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**PHASE FIVE [NEW00142.GIF](INTRODUCTION.docx)**

**EXERCISE THIRTEEN-B** House Information

**This exercise should be answered using the Phase 5 Variables Worksheet**

**[](variables5.xlsx)**

**A Further Evaluation of a Store Layout and Design Strategy**

Anne contacted Larry Jones, the instructor she had in the "High Performance Retailing" executive development seminar. Larry lived 150 miles north and agreed to drive down to visit Anne and Fred on Friday morning to hear about their plans (see exercise 13-A). He said he would like to visit with them for about an hour and also spend some time visiting other stores on the Town Square and driving around town. He hoped to accomplish all of this in 4-5 hours so he could leave town by 4 p.m. Anne and Fred agreed to pay him $2,400 for his services and billed this expense to the year end 2011 financial statements.

Larry was very impressed with the plans that Anne had developed. Based on his prior experience and the target market of *The House,* he estimated that closure would rise to 70%. He explained that they were correct in assuming that all of the benefit of the remodeling would occur once people had entered the store. However, he did believe, based on the large number of people visiting the Town Square to go to the U.S. Post Office, local government offices, and obtain other services, that if they could also remodel the exterior of the store that penetration could be expected to rise. Also he felt the green storefront projected an image that was inconsistent with the remodeled interior. He suggested that they use a red brick front, utilizing old or used brick, and that a new sign be installed to call attention to the store. With these additional changes he felt that not only would closure rise, but that penetration would easily rise to 67% or 68%. Larry also mentioned that if other businesses on the town square could remodel their store or building exteriors, that more people might find it pleasant to visit the Town Square.

After Larry left town, Anne called their landlord, Bill Henderson, who was also Anne's father. She told him of her plans to remodel the store and suggested that if Fred and her do the interior remodeling, that Bill should pay for the exterior remodeling. Anne had obtained a cost estimate of $36,000 which she mentioned to her dad. After some negotiating, Bill Henderson and Anne decided to split the cost of the exterior remodeling. Like the interior remodeling, they decided to write this expenditure off over 60 months.

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Remember to include the interior remodeling information from exercise 13-A along with the information given in exercise 13-B.

The Variables Worksheet you will need to run this simulation can be reached by clicking the red “5” above. You will need to enter the changes on the Input Form one at a time. The financial statements and ratios will automatically be updated and shown on the bottom of the input form. You must then copy the revised income statement and ratios to the scenario columns on the Answer Sheet. This process will have to be repeated if there is more than one scenario described in the exercise. Instructions for use of the Variables Worksheet can be reached by clicking on the “Help” button at the top right of the worksheet. Be sure to save your work and print a copy once you are satisfied with its correctness. After you complete your simulation there are questions you need to answer. These can be answered by typing your responses below the questions, saving your work, printing a copy, and handing it in to the instructor if required.

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**EXERCISE THIRTEEN-B**

**QUESTIONS**

1. Should the recommendations of Larry Jones be acted upon?
2. Are there any other things that could be done with *The House* to further enhance the store's atmosphere?
3. What will be the impact of *The House’s* exterior remodeling if the other stores on the town square do not upgrade their storefronts? What if they do upgrade their storefronts?
4. How does a store remodeling effort change the image of a store? What other changes need to be made to ensure the remodeling effort is as successful as possible?