

SUMMARY

Repair of Retail Buildings Fact-Finding Study 2016

Findings from Retailer Survey and Interview

November 29, 2016

Xymax Real Estate Institute, together with the research team of Professor Yukio Komatsu of Department of Architecture, Waseda University^{*1}, conducted a survey and interviews. We asked multi-store retailers^{*2} about repair of their retail buildings. This report presents the result and summary.

Retail buildings are as important as office buildings but are different because they are visited by many unspecified people and spaces are basically used for the purpose of selling goods or services. Therefore the purpose of maintenance is also different from that of office buildings. Our study is to reveal the little-known fact about how retailers repair their stores. We believe this study will improve the level of repair of commercial buildings.

*1 Research team of Professor Yukio Komatsu; Department of Architecture; Waseda University: <http://www.waseda.jp/sem-ykom/> (in Japanese only)

*2 Intended respondents of this study: Of goods sellers, restaurants and service companies targeting individual customers, we picked up companies that earned revenue of more than JPY 3 billion in FY2015. (See the information at the end of this report.)

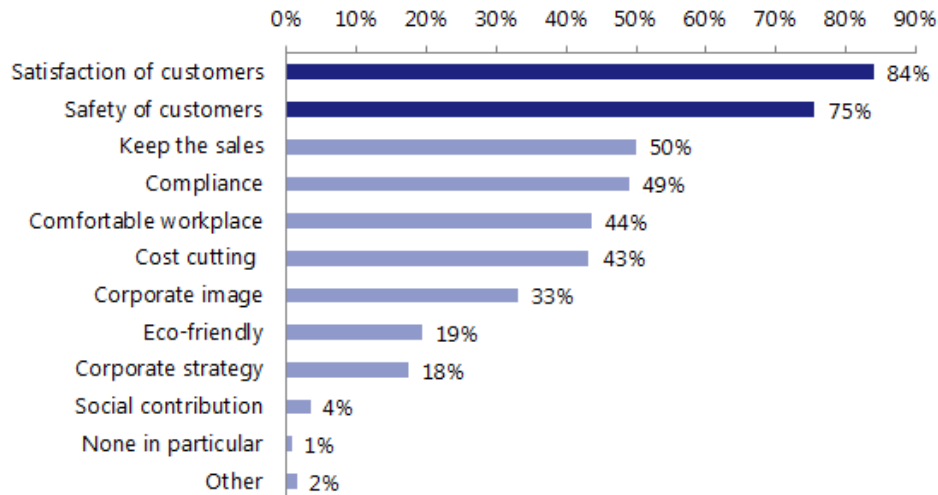
Key Findings

- 1. As their repair policy, retailers put priority on keeping the store open: the impact on customers is very important.**
 - 84% said satisfaction of customer is important in repair and 75% said safety of customer is important (Figure 1).
 - 32% said the highest priority goes to "keep the store open" (Figure 2).
- 2. Approx. 90% said that sudden breakdowns are problems; 50% of them said because they fail to predict the breakdowns.**
 - 25% said breakdowns and damages occurred frequently. 61% said they occurred sometimes (Figure 3).
 - When asked why breakdowns are problems, the most popular answer, chosen by 62%, was that they are unable to know the sign of breakdowns in advance (Figure 4).
- 3. Store managers have limited control over decision making of repairs. In companies operating many stores, repairs of stores are often controlled by a small group of head office staff.**
 - Approx. 80% of the store managers are only allowed to go for a JPY50,000 repair per case (Figure 5).
 - The more the number of directly-operated stores within the company, the more the number of stores controlled by one head office manager (Figure 6).
- 4. Less than 50% have a repair plan and budget. The more the number of directly-operated stores, the more the percentage of having such plan.**
 - One third of companies have a repair plan for each store (Figure 7).
 - The more the number of stores, the more the percentage of having such plan (Figure 8).
- 5. Survey and interviews revealed interesting facts.**
 - The most popular response was that the retailers are facing problems and they wish to know the approach taken by other companies.
 - The executives of companies taking positive repair approach are highly aware of the importance of repairs.

1. Policy of Repair

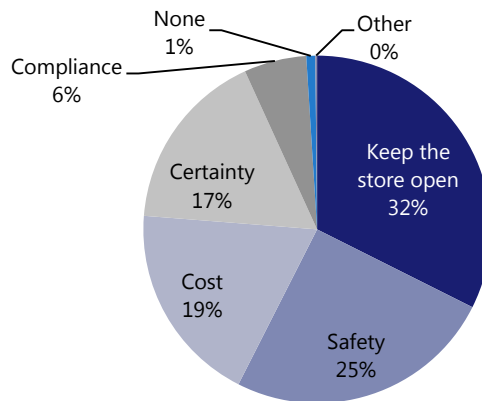
We asked the retail companies about their policy of repair. They responded that the satisfaction of customers (84%) and safety of customers (75%) are important; outstanding among other answers, indicating that the companies put high priority on customer satisfaction. (Figure 1)

Figure 1: What are important in repair of retail space (Multiple answer, n=657)



We asked the retail companies what is important in urgent repair. More than half of the respondents choose the answers related to minimizing the subsequent damage: To be able to keep the store open (32%) and safety (25%) (Figure 2).

Repair 2: What is important in urgent repair (Single answer, n=602)



2. Problems in Sudden Breakdowns or Failures

We asked whether the retailers faced any problems when the facility was suddenly broken or failed. Approximately 90% responded "yes" ("frequently" and "sometimes" combined) (Figure 3).

When asked about what were the original causes of the problems, 62% said they had not been aware of the potential risk of breakdowns or troubles and that was the problem, which stood out among other answers (Figure 4). This was evident from our interview too. Many companies are trying to find a way to predict potential risks. Some of the companies already introduced their own systems such as all-at-once inspections prior to busy seasons or check of facilities considering the timing of replacement, or made manual books so that the on-site staff can check.

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Figure 3: Are there any problems with sudden breakdowns or troubles? (Single answer, n=657)

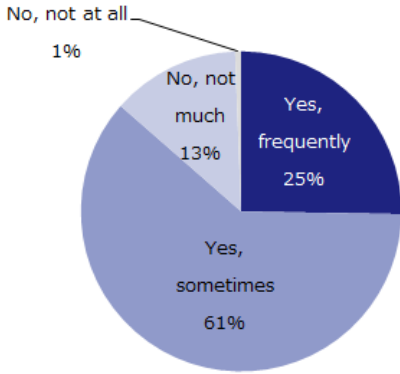
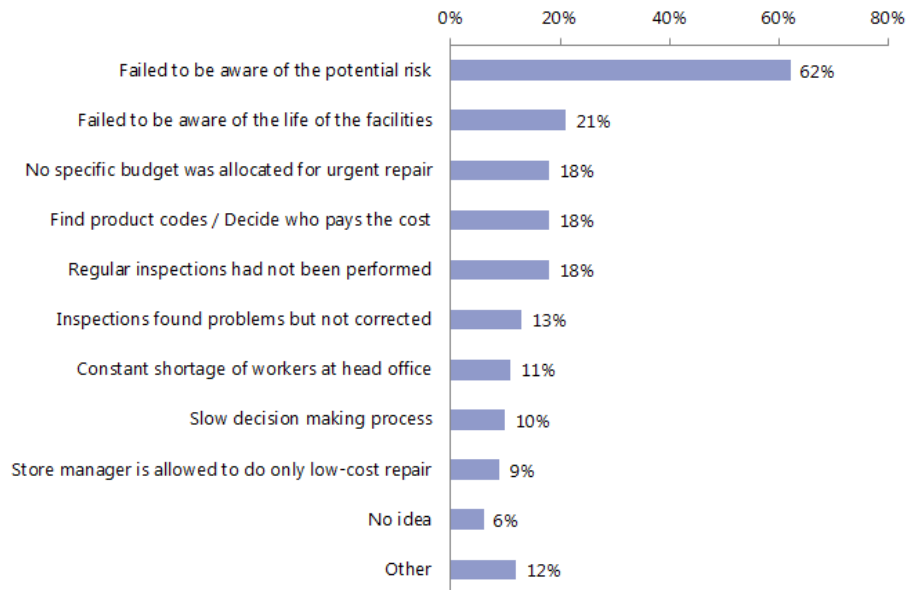


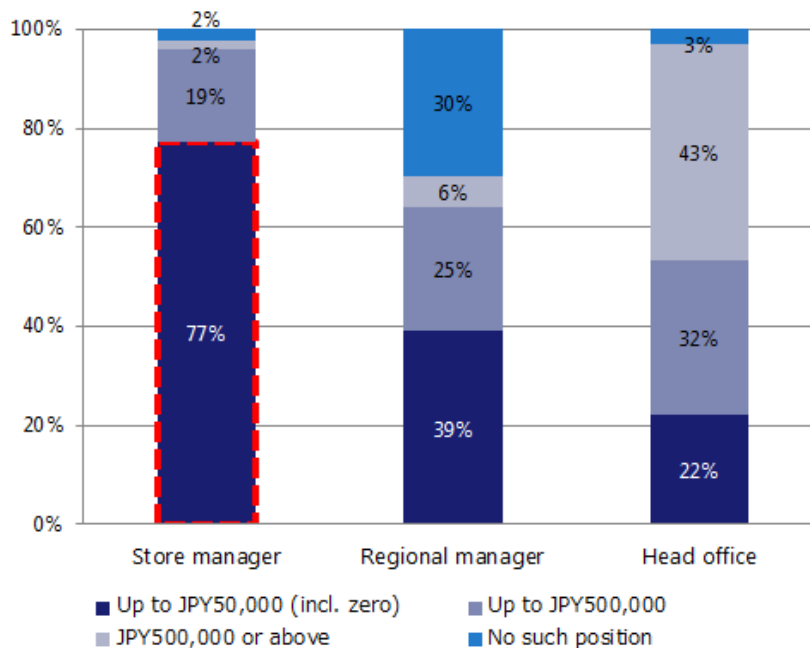
Figure 4: What caused the problems? (Multiple answer, n=551)



3. System of Repair

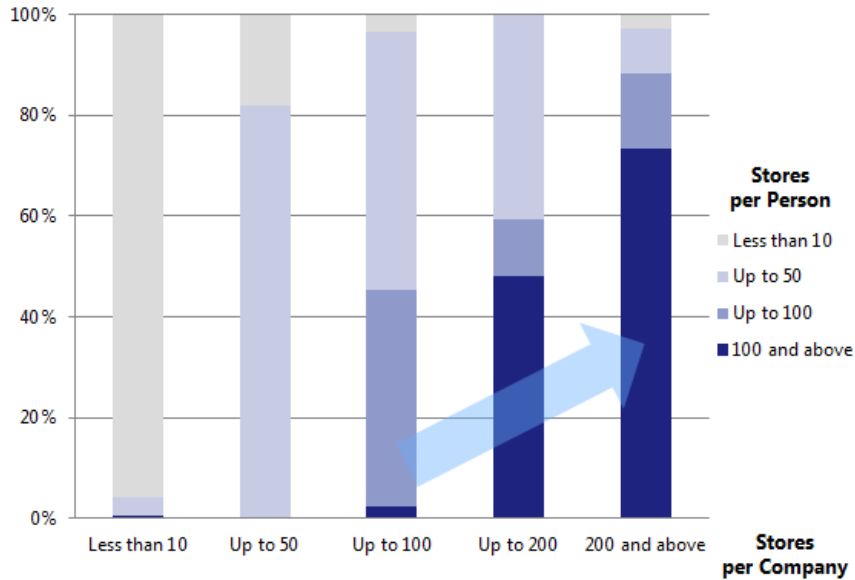
We roughly divided the persons in charge of retail space repair into three levels: the store manager, the regional manager and the head office manager. Then we asked the maximum amount of repair cost the person in each level is allowed to decide. The store manager has the smallest control over repair; 80% of the respondents said the store manager is allowed to do a repair that is JPY50,000 or less (including "0 yen", meaning those who are not allowed to do any). The regional manager is allowed to do more expensive repairs while the head office manager is allowed to do even more expensive repairs (Figure 5).

Figure 5: Cost per Repair Allowed (Single answer, n = 619)



We asked the retailers how many stores are under each head office manager. The result was that the retailers with many directly-operated stores tend to have many stores per person. This means that even when the company opens more stores, they do not add head office managers in line with the increase in the number of stores; instead, a small group of people continue to take control of the store repairs (Figure 6).

Figure 6: Stores under Head Office Manager in Charge of Repair (n=623)



4. Repair Plan

We asked whether the retail companies have a repair plan for each store. One third of the respondents said "Yes" (Figure 7). The higher the number of directly-operated stores, the higher the possibility of having a repair plan (Figure 8). This is probably because efficient repairs in line with the life cycle and age of the facilities are more important for multi-store retailers when controlling the budget and keeping the stores open.

Figure 7: Does the store have a repair plan? (Single answer, n=657)

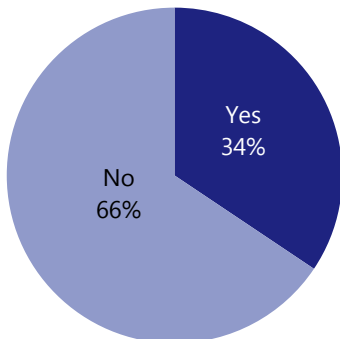
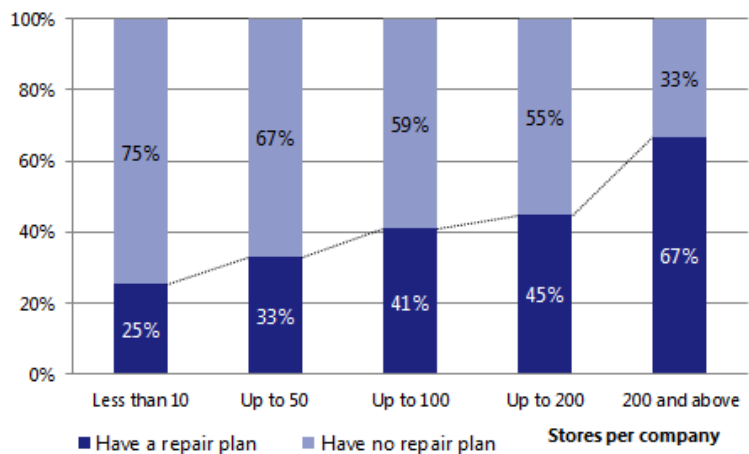


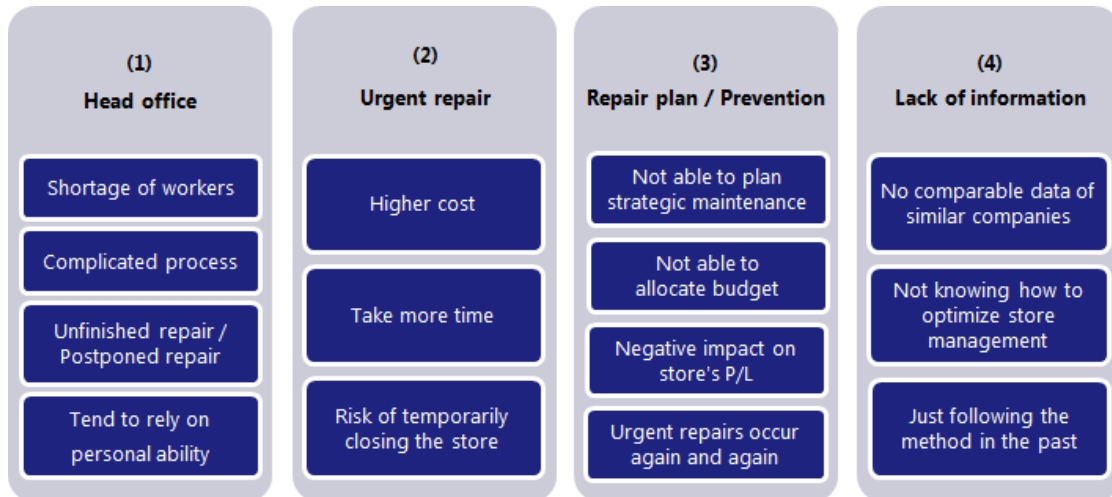
Figure 8: Number of Stores per Company and Repair Plan (Single answer, n = 649)



5. Findings from Survey and Interviews

Our retailer survey and interviews found problems related to retail space repairs. Figure 9 is the summary.

Figure 9: Problems related to Retail Space Repair



(1) Head office

Many stores are under a small group of the head office managers. When they are busy, some repairs may be left unfinished or postponed.

(2) Urgent repair

Urgent repair cost could be high, because it is urgent and arranging night-time repairs or obtaining competitive estimates may not be possible. Gathering the required information such as the product codes also takes time.

(3) Repair plan / Prevention

The importance of having a repair plan is recognized but it is difficult to see whether the prevention is reasonable because the facility registry and repair history have not been recorded properly. Therefore, making a repair plan and preventive repair is not possible.

(4) Lack of information

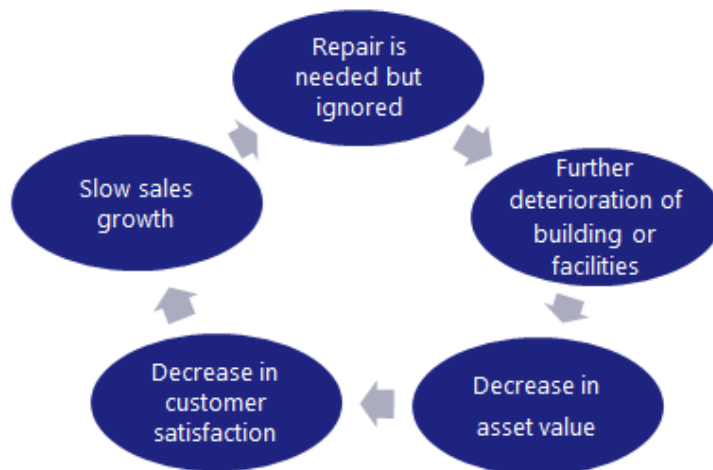
When managers think about how to optimize repairs, they fail to find good examples of repair plans or compare such plans.

When they were asked to write freely, a lack of information (the desire to know the approach taken by other companies) was the most popular reply among the respondents of the survey. Other answers were: Repairs are often postponed considering the balance between the repair and sales; repair costs are included in the income statement of the store therefore the repair is often performed later unless the impact on sales is great if not repaired soon; and the corporate management does not understand the importance of the repair.

On the other hand, our interviews revealed that retail companies active in repairs share some common awareness and policy. Ignoring a problem may risk further deterioration of the building and facilities and cause a decrease in the value of the asset. If the value of the building decreases, the customer satisfaction may also decrease and it affects the sales. Therefore, to avoid getting into downward spiral, such retail companies' management team is engaged in understanding the importance of repair and implementing the repairs (Figure 10). Although the details of the repairs differ company by company depending on the difference in the number of facilities that may affect the operation of the store or the difference in the corporate policy, companies active

in repairs are taking actions including collaborations with outside professionals, separating the repair cost from store's income statement, deciding who is responsible for what, preparing a guide and giving training to ensure the employees understand the repair policy and perform such repairs.

Figure 10: Downward Spiral of Repair



Study Overview

Period	July – November 2016
Intended Respondents	Of the goods sellers, restaurants and service companies targeting individual customers* ¹ , those earned the annual sales of more than JPY 3 billion in FY2015 were picked up. 4,879 companies* ² *1: The type of businesses in this survey is those occupying shopping centers, retail buildings or stand-alone stores (roadside). They were based on the industrial classification by Ministry of Internal Affairs and Communications of Japan. *2: The companies were listed up from the data of Tokyo Shoko Research.
Response	663 companies responded to the survey. (Response rate: 13.6%) 13 companies were interviewed.
Area	All across Japan
Method	Via postal mail, online survey and interview
Theme	I. Business and store II. About repairs III. How to perform repairs, more specifically

The full version of the report is available only in Japanese: <https://soken.xymax.co.jp>

For questions on this report, please contact us.

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