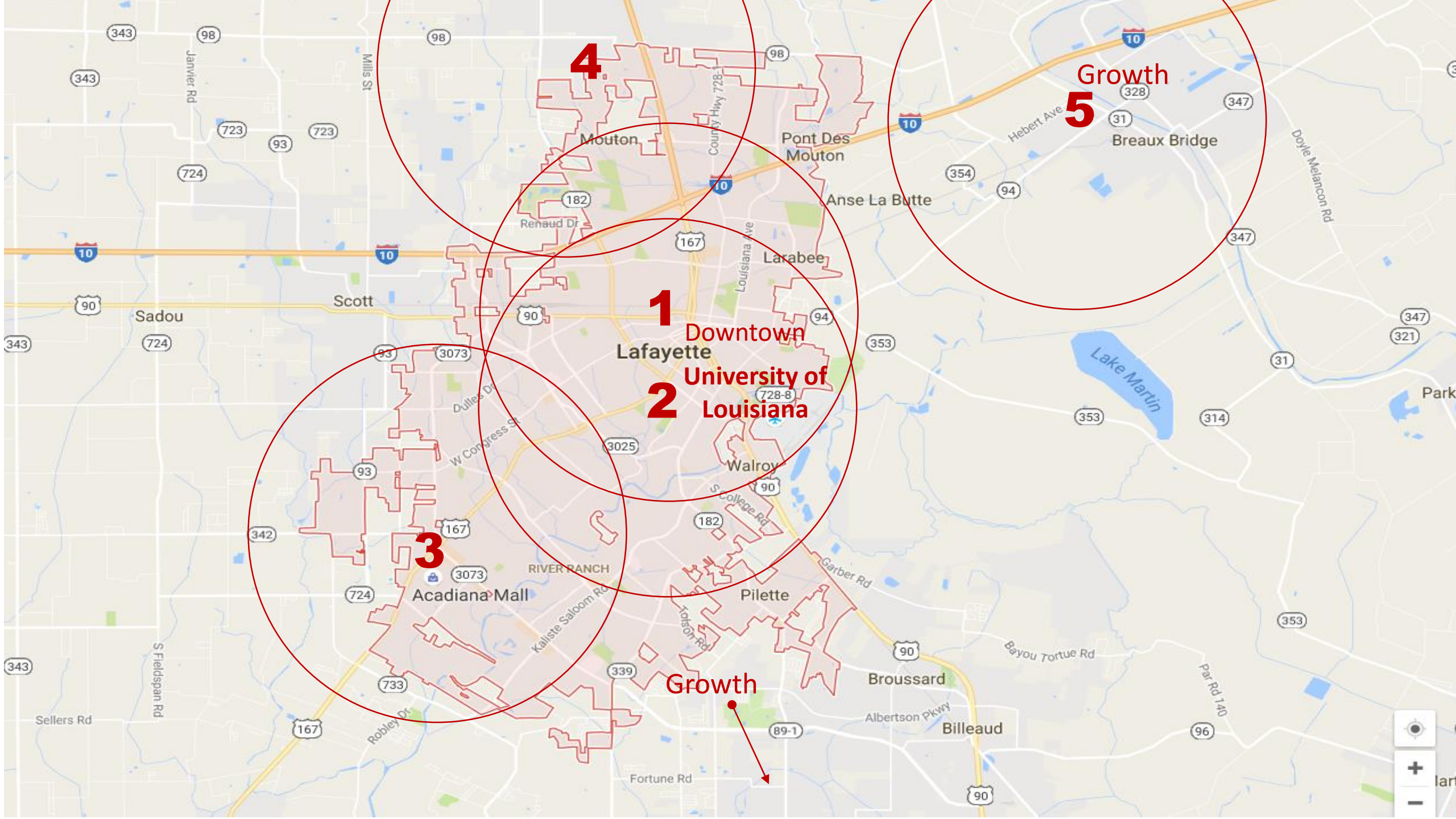
Location Strategies

Trending Today	Conventional Thinking
At “Bottlenecks” or where people commute on the “Goin’ Home Side”	High Traffic Count Locations
By Wal Mart	By the Mall
By Starbucks, McDonald’s	Where people live
Use Walmart or McDonald’s for a “Blanket the City Plan”	Plan the next Location without consideration of the following 2
	4 points of the Compass Banker’s Row

Symbiotic Relationship



Co Location Strategy
col·lo·ca·tion (noun)



4

Growth
5

1

Downtown
Lafayette
University of
Louisiana

2

3

Growth



A map of Lafayette, Louisiana, and surrounding areas. Four Walmart Supercenters are highlighted with red circles. The locations are: 1. North of the city, near Interstate 10 and Highway 328. 2. West of the city, near Highway 93 and Highway 167. 3. East of the city, near Highway 90 and Highway 353. 4. South of the city, near Highway 89-1 and Highway 700. The map also shows major roads like E Texas Ave, Cameron St, and various highways (10, 90, 167, 353, 700, 720, 724, 733, 739, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000).

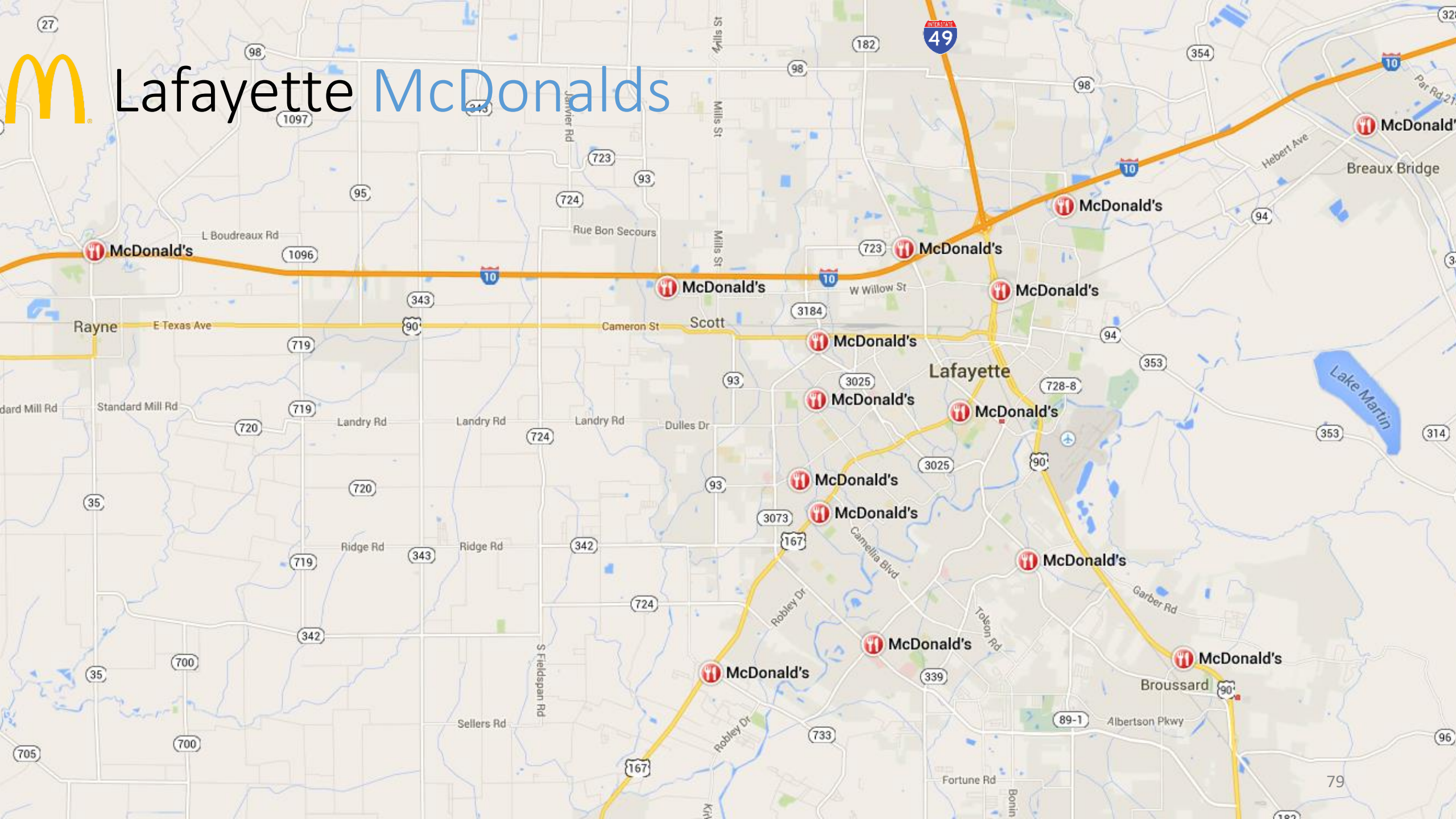
Lafayette Walmart

Branches Last a Long Time (40 Years)

You Need a Strategic/Long Term Perspective

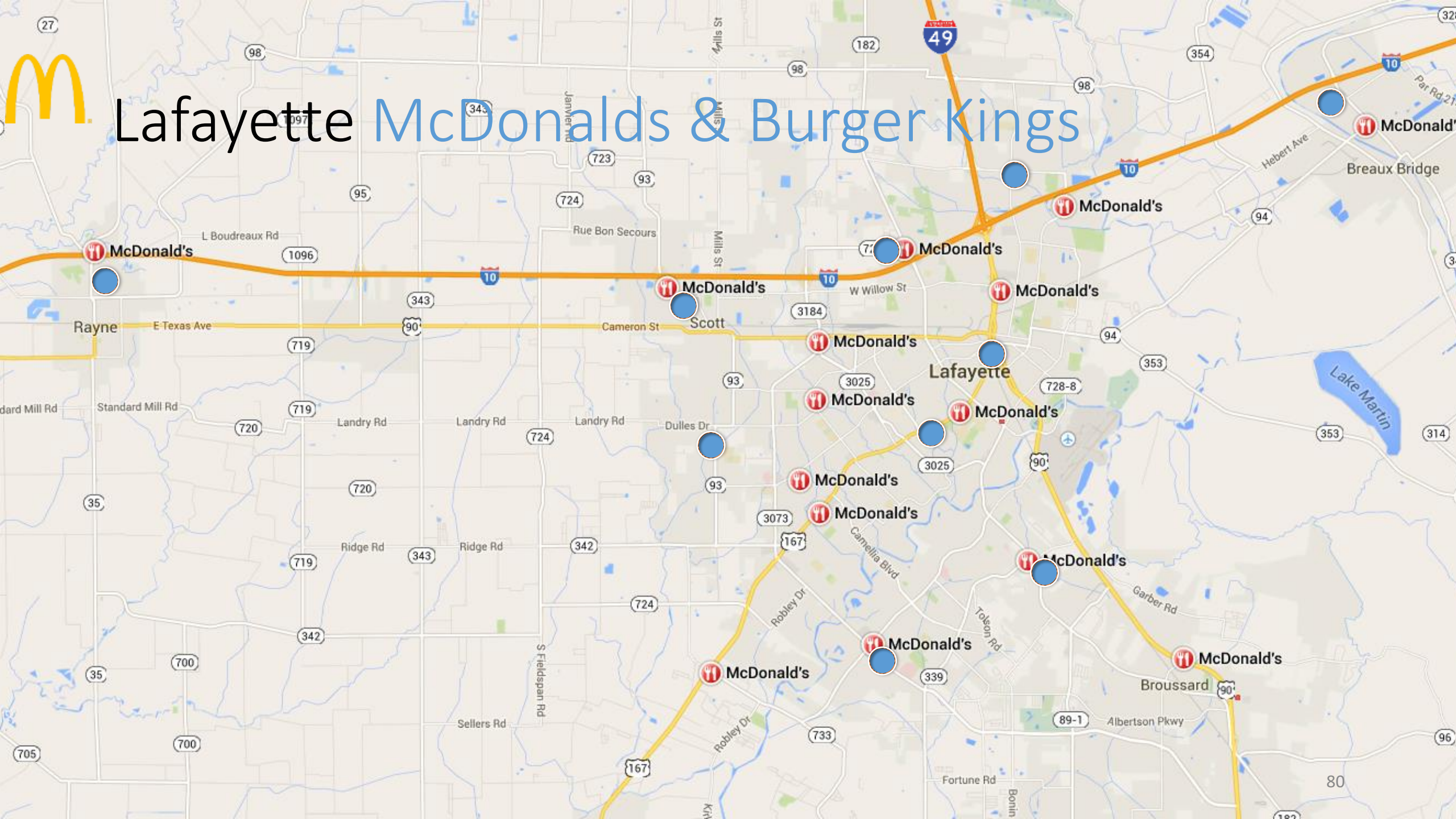


Lafayette McDonalds



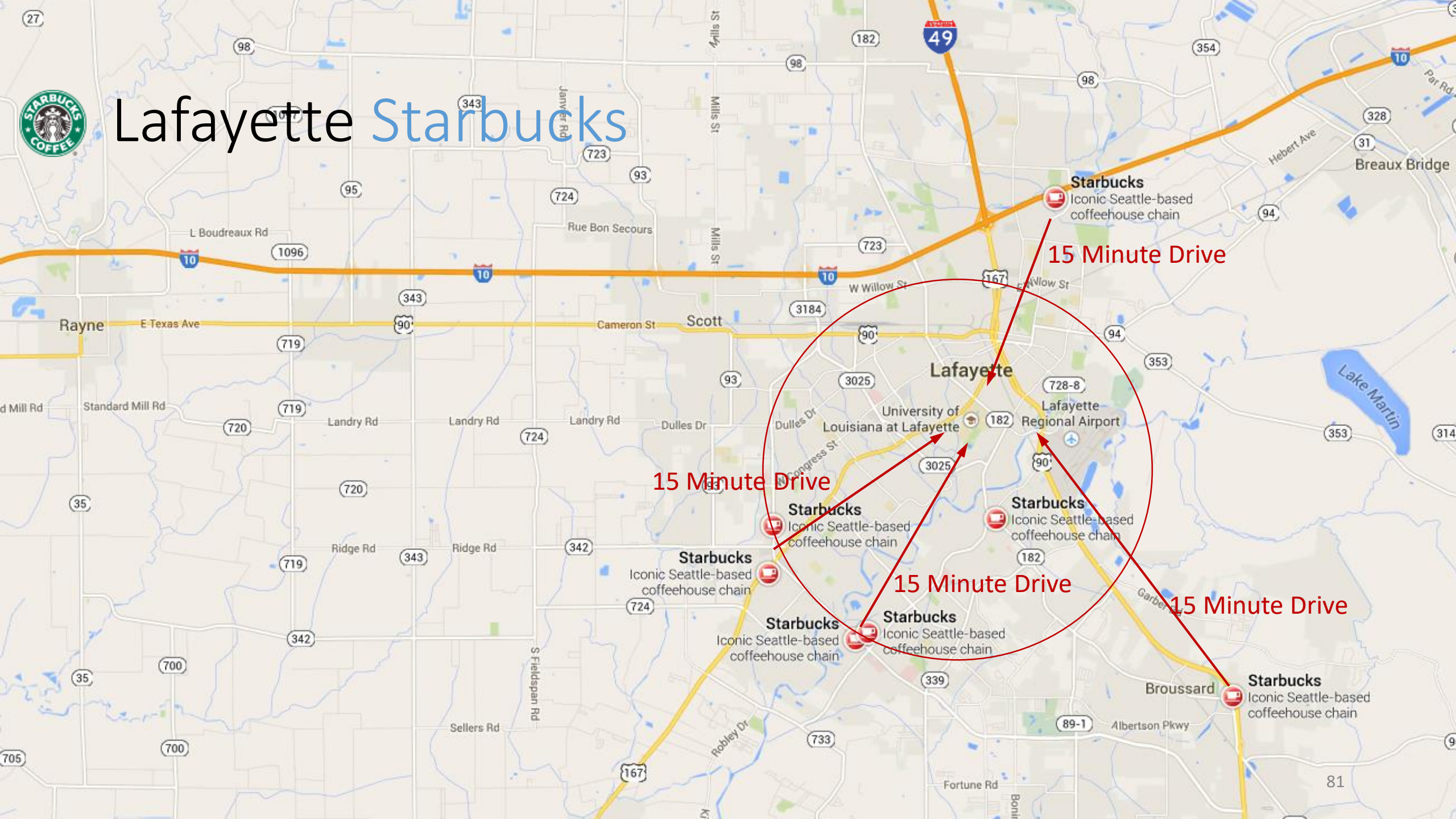


Lafayette McDonalds & Burger Kings



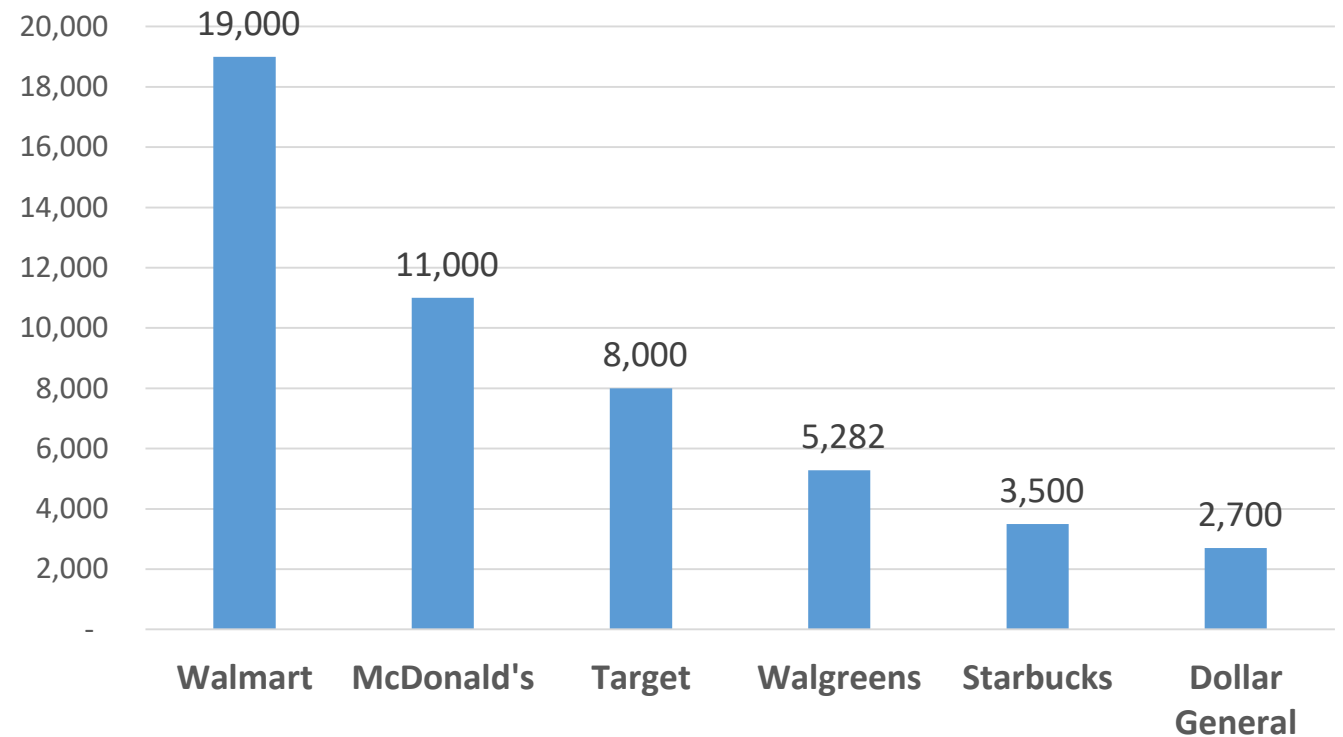


Lafayette Starbucks



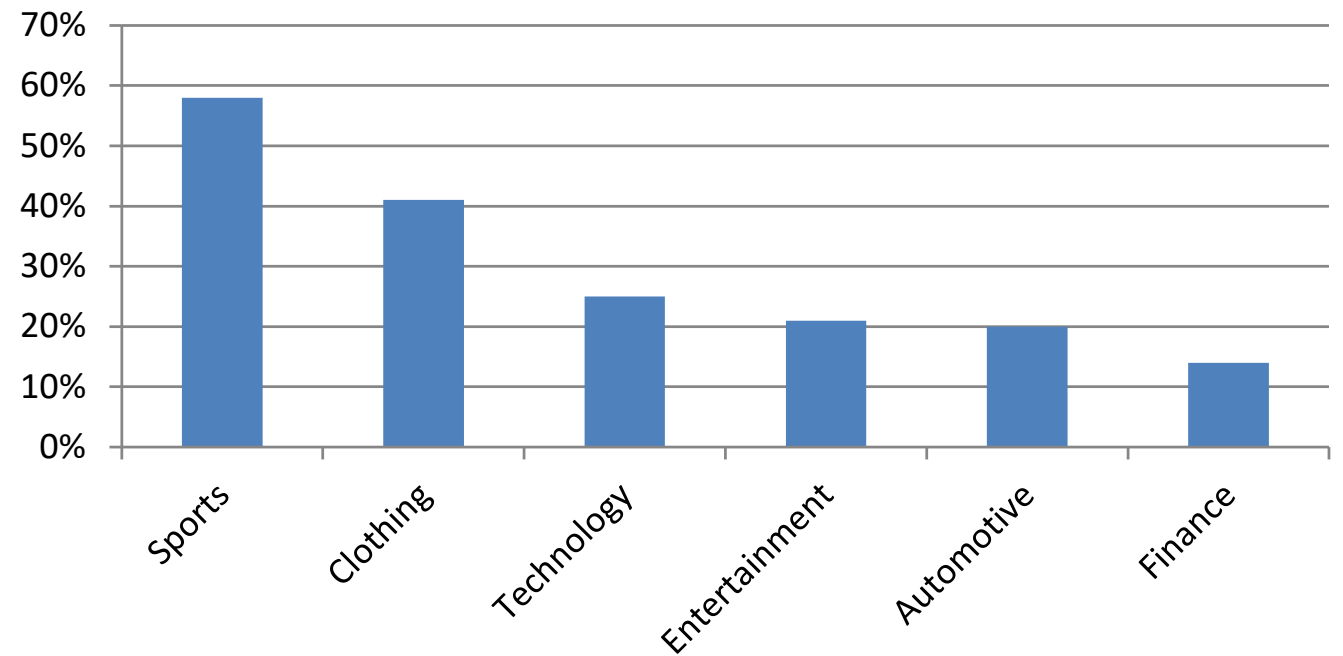
Co-Location Benchmark Retailers

CUSTOMERS PER WEEK



Both the Biggest
Advantage and
Disadvantage in
Real Estate
Decisions is the
Level of
Emotional
Engagement

Level of Emotional Engagement



Ref. Gensler Study

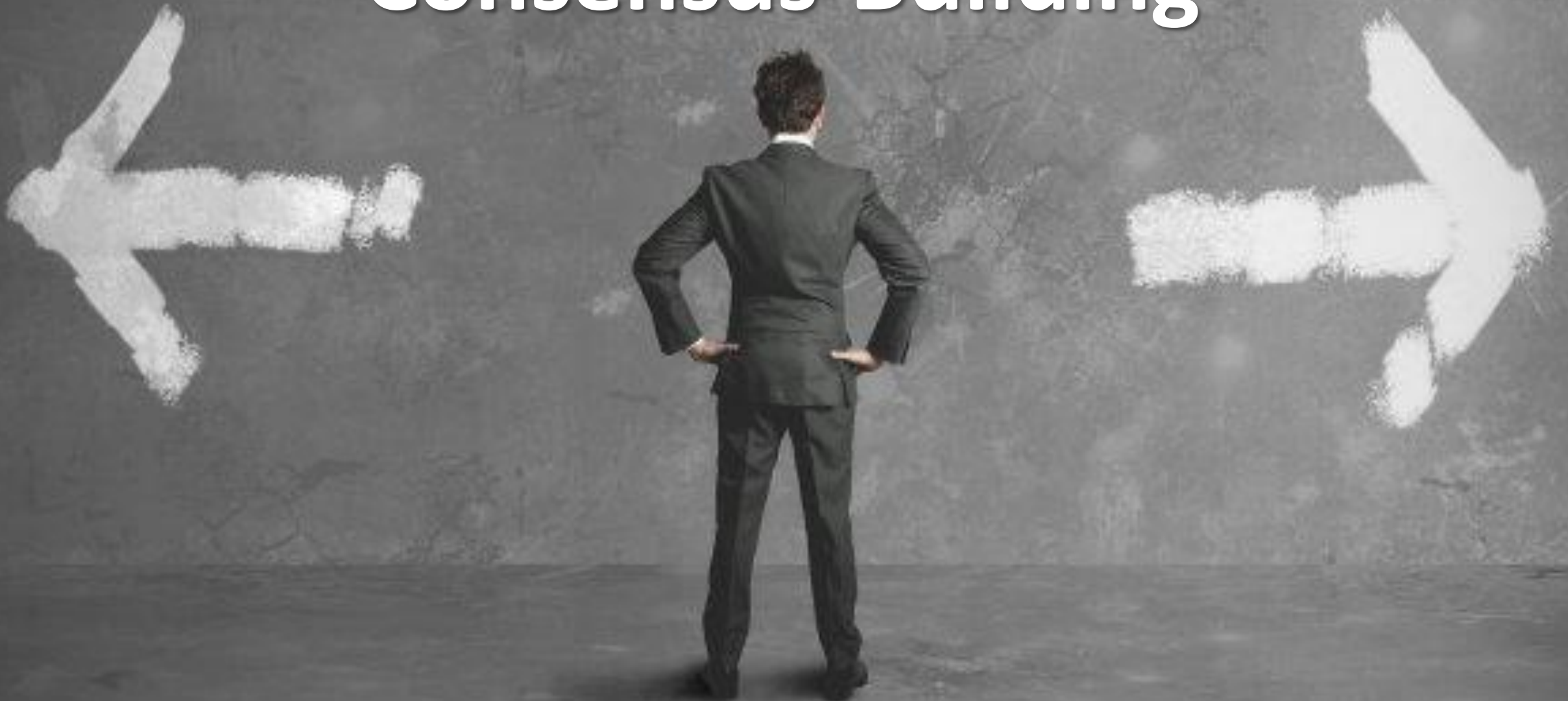


NEW ORLEANS
SAINTS

If you are a “Linear Process”
Person:

This process will drive you nuts,
because you will have gathered all this
data and you won't have a clear
answer yet.

D. Decision-Making/ Consensus-Building



Decision Making/ Consensus Building

- Solve short-term problems immediately.
- “Vision” and “Guiding Principles” ensure consistent decision-making in the future.
- Think Chess not Checkers.



Retail Network Analysis

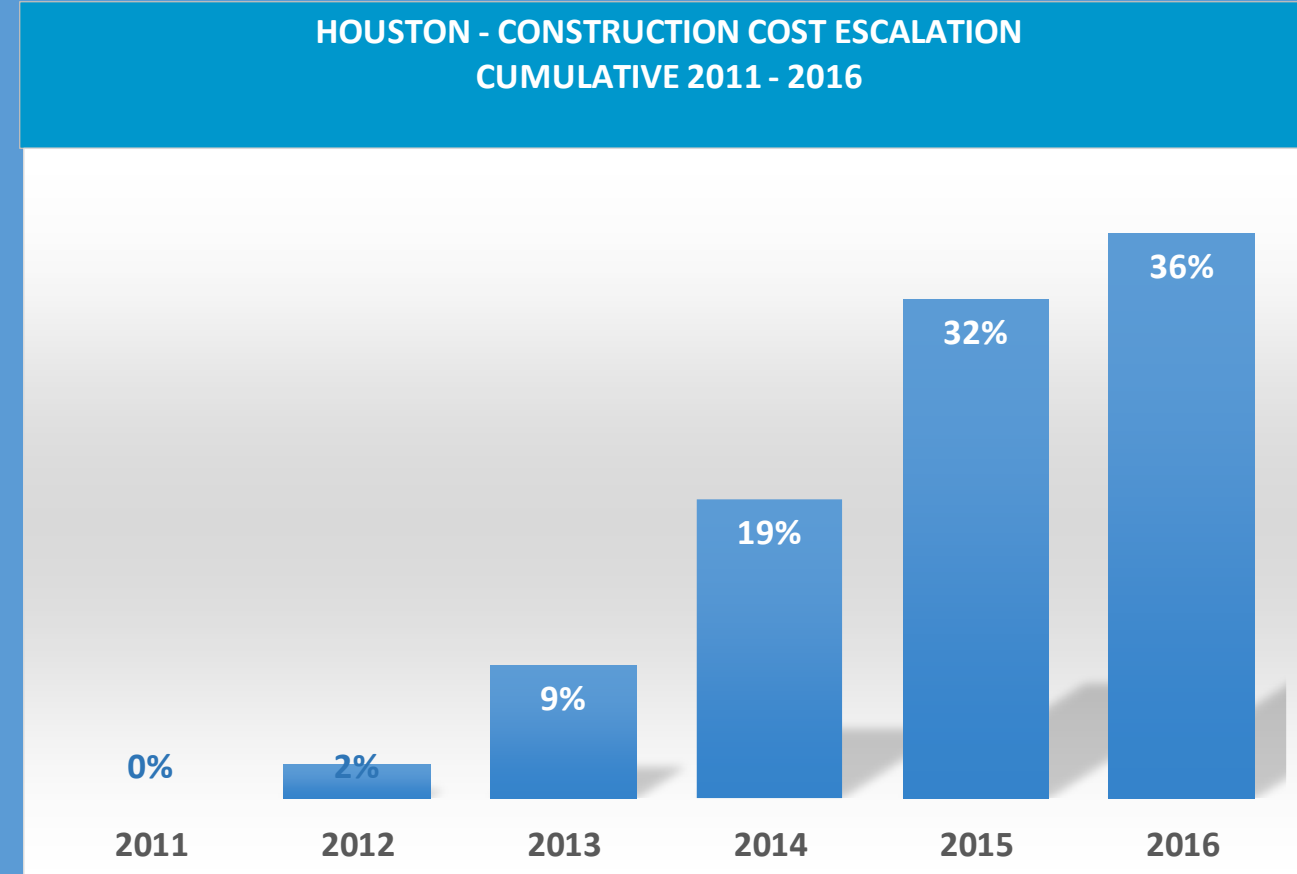


Regretted Investment
re·gret·ted (noun)



New Location - Risk

1. Poor Planning
2. Negative Brand Impact
3. Wrong Location
4. Overspend
5. Construction Inflation
6. Too Late
7. Too Small
8. Too Big



Guiding Principles

1. Property purchases for Branches should have convenient access and should be located along commuting routes on the “goin’ home side.”
2. There should be a reasonable “exit strategy” for each site purchase and an evaluation of what the completed facility would command upon sale should be considered when evaluating locations.
3. All Branch sites should have space for at least 10 parking spaces in front and 7 at the rear or side of the building.
4. Parking spaces in the front are preferred to be 10 feet wide and should be no less than 9’6” wide.
5. Drive Thru’s should have at least 3 lanes plus a by-pass.
6. There should be stacking for at least 12 cars in the Drive Thru queue.
7. Drive Thru islands should be at least 48 inches in width. Drive Thru lanes should be at least 9’-6” wide.
8. Site landscaping should be generous and should enhance the site.
9. Sites should have generous lighting and comply with regulatory requirements for lighting and landscaping. All exterior lights should be LED. Light poles should be set on elevated concrete pedestals. Where possible, exterior lights should be on daylight sensors.
10. Where possible, backflow preventers and similar items should be enhanced with plantings to diminish their visual impact.
11. Where possible, screened trash can enclosures are preferred to dumpster enclosures.
12. Site directional signage should integrate elements of the Brand and directional arrows should be marked on pavement.
13. First impressions count. Both the building and site should be physically attractive to those passing by.
14. Through the wall ATM’s are preferred
15. Construction budgets should include an analysis of the cost and benefits of upgraded construction materials like brick or metal roofing.
16. New Branch locations should be located in accordance with a long-term plan for market coverage in order to prevent overlapping market coverage with future Branches.
17. Branch interiors should be designed for flexibility, acknowledging that layouts may change over time.
18. Exterior and interior finishes and colors should respect the Credit Union’s Brand image and should be consistent with electronic and printed media Branding efforts.
19. Safety should be considered when designing the Branch layout and locations of the ATM machine and night drop.
20. HVAC units that are located on the ground should be screened with either a fence or plants and have at least three feet clearance on all sides.
21. HVAC units should be capable of accommodating a building automation system.
22. Toilet rooms should not be located near the main entrance.
23. All employees in offices or cubicles should have access to natural daylight
24. There should be one public entrance to the Branch and one staff entrance.

There is No “*Silver Bullet*” for the Perfect Network



Location Still Matters

Getting the Right Locations Takes Time

Networks don't have to shrink Automatically

Not Every Location Should be “The Apple Store”

Exit Strategy Needs to Be Identified for Every Location

It ain't what you don't know that gets you in trouble.

It's what you know for sure that just ain't so.

Mark Twain

The “Steps” to Determining an Appropriate Investment Strategy for the Branch of the Future

1. Real Estate

- Evaluate Current Branches (Handout)
- Describe your Branch Network Strategy
- Develop a Network Vision
- Identify “holes” in the Network
- Identify Market Values

2. Facilities

- Operating Cost
- Sq. Ft. & Key Metrics
- Functional Inventory (Drive Thru Lanes etc.)

3. Balance Sheet

- Book Value
- Facility Renewal Liability

4. Income Statement

- Facility Operating Cost
- Staff Operating Cost

5. Staff

- Staff by Position

6. Transaction Platform

7. Customer Experience

- Integration with IT and Training

8. Integration with Brand Experience

Planning – **THIS I KNOW**

- People tend to start with “their comfort zone”
- Buildings Last a long time – 40 years – plan for it
- Locations need to work together to achieve Network goals
- Think Chess, Not Checkers
- You are not rolling out a Branch/ Store. You are rolling out a **CUSTOMER EXPERIENCE.**

Real Estate – **THIS I KNOW**

- Planning before Real Estate
- Start with evaluating “what ya got”
- Understand:
 - Where Customers Live
 - Where they work & Commute
 - Where they shop
- Need data to support decisions, but it is less important than knowing the area and the future of the area

CLOSING

- **People Don't Know Where to Start**
- **People Fail when they Get Caught Up in the Process with inadequate preparation and knowledge**
- **Strategic Facility Planning Process Guides You to SUCCESS**
 - **Evaluate what you have First**
 - **Understand your Options**
 - **Develop a Written Narrative of How you Want a Network to Work**
 - **Develop & Analyze Scenarios**
 - **A Capital Plan Allows you to seize Opportunities as they Arise**

Contact Information



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