

## **Pop-up Retail Strategies in Omnichannel Context**



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# Part 1: Pop-Up Retail Basics

The first three chapters of this textbook will introduce readers to a history of pop-up shops, formats and functions to consider, along with omni-channel strategies for success.

# Chapter 1: History of Pop-Up Retail

## Chapter Overview

Temporary stores that create opportunities for customers to engage with a brand have been “popping up” in a variety of places for many years. Otherwise known as **pop-up shops**, this short-term retail format has a history that dates back many centuries to the earliest known travelling merchants. More recently however, starting in the early 2000s and growing significantly in popularity since, retailers and brand manufacturers have employed the use of temporary locations as part of an omni-channel strategy to build awareness, launch new products and increase sales by appealing to new customers.

**Pop-Up Shop:** a temporary location designed to engage customers directly for the purposes of generating brand awareness, selling seasonal goods, testing new products and markets or responding to local needs.

Academic research with a focus on pop-up retail has explored how the format may impact consumer attitudes and experiences with a brand. This chapter will introduce some of the earliest examples and newest concepts of pop-ups.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Identify the historical uses of pop-ups.
- Explain how pop-up shops have evolved to serve different purposes.
- Name potential uses of pop-up operations in other industries.
- Give examples of event-based pop-up practices.

### *Setting the Context*

#### **VIDEO**

The following video helps to offer some context to how pop-ups have changed over time with a hypothetical entrepreneur planning his business first as a traveling merchant with a horse-drawn wagon, to the same individual setting up a booth at a music festival, to the modern-day concept of a temporary store-within-a-store.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=20>

## 1. Historical Uses for Pop-Ups



Figure 1.1 Travelling merchant in Asia (source: Pexels.com)

### 1.1 Traveling Merchants

One of the earliest forms of retail trade involved caravans and travelling merchants who would regularly “pop up” in various locations, bringing with them exotic products such as spices, carpets, fashion and more to new markets across the continent European.

Similarly, during the industrialization of England, John Lie suggests that travelling merchants were important in expanding trade to wider geographic areas than would otherwise be served by traditional markets. He summarizes from Rowlands (1975) and Spufford (1984) that “...many of the leading industries of the Industrial Revolution, such as cloth and iron, relied on travelling merchants to find and create their ‘market’...”<sup>1</sup>. These merchants would visit different locations on a seasonal or periodic basis, expanding both the demand and distribution for goods that were not regularly available to most customers.

For many years, traditional **periodic markets** around the globe have provided an opportunity for travelling merchants and part-time entrepreneurs alike to sell everything from fresh seafood and seasonal produce to clothes and housewares. Often located in developing or rural areas, these markets have offered merchants a relatively low-cost way to visit and rent space in a new geographic area each day of the week, introducing new products and innovations to consumers.<sup>2</sup>



**Periodic Market:** a market that operates in a consistent location, typically for one day per week and often with a mix of seasonal and regular vendors, allowing farmers or travelling merchants to exchange goods that may not be otherwise available locally.

### 1.2 Farmers' Markets

The farmers' market is similar to an ongoing periodic market but typically operates in relation to the growing season of a geographic region. Providing an outlet for independent growers and producers of food items to sell directly to consumers, these markets may open for one day a week through the summer and fall with a combination of regular and short-term vendors in a dedicated area on a street, in a parking lot or at parks and open spaces such as rural fairgrounds. Shoppers can expect to find staple items including carrots, lettuce and tomatoes throughout the season, while other items such as blueberries, cranberries and squash with shorter harvesting seasons may be available exclusively during select months.



Figure 1.2 Entrance to a Farmer's Market

In a study about the history of farmers' markets in Canada, Michael Basil identified three distinct eras<sup>3</sup>. The first of these saw the introduction of European-style markets following immigration patterns during the 1800s through the turn of the century. A decline in farmers' markets corresponded to a rise in industrial farming along with a

growing dependence by consumers on general stores and supermarkets. However, a third era from 1970 onward began with the increasing popularity of consumers focused on the environment and eat-local movements.

Today, farmers' markets are often organized with support from the local chamber of commerce, business improvement area or community groups and serve as a temporary location for retailers with both traditional and innovative products. However, recent shifts in consumer interests toward experiences over products alone may help to re-shape some of the offerings at these markets. In a US survey of 19 to 29 year-olds, the majority expressed an interest in seeing festival-like events at farmers' markets. "87 percent would like to see cooking demonstrations...74 percent would like kid's events... Over half of the respondents (61%) would like to see contests, such as food-eating and raffles."<sup>4</sup>

Farmers' markets are already positioned to take advantage of green, organic and local food sourcing trends, but would do well to incorporate unique and constantly changing experiential events into the mix with an eye to attracting young adults along with traditional customers.

### 1.3 Seasonal Businesses



Figure 1.3 Halloween Pop Up Shop

Retailers of seasonal products such as calendars or holiday items for Valentine's Day, Halloween and the like will pop up each year in vacant shopping mall spaces, street front stores, kiosks or at events. In many ways, these pop-up stores operate as traditional brick and mortar retailers but for a limited time frame of a few weeks or months.

They may return to the same markets each year, but source new locations each time based on the availability of vacant spaces.

Spirit Halloween offers a good example of a seasonal pop-up retail format. Founded in 1983 and having grown to over 1,100 locations across Canada and the US, these stores operate from August to November each year and maintain a permanent website to sell costumes, decorations and accessories.<sup>5</sup> Halloween is one of several important events for traditional retailers that presents great opportunities for entrepreneurs and pop-up shops. Although this type of business is designed to continue each year on an ongoing basis, new temporary locations may be used each time based on the availability of vacant street front stores, mall space, and other appropriate sites in each market during the season.

#### Did You Know?

- Statistics Canada reported that candy sales for October 2016 were \$66.4 million higher than the monthly average.<sup>6</sup>
- That same year, a total of 63,945 tonnes of pumpkins were sold for a total of \$21.3 million, many for use as Jack-o-lanterns and holiday treats.
- The total value of Halloween-related sales is almost \$1 billion annually according to the Retail Council of Canada.<sup>7</sup>





Figure 1.4 Seasonal pumpkin market in a Montreal parking lot (CC-BY Sean Sedlezky, 2013)

## 2. The Evolution of Pop-Up Shops

### 2.1 A New Channel for Direct Engagement With Consumers

While many early examples of retailers “popping up” were temporary by virtue of the markets or seasons in which they were operating (e.g., periodic markets, holiday-themed products, etc.), the pop-up format has evolved to include a greater focus on the customer experience. This includes creating a sense of urgency and exclusivity for “limited time only” events or offering customers the chance to be first to buy new products. Developing business strategies for pre- and post-purchase brand experiences across channels beyond the physical shop itself is a key element of this evolution in the role of pop-ups.

One such evolution arose as pure-play online retailers began experimenting with pop-up models to engage with customers offline and in new ways. These initiatives were sometimes focused on the future by increasing brand awareness among consumers or testing the potential to open permanent physical stores, while others were opportunistic with plans to increase current transactions during select periods without the commitment of long-term leases.

Even giants of e-commerce such as Amazon have experimented with pop-up formats and, for more than a decade, eBay has implemented a number of pop-up concepts around the world. In 2004, the company created a truly omni-channel experience opening up its Manhattan “showhouse” to the public, which featured affordable housewares and decor that had been selected through eBay by eight top interior designers<sup>8</sup>. The house was part of an A&E television program and the items showcased were made available for purchase during a one week online auction for charity. Since that time, the company has opened pop-ups in locations around the world, featuring select categories or holiday-themed items, and demonstrating innovative uses for technology in-store.

National brand manufacturers, especially non-vertically integrated ones, also began to see that pop-ups offered an opportunity to create direct connections with consumers. Companies ranging from Samsung to Nike to Kraft have used this strategy to build awareness and excitement about new product launches, demonstrate technical features in fun ways and present their brand outside the confines of a retail partner.

#### Example

Check out this brief video of the KD Fun Shop tour in 2014 and see how Kraft Canada made the pop-up shop concept work.

### *2.2 Pop-Ups on Wheels*

The use of vehicles, shipping containers and other forms of mobile pop-up shops on wheels has been growing in popularity. Food truck-style pop-ups can be seen for categories that may have nothing to do with food, such as mobile fashion boutiques. And when food is the product, these trucks may include unique experiential elements like satellite televisions and roped patio areas beside the vehicle to show a sporting event or videos related to the festivals and markets where they park.

Rather than setting up shop in a vacant store or renting a space at a local market, businesses large and small may use a mobile store to take their product or services on the road, visiting different markets for short periods and sometimes with little to no advance advertising. These mobile pop-ups are a great way to incorporate the element of surprise and take advantage of unconventional opportunities to build a brand and generate buzz through unique offerings.





Figure 1.5 Toronto Fashion Truck (CC-BY Sean Sedlezky, 2015)

### Examples

Here are four examples of fashion boutiques on wheels from across Canada and the United States.

- Fashion Truck Canada (Toronto, Ontario)
- Mobile Boutiques Hitting the Streets of Denver (Denver, Colorado)
- Le Fashion Truck (Los Angeles, California)
- “In Pursuit” Fashion Truck (Saint John, New Brunswick)

### *2.3. Retailers Take Pop-Ups Beyond Their Own Walls*

In the early 2000s, retailers themselves began experimenting with the pop-up format as a way to create new and memorable experiences for their customers and re-energize their brands. Collaborating with featured designers or offering a sneak peek at new collections before their official launch catered to shoppers who seek opportunities to be the first to experience and own products before their peers.

Target Corporation was one of the earlier retailers to make use of the pop-up format on a grand scale across North America to highlight collaborations with popular designers, promote new store openings and create memorable experiences that coincide with the launch of new product lines. Two such examples include a New York City pop-up in the fall of 2003 featuring a new women's apparel collection by Isaac Mizrahi and the **Bullseye Inn** that was launched in spring 2004 as a unique way to present new summer items leading up to July 4th.

### *2.4 Extending Store-in-Store Concept to Pop-Ups*

Short-term pop-ups within traditional stores are another evolution of the format for retailers and manufacturers alike. The store-within-a-store concept is well known to shoppers, particularly in major department stores. However, extending this idea to shorter-term concepts, retailers may choose to host a pop-up within their own space for a number of reasons.

Creating a sense that shoppers can expect to find something new and exciting may help to increase traffic to the rest of the store. Partnering with key suppliers may offer enhanced opportunities for consumer education about products without requiring additional staffing/training by the store. Featuring items by local or well regarded retailers in non-competing categories may help to enhance the image of the host retailer. Amidst a shift to downsizing retail footprints, offering internal space to pop-ups can create additional revenue streams to the retailer in the form of new rent, increased foot traffic and as a draw for customers to return regularly and see what's new in-store.

### *2.5 Evolution From Pop-Up Shops to Pop-Up Malls*

As illustrated already, pop-ups and markets often go hand-in-hand with farmers' markets, craft markets, holiday markets and more. The next evolution in this area may be the appearance of "pop-up shopping malls" such as those developed by Boxpark in England.

Originally established in 2011, the concept delivers a variety of shopping, entertainment and food experiences with a street front atmosphere built around reimagined shipping containers. At the time that the concept launched, Jay Ryu noted that the pop-up mall uses community space and provides a lower cost alternative for brands to set up a physical store. He also suggested that, "Since the pop-up shopping mall is a collage of movable shipping containers, it can easily travel from one location to another and one foreign market to another."<sup>9</sup> In theory this is true, but in practice the Boxpark model since then has been to establish additional shipping container malls in new locations rather than closing and moving the original mall from place to place. However, individual brands such as Puma have used this model to create an experience around their brand featuring cafes and showrooms constructed from multiple shipping containers that travel to different locations.

## 2.6 Community Revitalization

As communities, neighbourhoods and the demographic mix in an area change over time businesses may move away, leading to vacancies in street level retail spaces that can pose several challenges. Having too many empty storefronts in one area may contribute to a cycle of lowering foot traffic, increasing safety concerns, and negatively impact property values along with the overall sense of community among residents. In 2008, the Renew Newcastle project in Australia began “connecting people with vacant spaces”<sup>10</sup> in underutilized neighbourhoods to address these types of challenges and has since been a model for others to replicate around the world – including in Canada by the Danforth East Community Association.

## 3. Pop-Up Operations in Other Industries

### 3.1 Travelling Cinemas and Theatre Shows

Pop-up experiences centred around watching films away from a traditional movie theatre have taken shape in two distinct ways over the past century. In urban and suburban areas, hosting an outdoor film festival or movies in the park on summer weekends is a way to build community engagement while sometimes attracting pop-up vendors with food and complementary items available for sale on-site. Travelling cinemas, similar to a travelling circus, are another example where film and a pop-up format are combined to bring the movie watching experience to people in rural areas.

#### Example

The Cinema Travellers is a documentary film that was released in 2016 and tells the story of how showmen bring mobile movie experiences to rural communities in India.

- Visit the film’s official website.
- Watch the BBC’s Tom Brook report on the film.

Travelling theatre companies follow a similar model and besides the traditional village theatre stage, some bring particularly novel ideas to pop-ups in select communities. The Amara Zee Caravan Stage Company travels and hosts its own performances on a 90-foot tall ship that has sailed to ports from North America to Europe bringing live tales to coastal audiences.<sup>11</sup> The Smile Theatre company, on the other hand, was created as an official charity to help enrich the lives of seniors by travelling to and performing for those living in extended care communities.<sup>12</sup>

### 3.2 Tourism Pop-Ups

There is some debate about the degree to which consumer spending has recently seen a shift away from accumulating products and toward finding new experiences. However, tourism in Canada generates close to \$16 billion annually<sup>13</sup> with only one-fifth of that coming from in-bound tourists.

As people seek more weekend vacations, road trips to unique destinations and high end restaurants by making



spontaneous decisions without long-term plans, many travel and tourism related businesses use a pop-up strategy to sell tickets and vacation packages. In an attempt to attract more international tourists to visit Canada, the consulate in Macao launched a pop-up in 2016 to attract and inform people in Hong Kong about the opportunities to visit, invest or live in Canada.<sup>14</sup> This temporary form of tourism promotion is one more example of how pop-up formats can be tailored to go where a particular target market is located.

**Planned Spontaneity:** involves planning to make spontaneous decisions to go somewhere or do something (e.g., weekend getaways) rather than booking a trip or reservations well in advance.<sup>15</sup>

## 4. Event-Based Pop-Up Practices

### 4.1 Fairs, Festivals and Concerts

Cultural events, food festivals and concerts offer another platform for pop-up vendors to promote their brands and bring their wares to consumers while contributing to the creation of a unique overall experience.

The organizers of arts and food festivals along with the regions that host them often recognize that such festivals create value to multiple stakeholders, but measuring the economic impact is sometimes difficult. In Australia, the “Arts Victoria Do-it-Yourself economic impact assessment kit (DIY kit)” was developed using an input-output analysis model that is simple enough for small- to medium-scale events to use and showed the first seven that were tested led to economic benefits from \$26,000 to \$3.3 million depending on their size.<sup>16</sup> This type of tool may help festival organizers to better market their event to potential sponsors, pop-up vendors and consumers at large.

Much like festivals, concerts that are held outside of traditional stadium venues often attract a range of pop-up vendors in addition to offering merchandise for sale by the musicians and artists performing. More recently, major recording artists have been extending the pop-up model to create a temporary store for their concert merchandise in a location that is accessible to fans who are unable to attend the show. Kanye West is likely the most successful example of this after launching his pop-ups in 21 international cities to coincide with the St. Pablo world tour.<sup>17</sup> These superstar-driven models present an element of exclusivity and extend their ability to sell more merchandise directly to consumers.

### 4.2 Warehouse Sales

While at first warehouse sales may not sound as exciting as some of the modern experiential pop-up shop concepts vying for the attention of today’s consumers, when done well, this format can serve as an effective component of a retailer’s strategy while engaging consumers in a new way. Retailers from Aritzia to Nordstrom host warehouse sales to clear end-of-season inventory at a location outside of their traditional stores and consumers may benefit not only by saving money, but also through the hedonic value of hunting and finding a great deal to share with their friends. Arnold and Reynolds describe value shopping as an experience “almost as if shopping is a challenge to be ‘conquered’ or a game to be ‘won’”.<sup>18</sup> Retailers who approach the warehouse pop-up with this in mind may have a perfect format to integrate into their social media strategy, encouraging shoppers to share their wins with friends and in turn increase the brand’s reach beyond the event itself.

### 4.3 Craft Shows

Craft shows are another example of a type of marketplace with a long history as a platform for pop-up vendors, particularly independent artisans. Toronto’s “One of a Kind Craft Show” dates back over 40 years to 1975 and now features over 800 “makers” and small business owners during an 11-day event where shoppers pay up to \$15 each for admission before even making a purchase.<sup>19</sup> While this is an example of a grand scale show, some holiday markets may feature only 20-30 vendors and consumers may find similar events throughout the year in their own towns and cities to suit their personal tastes and preferences.

Tieman and Barbour note that in the US, there are thousands of craft shows and fairs that may range from a single day to a week or longer and each has a distinctive feel that is often targeted to either style-conscious shoppers or those who are value and price-focused.<sup>20</sup> This distinction is important, as any retailer knows, because considering the right location to pop up depends on knowing where your primary customer is likely to be.

### 4.4 Fashion Weeks

In the minds of many, pop-up shops are intrinsically linked with fashion. Major fashion week events around the globe attract media, sponsors, celebrities and yes, associated pop-up vendors. Increasingly, these events are being used by major brands from Maybelline to Kendall and Kylie Jenner as a platform to present more ready-to-wear and ready-for-sale items to consumers beyond the couture collections of the runway.<sup>21</sup>

#### Example

Watch how a Maybelline pop-up shop came together for NYC Fashion Week.

#### Key Takeaways

In this chapter, you learned:

- about the history of the temporary store or pop-up format ranging from markets and travelling merchants to the evolution of the concept into an important part of a marketing strategy for large brands, online retailers and entrepreneurs
- how pop-ups are used by different industries, such as travel and tourism, in addition to the typical retail/consumer products industry
- some examples of linking a pop-up initiative to a larger event or marketplace rather than a standalone shop

Key Terms:

- Pop-Up Shop

- Periodic Market
- Planned Spontaneity

### Mini Case Study

#### Office Shop

##### **Situation:**

A large office supply retail chain has hundreds of traditional stores; however, due to the growth in online shopping, the wide distribution of their target market and other major factors, fewer and fewer people are actually walking into their retail stores. Additionally, many of their marketing campaigns, including heavy discounts on certain items, have not converted into additional foot traffic and sales.

The retailer needs a new, innovative, low-cost, repeatable, attention-grabbing method to reach out to potential customers, and draw them into their retail locations.

##### **Solution:**

Large retailers are used to dealing with overhead costs and traditional marketing such as radio, newspaper, television and online advertisements, most of which can be expensive. However, they are usually less familiar with operating small or temporary locations (such as a pop-up shop) as a means to meet their marketing goals. A satellite location that is mobile, easy to set up and take down, can move locations and adjust its message and content can be a low-cost, highly visible, and strategically innovative way to reach new customers. Pop-up shops offer major retailers and brands the opportunity to invest relatively little into a temporary location that can serve as an awareness and marketing tool, help reach new markets, be flexible and repeatable – and even travel across the country.

##### **Results:**

The Office Shop pop-up was a major success. Its location was in the heart of a major city unlike typical Office Shop locations that are scattered throughout the suburbs. This strategy enabled the business to reach a whole new target market, namely those in the downtown core who had limited prior knowledge or motivation to visit their bricks-and-mortar stores in the suburbs.

In addition, the pop-up demonstrated a variety of items that may surprise and excite customers. Having a traditional image as a provider of office technology, paper, and pens, Office Shop chose to feature products that were very colourful in unique and engaging ways. There was a video game area that customers were encouraged to try, colouring and crafts sections with live classes for parents and children and even a sample dorm room to illustrate the options available for college and university students to decorate beyond the typical office furniture that one may expect.

Most people who visited were pleasantly surprised to learn about the products offered at Office

Shop and the initiative led to an increase foot traffic and sales at their large permanent stores. Additionally, the pop-up was dismantled and readied for its next location in the near future.

**Consider the following questions:**

1. Identify some potential objectives and formats for Office Shop’s pop-up shop.
2. How might using a “pop-up on wheels” help Office Shop to reach their marketing goals?
3. How could Office Shop use traditional marketing in conjunction with their pop-up shop?

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# Chapter 2: Formats and Functions of Pop-Up Shops

## Chapter Overview

Over the last few years, pop-up retailing has gained popularity among retailers, from large international chains to small start-ups. As a temporary retail phenomenon, pop-up stores have emerged in shopping malls, urban street fronts, central business districts of small communities and other vacant spaces. Experts predict that the growth of the pop-up retail format in Canada will continue to gain momentum into the future, and that 2018 is the “Year of the Pop-Up”.<sup>1</sup>

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Recognize and describe the different formats of pop-up shops
- Identify how pop-up shops are used as a marketing and communication tool
- Explain how pop-up shops may be used as a market entry tool
- Give examples of how pop-up shops may be used for inventory liquidation

### *Setting the Context*

#### **VIDEO**

The following video presents a fictional meeting between a consultant and an entrepreneur who sells loose leaf tea online, but who wants to use a pop-up strategy to test the possibility of opening a permanent location, while building awareness about the brand and a great experience for new customers.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=22>

## 1. Pop-Up Shop Formats

### 1.1 Consumer Motivations & Pop-ups

From a customer's perspective, a pop-up shop can be intriguing because its temporary presence creates a sense of urgency, making the customer feel that they should shop before the pop-up shop disappears. Businesses interested in leveraging the pop-up retail format, however, must think, plan and execute their pop-up store operations strategically. An important aspect to consider is consumer **psychographic characteristics**, which include those related to "individuals' values, attitudes and lifestyles".<sup>2</sup> Many studies have assessed the effects of psychographic attributes on various aspects of consumer behaviours, such as retail format choice<sup>3</sup>, online auction behaviour<sup>4</sup>, shopping orientation and product/brand preferences<sup>5</sup> and decision-making styles<sup>6</sup>.

**Psychographic Characteristics:** an individual's values, attitudes and lifestyle

When planning a pop-up retail experience, research suggests focusing on these three psychographic factors: consumer innovativeness, market mavenism and shopping enjoyment.<sup>7</sup> These factors may help drive the choice of pop-up format to implement.

Consumer innovativeness refers to a customer's predisposition to seek out new and different products/brands and/or shopping experience rather than simply adhere to routine consumption patterns.<sup>8,9,10</sup> The unique and novel aspects of pop-up shops, such as limited-time operation, non-conventional location/store atmospherics and guerilla marketing approaches are appealing to innovative consumers due to the sensory stimulation provided in the shopping experience.

Market mavens are those influencers in marketplaces “who have information about many kinds of products, places to shop, and other facets of markets, and initiate discussions with consumers and respond to requests from consumers for market information”.<sup>11</sup> In the world of digital communications, they are sometimes referred to as “Local Guides” as they are active reviewers of a large quantity and variety of products/services in the marketplace. Market mavens are of critical importance to pop-up retailers, who usually rely on word-of-mouth to promote a pop-up shop. In order to leverage market mavens, pop-up retail strategy should always include a devoted effort to monitor and manage social media communications.

Shopping enjoyment is a key factor that affects a customer’s acceptance of pop-up retail.<sup>7</sup> A customer may derive pleasure from the entertainment, experiential, educational or interactive aspects of a pop-up shopping experience. The excitement of finding bargains may also contribute to a customer’s positive perception of a pop-up store.

## 1.2 Experience Co-Creation Map

Pop-up shops, as a new means of communication and type of distribution channel, offer great potential for value co-creation between a company and its customers.<sup>12</sup> As Figure 2.1 below shows, pop-up shops provide the company with the ability to:

- learn directly from customer behaviour
- test new offerings
- build deeper relationships and trust with the consumer
- increase and maintain grouping and community



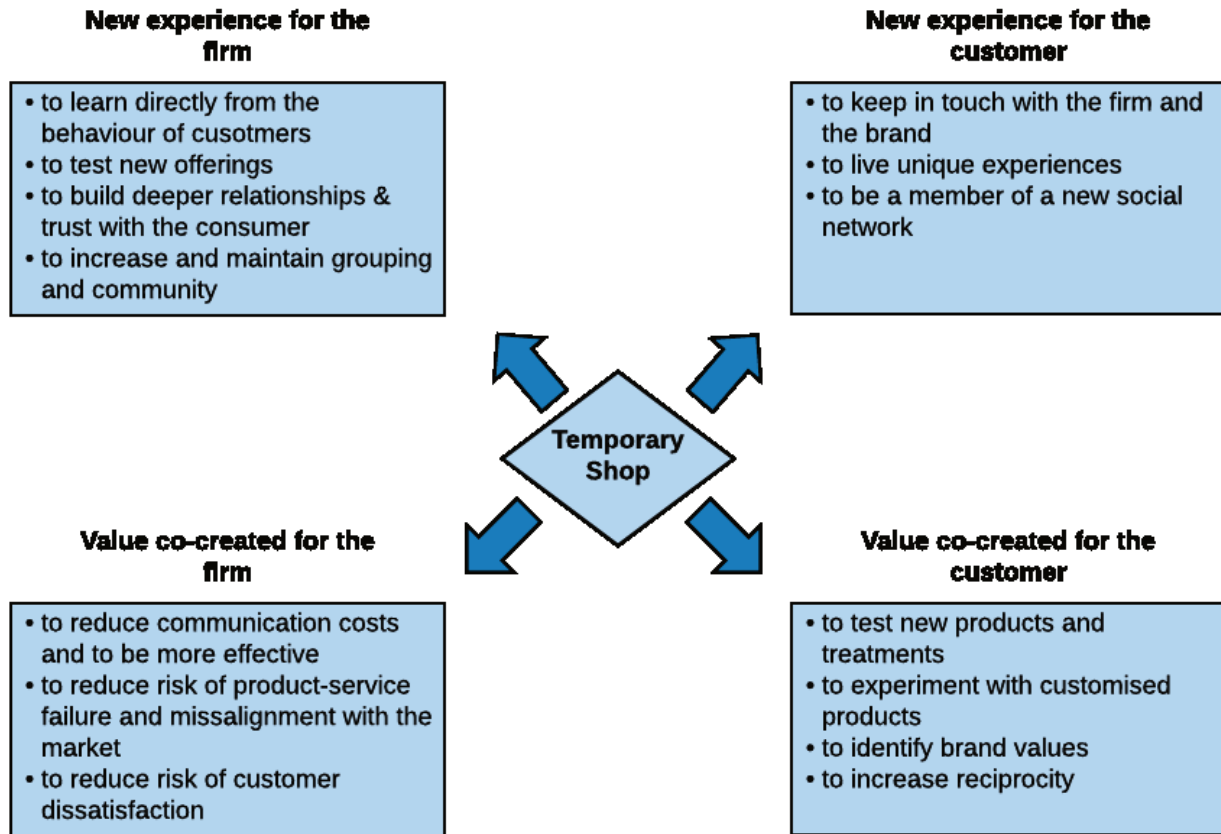


Figure 2.1 Experience Co-Creation Map (adapted from Spena, Caridà, Colurcio, & Melia, 2010)

For customers, the pop-up shopping experience enables them to:

- keep in touch with the firm and brand
- have a unique experience
- gain membership to a new social network

Through pop-up operations, values co-created for the company are:

- reduced communication costs and more effective communication
- reduced risk of product-services failure and misalignment with the market
- reduced risk of customer dissatisfaction

Pop-ups also co-create values for the customers, such as the ability to:

- test free products and treatments
- experiment with customized products
- identify with brand values
- increase reciprocity

**Value Co-Creation:** the process by which consumers and pop-up shops develop relationships and experiences together.

In the value co-creation context, a pop-up shop is viewed as “a place of consumption, experience, customer interaction and cognitive and sensory involvement”.<sup>12</sup> Thus, pop-up shops promote a two-way learning process between the company and customers. Through the process, companies get to develop more effective and customized relationships with customers, while the customers internalize their experiences with the company through high levels of involvement and participation.<sup>12</sup>

### 1.3 Typologies of Pop-Up Shops

Pop-up shops have been implemented in many different ways. Due to their temporary nature and short time span, pop-up shops face challenges and constraints in terms of limited budget, space availability, space setup, merchandise assortment selection and other factors related to operation and logistics. Meanwhile, pop-up shops also provide opportunities for new product/service incubation, inventory liquidation, as well as customer engagement. There are a few ways to categorize pop-up shops, based on design/structure, mobility/location and objectives.

#### 1.3.1 Design/Construction

**Short-Term Standalone Store:** usually mobile or fixed, and oftentimes by an individual brand. May be located in an indoor structure, such as a mall or community centre, or outdoors. For example, Samsung created a short-term standalone pop-up store to promote the launch of the Galaxy S3 phone leading up to the holiday season. Billed as a “Premium Pop-up Experience”, this movable structure with two-way mirrored glass provided consumers a chance to interact with innovative Samsung solutions using the features of the Galaxy S3 phone. The design reflected the brand as a pop-up.

**Short-Term Kiosk:** often in the form of a cart, which is a non-permanent and portable unit designed to fit small spaces, and usually placed in a high traffic area. For example, the Barefruit Juice kiosk pictured here is situated under an escalator.

**Pop-In Store:** appears to be a “store-within-a-store”. For example, Google opened a pop-up within a PC World store in London to promote Chromebooks and related accessories for 3 months leading up to the holiday season.

**Invisible Pop-Up:** using augmented reality and geo-location technologies, businesses take a scavenger hunt approach to allow shoppers in the designated area to use their own mobile device to order virtually available merchandise for a limited time.

#### Example

##### **Video**

As you’ll see in the brief video, **Airwalk created a virtual pop-up shop** in New York City

and Los Angeles for mobile-equipped consumers to pre-order special edition items. It generated \$5 million in press, resulted in the busiest day for their e-store and re-established street culture.

**Virtual Wall:** a wall or floor in a high traffic area that is turned into a virtual catalogue page with 3D images of popular merchandise to bring QR-based shopping to life. Virtual walls allow shoppers to purchase select items using their mobile phones to scan a QR code from the walls and/or floor. For example, Walmart and Mattel formed a partnership and created virtual walls and floors for about four weeks leading up to the holiday season in Toronto’s Union Station and PATH as well as other locations in Vancouver and Montreal.

**Collaborative Pop-Up:** usually organized by a third-party company or trade association who rent short-term common area space and find small independent businesses to sublease the space as a co-op. The independent businesses oftentimes use the opportunity to test the market, promote brand awareness and expand their customer base with a goal to open a permanent kiosk of their own. For example, the Westfield shopping centre in Australia has created a collaborative pop-up space to incubate emerging designers, which in turn, adds diversity to the mall’s offering.

### 1.3.2 Mobility/Location

**Guerrilla Store:** its name comes from “guerrilla marketing”.<sup>13</sup> A guerrilla store tends to employ non-conventional less costly guerrilla tools, “such as stickering, advertising on public transport, public relations, as well as mobile technologies using email and social networking sites”.<sup>14</sup> Guerrilla stores are oftentimes strategically located in atypical urban settings, such as in front of a church or an art gallery, to engage the customers in a novel, hedonistic and exclusive shopping experience.<sup>14</sup>

**Nomad Store:** a pop-up shop that is mobile. A nomad store often uses a van, shipping container or store-on-wheels format (e.g., portable kiosk) and re-locates frequently. For example, Puma has 24 shipping containers that they send around the world, some of which combine and open up into a 3-story shop, cafe and office space.

**Pop-Up in Shopping Malls:** can be a short-term standalone store or a kiosk located in a high traffic area inside a shopping mall. For example, this Momo kiosk or standalone store is set up in the atrium of a shopping centre in Hong Kong and is made of recycled materials with apparel for sale on the inside.

Some independent retailers or small retail chains also take advantage of a short-term vacant store space in a shopping mall and operate a pop-up shop. In this case, the pop-up shop is not a permanent tenant, but holds a lease of a few months to a year at a significantly discounted rate. In other situations, a brand might use a pop-up shop as a marketing tool to bring awareness to its target customers while a long-term retail operation is in preparation. For example, Moose Knuckles launched its pop-up shop in Yorkdale Shopping Centre in Toronto, Ontario, Canada, a few months before opening its permanent branded store in the same shopping mall.



Figure 2.2 Moose Knuckles's pop-up store in Yorkdale Shopping Centre (CC BY – Hong Yu)

**Event-Driven Pop-Up:** format used by retailers for special events, such as the celebration of a milestone for the company, new product launches, etc. For example, ALDO is known for operating pop-ups within international department stores like Galeries Lafayette in Paris and Selfridges in London. But for their milestone anniversary, they turned their own Montreal flagship store temporarily into an event space to promote the vision, history and core values of the company and featured several speaker series for consumers to hear from the company's founder, designers, stylists, fashion editors and more along with hosting a DJ'd cocktail party at night.





Figure 2.3 ALDO Turns 40, Pop-up Event Within a Store (CC-BY Sean Sedlezky)

### 1.3.3 Objectives

Warnaby et al (2015) identified some strategic objectives that pop-ups might set out to achieve.<sup>15</sup> We have added one further type of objective: institutional. This recognizes that institutional pop-up programs may serve an important additional objective where not-for-profit organizations and communities develop plans to revitalize economic engagement within a specific area by attracting and promoting multiple pop-up shops.

1. **Communicational:** Pop-up shops with a primarily communicational objective focus on creating brand awareness, enhancing brand identity and influencing brand perception. Selling may be part of a communicational pop-up shop but it's of significantly lesser importance. Companies also set up this type of pop-up shop to communicate key brand messages, such as a celebration of a company milestone, a new product release or a major event (e.g., Fashion Week). For example, to celebrate National Chocolate Day, Hershey's operated a 10-day Chipits Bake Bar pop-up in Toronto, where people could design and take home their own free cookies. Furthermore, Hershey's donated a meal to the Daily Bread Food Bank for each pack of cookies distributed.
2. **Experiential:** Pop-up shops with an experiential objective devote significant effort to facilitating brand-customer engagement. The operation of experiential pop-up shops is usually an integral element of a firm's marketing plan to build a brand community. Through a pop-up environment, customers get to interact with a brand and products in a direct and more intimate fashion. Experiential pop-up shops enable customers to learn more about the brand culture by immersing themselves in a carefully

- designed and executed pop-up experience, and to develop and enhance brand value perceptions through observing demos and being involved in trials and tests. One example is the pop-up IKEA cafe.
3. **Transactional:** Pop-up shops with a transactional objective relate to the economic dimension of commerce activities, where sales are at the core of business operations. A good example of this type is Halloween and Christmas stores where merchandise sell-through is the main goal. In addition, transactional pop-up shops are often used in beauty, fashion and accessories and home furnishing sectors to clear out inventories of the past season at significantly discounted prices and they are commonly referred to as “warehouse sales”. Transactional pop-up shops usually utilize vacant streetfront locations in urban settings, a firm’s warehouse or a massive showroom/exhibit hall in a conference centre or fairground. What motivates customers are the opportunities for exposure to wide and deep product assortments and the excitement of “bargain-hunting”.
  4. **Testing:** Pop-up shops with a testing objective emphasize gaining shopper insights and testing markets’ responses to new products/brands. They are a relatively low risk and low cost option for companies to enter into a new market or launch a new product/brand that may lead to changed consumer habits. An example is when Well.ca, as an Internet pure-play company, opened a bricks-and-mortar pop-up shop to explore the potential of new distribution strategies in the marketplace and gain insights on shoppers’ cross-channel shopping behaviours.
  5. **Institutional:** An institutionally organized pop-up shop program contributes to revitalizing local communities and promoting economic redevelopment of the area while creating conditions that help to satisfy the business objectives of individual brands or retailers that participate in the program. This institutional objective has been used as a way of leveraging pop-up shops to reduce vacancy rates of commercial districts in neighbourhoods, re-engage local customers and stimulate the economies. These programs are often part of a community-building, not-for-profit initiative and supported by local shopper loyalty. One such project has been successfully implemented by WoodGreen Community Services along with the Danforth Avenue East Community Association (DECA) in Toronto. The Pop-up Shop Project resulted in 32 pop-up shops since December 2012, 15 stores leased, 100% of participating landlords recommend the project to others, and 6% commercial vacancy rate down from 17% in 2012. Pop-up shops can also play a vital role in community recovery after natural disasters. On February 22, 2011, a major earthquake destroyed a key shopping centre called CityMall in Christchurch, New Zealand. To keep retail alive in the area, a temporary mall named “Re:START” opened its doors only eight months after the earthquake with the original intention to operate for only six months. This pop-up mall was made with shipping containers and was comprised of restaurants, fashion retailers, a supermarket and even banks.<sup>16</sup> This temporary pop-up mall became a great tourist destination, and after five and a half years of operation, it eventually transformed into a permanent mall, the Container Mall on Riverside<sup>17</sup>.

## 2. Pop-Up Retail as a Marketing and Communication Tool

### 2.1 Pop-Up Retail Affects Brand Image

The temporal dimension, the promotional emphasis and the experiential emphasis are three key characteristics of pop-up retailing.<sup>18</sup> The experiential-oriented brand-customer interaction within a temporary pop-up shopping

setting can influence customers' perception of the products and retailer brand. In the context of omni-channel retailing, most customers are involved in multiple channels during their shopping journeys on regular basis and cross-channel shopping is common. Hence, a customer's prior experience with the brand/retailer in other channels can influence their perceptions of the pop-up shopping experience and vice versa. If a pop-up shop is a customer's first encounter with a brand, then perceptions of the pop-up shopping experience will play a critical role in creating awareness and developing an overall brand image. For well-established brands, retailers can leverage pop-up shops to enhance brand perceptions and test brand images in newer markets. However, it's worth noting that a customer's prior knowledge of the brand influences their expectations of the physical attributes of the pop-up store and the kind of experience they expect to receive within. Dissonance between the expected and actual experiences can result in damage to brand perception.

## *2.2 Pop-Up Retail Impacts Word-of-Mouth*

The pop-up retail phenomenon "can be seen as one aspect of a broader trend towards unconventional forms of brand promotion"<sup>19</sup>: word-of-mouth. Traditional methods of marketing and communication, such as the classic TV commercial, radio ads, billboards, magazine ads, etc., primarily follow a push model where customers are passive receivers. The one-way promotion protocol has faced challenges of audience fatigue and indifference. In the age of experience economy, consumers are no longer only users of products and services. They expect to take on an active role in the production and distribution<sup>19</sup> through participating in the processes of branding and promotion.

Word-of-mouth, as an unconventional marketing method, provides the opportunities customers want. In addition to interpersonal communication in the physical world, consumers can also engage in word-of-mouth communication in the digital world. They can post reviews, pass on advertising they find interesting, share their experiences with products and services and respond to others' thoughts, in public or within their virtual communities. Pop-up stores, as a marketing method connecting communication and selling<sup>19</sup>, oftentimes are associated with "viral", "buzz", "guerrilla", "experiential", "tribal" and "environmental" marketing<sup>20</sup>, which are forms of word-of-mouth communication and as such, have significant impact on brands/retailers. In an empirical study, Klein et al (2016) investigated the linkage between pop-up brand stores to brand experience and word-of-mouth in the context of luxury retailing in the US and the UK. They found that the pop-up store's hedonic shopping value, store uniqueness and store atmosphere positively influenced consumers' word-of-mouth intentions towards the brand. This supports the claim that pop-up stores are an effective experiential marketing tool to increase customers' brand experience and positive word-of-mouth towards the brand.<sup>21</sup>

## **3. Pop-Up Shops as a Market Entry Tool**

### *3.1 Test New Products*

A pop-up store offers unique and highly experiential experiences to customers. Research shows that aspects that attract a consumer to a pop-up retail operation include the following:

- **Product Novelty/Uniqueness:** factors related to an exciting shopping environment, new, unique and exclusive product/brand offering, opportunities to learn about the products/brands being offered
- **Facilitators of Purchase Decisions:** factors related to the return policy and service protocol of pop-up

stores

- Product Trial and Unique Experience: factors related to unique and novel shopping experiences and opportunities to receive free samples and try out brands/products.<sup>22</sup>

The pop-up customers' expectations provide golden opportunities for businesses to use pop-up retail operations as a prime vehicle for testing new products/brands and/or new business strategies. Because new product/brand/service offerings often require changes in shopping/consumption behaviour, pop-up shops allow retailers/brands to gauge the market's reactions without having to incur significant investments.

### ***3.2 Attract New Target Market***

Pop-up stores can also help retailers/brands attract new target markets. Niehm et al (2007) found that although young people and females of all ages are the core target market for pop-up stores, there is potential for a much wider audience. When attempting to expand its customer base, a company needs to raise awareness and address the customers' needs for novelty, innovation and trial. Pop-up shops provide the opportunity for the company to experiment and learn with reduced risk. In recent years, many businesses have used pop-up stores as a mode for entering foreign markets. In this case, pop-up stores serve as a cost effective way to explore the foreign market and test its acceptance of products/brands and/or a retail concept. Picot-Coupey (2014) identified three motivating factors for businesses conducting international pop-up retail operations:

1. testing and adapting the brand and the retailer's concept to foreign consumers who are unfamiliar with it
2. raising and sustaining the international profile of a retail brand
3. developing relationship networks with stakeholders in foreign markets

International pop-up retail operations can be a first step for a business to establish its long-term and permanent presence in a foreign market.<sup>23</sup>

### ***3.3 Set Up Omni-Channel Retail Operations***

In the context of an omni-channel retail environment, pop-up shops are often included as one of the channels through which customers engage with a retailer or manufacturer brand. Research shows that consumers consider each channel of an omni-channel retailer as a holistic and complementary experience.<sup>24</sup> The cross-pollination of channels and shoppers is a critical factor for retailers to develop strategies to achieve customer satisfaction and loyalty. In other words, customer satisfaction is no longer built upon on evaluation of just one channel, but is an accumulated assessment of the experiences encountered in the multiple channels used, such as bricks-and-mortar locations, e-commerce, and pop-up shops.<sup>25</sup> Pop-up shops, as a unique distribution channel, should be strategically implemented to enhance customer retention and participation in other channels.

## **4. Pop-Up Shops for Inventory Liquidation**

Pop-up shops as a means of inventory liquidation is mostly seen in the beauty, fashion and accessories and home furnishing sectors, as it's a common practice for these sectors to clear out past seasons' inventory so stores have room to bring in fresh merchandise. Often referred to as a "warehouse sale" or "sample sale", the pop-up stores



can be run by the brands themselves in a select store or a company warehouse location. In this case, the sales are normally with limited assortment/brands. They could also be planned and implemented by a third-party agency who specializes in inventory liquidation sales. In this case, the sales usually include multiple brands and product categories and take place in a massive showroom/exhibit hall in a conference centre or fairground. When selling the end-of-season inventory at greatly discounted prices, a pop-up retail operation is a most appropriate choice. Due to its temporary nature, it communicates a sense of urgency (i.e., buy now or it's gone) and provides a unique hedonic shopping experience (i.e., the excitement of “bargain-hunting”). Meanwhile, inventory liquidation pop-up sales also enhance sustainability (by reducing waste) and democratize consumption (by making goods more accessible to more people).

### Key Takeaways

In this chapter, you learned:

- about the psychographics of pop-up customers and how pop-up retailing offers great potential for value co-creation between the company and customers
- how different pop-up shops can be categorized
- what functions pop-up retail can serve

Key Terms:

- Consumer Psychographics
- Value Co-Creation

### Mini Case Study

#### **ABC Inc.**

#### **Situation:**

A European garment/swimwear manufacturer, ABC Inc., has no physical store, but wants to increase their marketing efficacy to gain awareness among their target audience. They have a limited budget and need to initially grow organically before considering major expansion.

ABC Inc. decides to take the pop-up shop route on their way to reaching their goals. With a pop-up shop, they could strategically invest their resources, and control both the overhead costs of the endeavour, as well as the market that is targeted. Yet pop-up shops can be risky ventures and popping up in various cities and towns across the country, at various times, and for varying durations can be costly and fraught with risk.

Additionally, ABC wants to know more about the major shifts in market trends, while making more people aware of their products. They need a way to both get their name out there and gauge their market to help predict future trends.

**Solution:**

ABC used their resources to open several pop-up shops with both a small format and large format. They used a communicational objective, focusing on awareness and communicating their value proposition rather than immediate sales and transactions. This strategy kept their costs down and allowed them to add a client-experience focus to each pop-up. ABC had potential clients trying on their apparel at the pop-up shops without the pressure to buy on the spot.

**Results:**

With a communicational pop-up strategy, ABC used an agile and focused platform to reach their target market, set up shop in their preferred areas and events, increase their awareness, gain insight into customer needs all toward creating more effective marketing plans in the future. The pop-up shops helped facilitate their intended organic growth, and has morphed into an asset, rather than a temporary cost

**Consider the following questions:**

1. How might ABC Inc. go about identifying and understanding the best locations to set up and reach their target market?
2. ABC Inc. utilizes a two-part format for their pop-up strategy. List these parts and explain why each is important or necessary.
3. How can ABC Inc. use their pop-up shops to expand into new markets with a direct-to-consumer model or in partnership with boutiques?

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# Chapter 3: Omni-Channel Pop-Up Shops

## Chapter Overview

In many cases, pop-up shops may be treated as standalone events for independent retailers and major brands alike. However, the potential value of this retail format extends beyond a simple one-time opportunity to engage with customers in a specific market. Integrating a pop-up strategy into any on-going consumer business can be an effective way to generate excitement and drive interest among new and returning customers across multiple traditional and online channels.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Recognize differences between operating single location vs. multiple pop-up retail shops and channels.
- Identify the functions and uses of pop-up shops in omni-channel environments.
- Demonstrate impacts of a pop-up shop on an omni-channel retailer.
- Identify implications of each consumer touch point in an omni-channel pop-up retail environment.

### *Setting the Context*

#### **VIDEO**

The following video helps to set the context for the chapter with some considerations for integrating multiple channels with a pop-up shop strategy, which could include social media, an e-commerce site, direct marketing, etc.

In this example, a fictional entrepreneur who sells wigs and hair care products online meets

with a consultant in an empty store space where she plans to open a pop-up. Her objective is to sell products but the consultant encourages her to consider how to use other channels to help drive customers to the pop-up as well as staying engaged with her business online post-purchase or after the temporary shop closes.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=24>

## 1. Pop-up shops for online-only, single or multi-location retailers

Depending on the current state and future plans of a consumer business, an omni-channel strategy may take various forms.

- For pure play e-commerce retailers, running a pop-up can serve as a means to reach new customers, grow brand awareness, evaluate the potential for additional temporary or permanent stores, and sell merchandise to those who expect to see, feel, and try an item before committing to make a purchase.
- Independent retailers with a single store may set up in an area that is frequented by its target customers with the aim of driving traffic to the permanent location, to test the viability of opening a second shop across town, or even to acquire new social media followers and newsletter subscribers to expand the reach of future communications and promotions.
- Multi-location retailers may look to pop-ups as a way to enhance hybrid shopping options with “click and collect” or product returns and exchange programs. They may promote the launch of a new private label product line through a series of pop-up shops and corresponding marketing campaigns or use pop-ups as a platform to partner with other brands and events to grow their business.

In each of these cases, the retailer must consider the integration of each **touch-point** and channel through which a customer might have a positive or negative brand experience.

**Customer Touch-point** – a touch-point may include any experience or interaction a customer has with a brand including signage and staff in stores, advertisements across various media, official websites or mobile apps, call centres and more.

Bell, Gallino, & Moreno (2014) have noted the relationship between information delivery and product fulfillment across different retail channels and that initial business models may lead to different nuances in how each is realized from a customer perspective. For example, they found that an online-first or e-commerce pure play retailer might “experience substantial benefits from an offline presence that simply showcases inventory.”<sup>1</sup> Their research shows that having a strong omni-channel strategy is not just an option to consider but rather a key requirement for success as retailers determine how to integrate each element effectively.



Figure 3.1 – Information and Fulfillment Matrix – adapted from Gallino & Moreno (2014)

In Figure 3.1, several examples of retailers in the Canadian marketplace have been listed within one of four quadrants. Each of these companies may develop different strategies and approaches for the integration of pop-up shops into their omni-channel efforts.

1. The first quadrant represents traditional retailers (such as the TJX companies Winners and Marshall's) where customers acquire information about products and services as well as purchase these items in stores.
2. The second quadrant shows hybrid models (including Loblaws and Canadian Tire) where customers might acquire some of their product information online yet pick up these purchases in a physical store location.
3. The third quadrant flips this order by allowing customers to learn and sample products in an offline showroom environment such as a pop-up shop or traditional store front (e.g. Indochino and Warby

Parker) before placing an online order that will be delivered to their home.

4. The fourth quadrant offers examples of pure play e-commerce retailers (like Amazon and Wayfair) where customers browse and shop entirely online.

A 2015 report by Deloitte about Omni-channel retail suggests that for many retailers, having multiple integrated channels is critical to respond to customers demands and create a seamless experience, whether that means a traditional retailer must build an e-commerce platform or that an online retailer might experiment with temporary or permanent stores.<sup>2</sup> With few exceptions, this is an important consideration for pop-up initiatives by retailers in any of the 4 quadrants listed above.

### Video Example

#### Indochino's "Travelling Tailor" Pop-up Showrooms

The follow video is an example of how an online-first retailer like Indochino began using a pop-up strategy to create seamless omni-channel experiences for customers to see, touch and feel different fabrics before ordering a custom.

Watch the video on YouTube.

## 2. Functions and uses of pop-up shops in omni-channel environments

Chapter 2 introduced several of the formats and functions of pop-up shops. In the context of omni-channel environments where the pop-up is only one component of a larger marketing campaign or business model, retailers may employ strategies with the following functions in mind.

- **Pop-up shops as a showroom to increase online sales.**

With some product categories or consumer segments, selling merchandise entirely online can pose several challenges. Using pop-ups as temporary showrooms can help to build trust between new customers through face-to-face interactions and instill confidence in purchase decisions by presenting the quality and value of physical product samples.

- **Generating excitement at pop-ups to drive traffic for other channels.**

Whether it's the launch of a new product line or affiliation with a high profile event, hosting a pop-up with exciting experiential elements can be a great way to drive customer traffic to permanent flagship stores, e-commerce sites, and a brand's social media channels.

- **Testing new store formats and operating procedures**

In addition to using temporary shops for testing new products and potential markets, an omni-channel retailer may look to pop-ups as a way to experiment with new format ideas and customer policies. For instance, big box retailers may wish to test several small footprint store designs before expanding into new downtown locations. Traditional retailers may use a pop-up location to refine procedures, gather data, or conduct employee training programs before adding click-and-collect departments to existing stores.



- **Launching new products or brand-extensions**

Using pop-ups to highlight the launch of new products and brand extensions can be one way for retailers to generate buzz and media coverage. H&M is an example of a retailer that has used this strategy several times to promote new collections and create awareness about the expansion of the Men’s department prior to opening to a dedicated H&M Men’s store.

Malison (2017) has noted that the evolving role of physical stores is closely linked with effective integration of all channels – particularly as a place for completing a transaction, fulfillment of online purchases, building a sense of community, or as another step in a customer’s information gathering process that complements the “**webrooming**” effect of browsing online before narrowing one’s search and decision to buy a product in a local store.<sup>3</sup> Each of these functions may be served through pop-up shops integrated with physical and online channels at retailers that traditionally fit into any of Bell, Gallino, & Moreno’s four quadrants.

**Webrooming** – “the practice of researching a product online before making the purchase at a physical store”<sup>3</sup>.

#### Video Example

The follow video offers an example of how retailers can offer personalized and seamless experiences to their customers through the integration of multiple channels and technologies.

Watch the video on YouTube.

### 3. The impact of a pop-up shop for an omni-channel retailer

Pop-up strategies can positively impact the growth of an omni-channel retailer’s business in several ways. As the founder of Indochino, Drew Green reported that a 3-year program of operating pop-ups across 18 cities helped inform the company’s plans to open 8 permanent showrooms, which quickly grew to account for nearly 50% of the total business.<sup>4</sup>

In a study reported by Niehm, Fiore, Jeong & Kim (2006) results suggest that pop-up shops may help build brand loyalty by catering to customers who increasingly seek unique, surprising, and engaging products and experiences.<sup>5</sup>

Korstrom (2016) noted another way to leverage an omni-channel, pop-up strategy was demonstrated by shoes.com, who decided to open several permanent physical stores that would include a series of pop-ups within their locations to feature major shoe brands at an additional fee.<sup>6</sup> By allowing a major brand to take over part of the store on a temporary basis, customers were consistently treated to new products and experiences and the retailer benefited from both a new revenue stream and a new way to generate traffic across the stores and online channels.

In a recent study of 46,000 shoppers, Sopadieva, Dholakia, and Benjamin (2017) reported that 73% used multiple channels and interacted with the retailer’s customer touch-points in a variety of combinations that led to increased spending both in-store and online – especially for those who used 4 or more channels – when compared with customers shopping a single channel.<sup>7</sup>

The importance of having an omni-channel strategy rather than treating a pop-up shop as a standalone event can be seen in multiple areas. As noted above, this may include finding new ways to make money in partnership with other stakeholders, the perfecting of new retail formats to help grow the reach of the business, and increasing brand loyalty along with spending per shopping trip among customers who interact across different channels.

#### 4. Customer touchpoints across an omni-channel, pop-up retail initiative.

With many potential areas of opportunity and the importance of engaging consumers across multiple channels, pop-up retailers must carefully consider the purpose and implications of each customer touch-point they introduce. As noted above, shoppers who engage with a brand across several channels are likely to spend more than those who don’t; however, with each new touch-point can come added complexity with potentially negative implications. Poorly integrated technology, customer service issues with new staff, home delivery errors and more can all impact the overall brand experience. Thus, adding new touch-points through a pop-up initiative must take this into consideration to ensure that customer expectations are met to the same degree they would be in any of the brand’s other channels.

Woodside and Walser (2007) showed a positive relationship between a customer’s experience with a brand and the overall strength of that brand in his or her mind.<sup>8</sup> Further, Niehm, Fiore, Jeong & Kim. (2006) noted that integrating experiential elements at every touch-point may be the most effective way to ensure that the retailer’s brand remains top of mind for customers<sup>5</sup>.

The following table provides some examples of the customer touch-points that may be present with a pop-up initiative for an omni-channel retailer.

Pre-Purchase	Purchase Stage	Post Purchase
– Social Media Accounts	– Website	– Emailed Receipt
– Retailer Blogs	– Mobile App	– Loyalty Program
– Email campaign	– Temporary Kiosks	– Referrals
– Word of Mouth	– In-store Point of Sale	– Home Delivery
– Mass Media	– Vending Machines	– Customer Surveys
– Public Events		

### Key Takeaways

In this chapter you learned:

- some differences between operating pop-ups for a single location retailer and those with multiple locations or channels.
- potential functions and uses of pop-up shops in omni-channel environments.
- the impact a pop-up strategy may have on an omni-channel retailer.
- implications of each consumer touch point for pop-up initiatives.

Key terms:

- Webrooming
- Customer Touchpoints

### Mini Case Study

#### **Tattoo Inc.**

##### **Situation:**

Tattoo Inc. creates and sells custom and pre-designed temporary tattoos. But unlike traditional, child-centered, temporary tattoos, these products look as real as permanent tattoos and stay on the skin for weeks before being washed away. The product's uniqueness and the niche market they serve mean that finding the best geographical areas to reach customers is critical to expanding their business.

Tattoo Inc. is popular with their target market online; however, e-commerce sales account for less than 10% of total potential (estimated) sales. Identifying and operating in new markets can be costly, risky, and often lead to failure for a business with such unique offerings.

Tattoo Inc. wants to leverage their online success, find new ways to reach their target market, communicate their value proposition, experiment with tattoo designs to identify new best-sellers, and test certain geographical areas for potential brick-and-mortar stores in the future as an omni-channel retailer.

##### **Solution:**

Pop-up shops come in various sizes and serve different functions. Tattoo Inc. launched several pop-ups in different markets, both in shopping malls and street-front retail spaces carefully selected by their marketing team in order to test and determine the best format and location for engaging with new customers.

##### **Results:**

The physical locations allowed Tattoo Inc. to build an even stronger brand presence and the

novelty of the pop-up shop experience helped attract customers that may otherwise not have considered this type of product. The shops empowered the company to communicate their value and their brand, helped customers find designs they liked (and for Tattoo Inc. to identify the potential demand for new designs), increased their revenue streams, and identified potential permanent locations for brick-and-mortar locations. Tattoo Inc. was able to run several pop-up shops each year over the last two years, and managed to do so with a tight budget, limited time invested, and highly-valuable results.

**Consider the following questions:**

1. What considerations should Tattoo Inc. make when deciding on a permanent brick-and-mortar location?
2. List and explain 3 or more ways that a permanent brick-and-mortar location can increase Tattoo Inc.'s online sales?
3. How can using a pop-up shop reduce the overall risk in identifying and setting up a permanent brick-and-mortar location?

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## Part 2: Pop-Up Shops and Stakeholders

In the second part of this book, readers will learn about the key stakeholders involved in a pop-up operation, how to identify appropriate consumer segments and the role that a pop-up strategy can play in revitalizing communities.

# Chapter 4: Stakeholders of Pop-Up Retail Operations

## Chapter Overview

Pop-up shops have now become part of omni-channel retail strategies for many retailers, from small independent stores to global chains. In addition, non-retailers, such as celebrity artists, band manufacturers, as well as community groups are also involved in implementing pop-up retail operations to serve their unique purposes. For example, music artists, such as Kanye West, the Weeknd and Justin Bieber, have all used pop-ups as a promotional strategy to engage with their fans<sup>1</sup> and the pop-ups were strategically planned to correspond to their tour schedule and venues.<sup>2</sup> The WoodGreen Community Services along with the Danforth Avenue East Community Association (DECA) in Toronto, Ontario, Canada, on the other hand, has initiated a pop-up project to revitalize the streetfronts of a downtown business district. Over a period of five years, they helped to bring in 32 pop-up shops which successfully reduced the vacancy rates of the area from 17% to 5%. Meanwhile, large brands/retailers such as Samsung, IKEA Canada and Muji, have all used pop-ups to promote new products, provide unique experiences for consumers, and/or test new markets.

Internationally, pop-up shops have been implemented in many markets such as Australia, the United Kingdom, Canada and the United States. Australia has seen a number of pop-up projects, such as Renew Newcastle, to revitalize local neighbourhoods<sup>3</sup>, whereas in the UK, a mobile pop-up box park made of cargo shipping containers represented a novice pop-up shop format<sup>4</sup>. In Canada and the US, pop-up has become a staple in the playbooks of established companies.<sup>5</sup>

A number of people and organizations are actively involved in the planning and execution of a pop-up shop. Those who have vested interest or concern in a business are called stakeholders. This chapter will cover topics related to the stakeholders of pop-up shops.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Identify key stakeholders of pop-up retail operations.
- Distinguish inputs, costs and risks for each stakeholder group in pop-up retailing.

- Assess strategies for working with each stakeholder when implementing a pop-up retail operation.

### *Setting the Context*

#### **VIDEO**

The following video presents some examples of the types of stakeholders that may be involved in a pop-up shop activation.

The scene introduces a documentary producer who meets with a pop-up expert to discuss who she might consider interviewing on camera. The two identify how brands or retailers, landlords and even members of the community may be impacted by a pop-up shop in their building or neighbourhood.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=76>

## **1. Stakeholders of a Pop-Up Shop**

### *1.1 A Model of Stakeholders in Pop-Up Retailing*

The concept of stakeholder has been well recognized and researched in the literature of business studies. In recent years, considerable effort has been devoted to refining and further developing the concept. The Clarkson Centre for Business Ethics (based at the University of Toronto) produced a “Consensus Statement” about stakeholder theory, which, in essence, stipulates that:



- The purpose of business corporations is to create wealth;
- The individuals or groups who participate in the wealth-creation process are stakeholders;
- Stakeholders contribute inputs, incur costs, experience risk, and also receive benefits;
- The objective of stakeholder management is to achieve balance between contributions, costs, risks, and benefits, taking account of the roles and concerns of all stakeholders.

In the context of retailing, Whysall (2000) proposed a model of stakeholders in retailing based on this Consensus Statement. He further provided examples of inputs, costs and risks for each stakeholder group. In his proposed model, there are 12 main stakeholders in retailing: customers, suppliers, competitors, government, financial community, service providers, employees, managers, landlords, owners, community and activists.



Figure 4.1 Stakeholders in Retailing (adapted from Whysall, 2000)

In a study of female online shoppers, Rambo and Liu (2010) developed another framework to categorize the stakeholders based on their roles and responsibilities in a specific course of action.<sup>6</sup> They divide the stakeholders into four spheres: contribution, source, market and community. Contribution is the sphere that is closest to the course of action which, in their study, was female customers' adoption of e-commerce application. The source, market and community spheres are progressively further from the central course of action in the online shopping scenario.

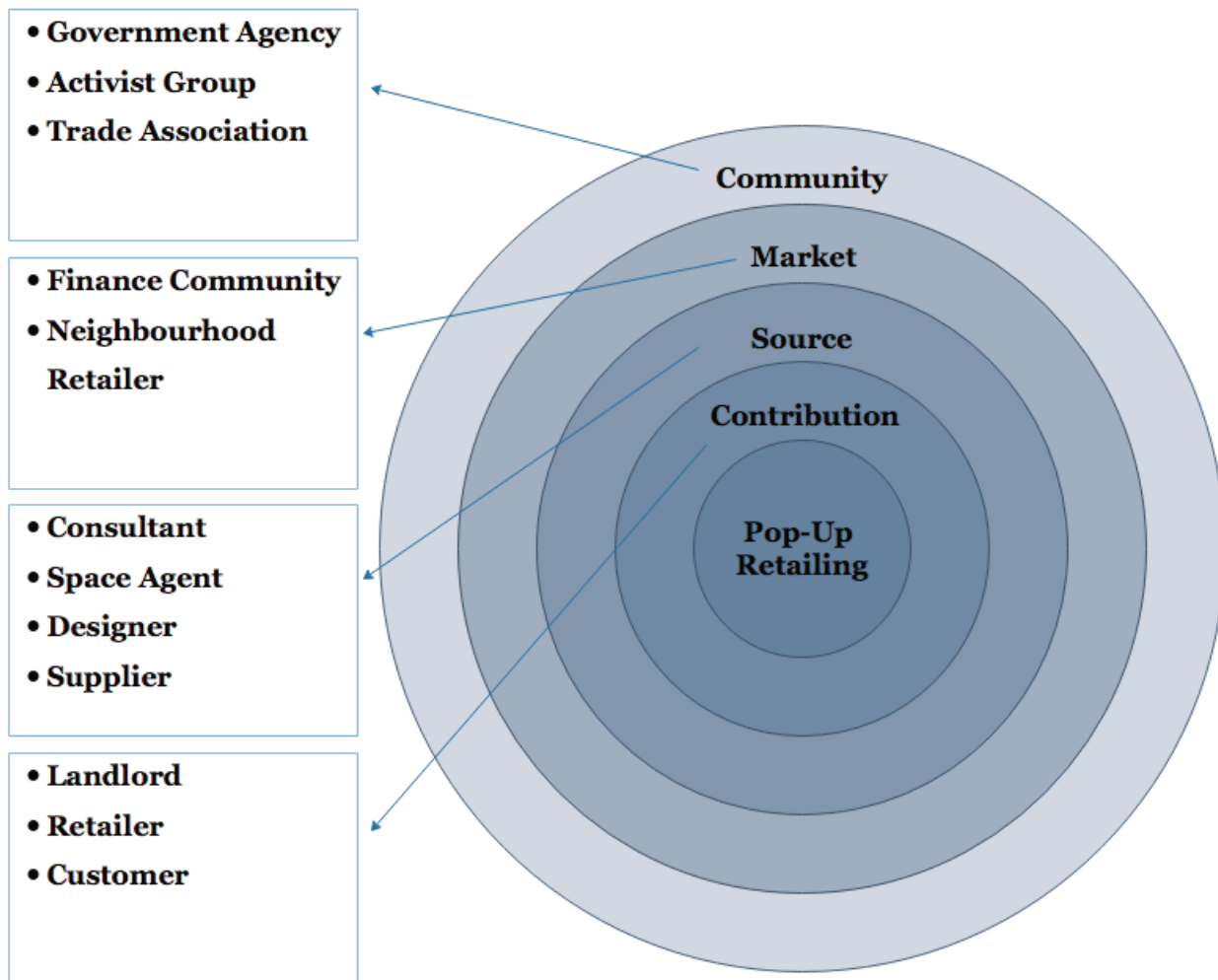


Figure 4.2 Stakeholder Identification Model (Adapted from Whysall, Rambo and Liu, CC BY – Hong Yu)

Using Whysall's model (2000) and Rambo and Liu's model (2010) as points of departure, we can identify key stakeholders in the pop-up retailing context and propose our own model.

- The first level: Contribution. At the core of pop-up retailing are customers, retailers (including business owners, managers and employees) and landlords.
- The second level: Source. The stakeholders in this level are one step further from the main course of action, but still play a critical role with their contributions. They are: suppliers and service providers, such as pop-up consultants, designers and pop-up space brokerage agents.

- The third level: Market. The stakeholders in this level have indirect collaborative or competitive relationships toward pop-up retail operations. They are: nearby competitors of the pop-up store and the financial community which provides investment and/or payment services.
- The fourth level: Community. The stakeholders in this level have no direct influence on the pop-up retail operations but contribute to the context where pop-up shops take place. This level includes: government agencies, business associations or business improvement areas (BIAs), community service agencies, local grassroots groups interested in promoting community revitalization or other activist groups.

**Stakeholders:** those who have vested interest or concern in a business. Stakeholders contribute inputs, incur costs, experience risk and also receive benefits. Different stakeholders of a business may have conflicting interests and concerns.

## 1.2 Roles and Responsibilities of Stakeholders

Now that we have our framework for pop-up stakeholders, let's look at the roles and responsibilities of each stakeholder group in more detail. Recall from Chapter 2 that pop-up shops can function as marketing and communication tools, market entry vehicles or inventory liquidation outlets. Depending on the specific objectives established for a pop-up store, the business process may vary. Nonetheless, general expectations for the stakeholders' roles and responsibilities can be identified.

### 1.2.1 The First Level: Contribution

This level is essential to the success of a pop-up shop. It includes customers, retailers (business owners, managers and employees) and landlords.

- **Customers:** Customers are **actors** who are the utmost contributors to a pop-up retail business process through their patronage of pop-up shops. We will explore consumer segments and psychographics in more depth in Chapter 5.
- **Retailers:** Retailers are **principals** of pop-up retailing process. They can be divided into two categories: owners of small and medium-sized enterprises (SMEs) and national or global retail chain stores. For SMEs, the stakeholders include business owners (and employees), whereas for large retail chains, the stakeholders in the pop-up retail context are represented by managers and employees. Retailers initiate and implement a pop-up retail operation with specific objectives in mind. Primarily, these objectives are: communicational, experiential, transnational, testing and institutional.
- **Landlords:** Landlords are **principal supports** who provide space and support a pop-up retailer's vision. For small property owners, temporary rental provides some subsidized income and the potential to draw in new tenants for long-term leases, while for larger property owners and management companies (e.g., shopping malls), creating and maintaining a pop-up retail space may provide novelty to shoppers, project a fashion-forward positioning and make a corporate social responsibility statement, such as promoting and incubating local design talents and innovative entrepreneurs. However, short-term leasing is generally not a preferred arrangement for property owners due to the required repeated efforts for managing tenants and properties. In addition, certain government policies

may dissuade property owners from pursuing short-term leases if they qualify for a tax rebate on their vacant commercial or industrial properties.

### 1.2.2 The Second Level: Source

The stakeholders in this level are **service providers** to retailers such as suppliers, pop-up consultants, designers and pop-up space brokerage agents.

- **Suppliers:** Suppliers are **providers** of merchandise to be sold, display fixtures, storage and other retail supplies. They supply resources to ensure the success of a pop-up retail operation.
- **Pop-up Consultants:** The **service scope** of pop-up consultants can vary greatly depending on the needs of retailers. They interpret a pop-up retailer's vision and advise on strategies. Some are also involved at the operation level. Pop-up consultants are a central point linking many areas of expertise and resources and they are also knowledgeable about other pop-up retail stakeholders and their perspectives.
- **Designers:** Designers are **service providers** that offer skills and design production expertise which contribute to pop-up strategies.
- **Pop-Up Space Brokerage Agents:** These agents are **service providers** who connect vacant space with pop-up retailers.

### 1.2.3 The Third Level: Market

The stakeholders in this level form the market context in which the pop-up shops take place. This level includes neighbourhood retailers and the financial community.

- **Neighbourhood Retailers:** They are **competitors** who share the target market and resources with pop-up retailers. Neighbourhood retailers include all retailers that are in close proximity of a pop-up shop and that may have a similar brand positioning. This can include independent shops, international chain stores, and even e-commerce operations.
- **Financial Community:** They are financial institutions or solution providers who are **collaborators** with pop-up retailers by providing payment options to customers and/or financing to pop-up retailers. Ease of shopping is an important factor for pop-up customers so a variety of payment options helps attract more shoppers. Financing solutions are critical to many retailers, regardless of their size.

### 1.2.4 The Fourth Level: Community

The stakeholders in this level include government agencies, trade associations and activist groups, all of whom constitute the broader regulatory and social environment in which pop-up shops operate.

- **Government Agencies:** Government agencies, such as relevant municipal or upper level government units, are part of the **legislature** which sets out laws, bylaws, rules, regulations, procedures and programs that govern the environment in which pop-up shops operate. The legislative environment can potentially help stimulate or deter pop-up retail operations (e.g. differences in provincial labour regulations, municipal signage requirements and restrictions, etc.)

- **Trade Associations:** Trade associations, such as business associations, business improvement areas (BIAs) and community service agencies, are **advocates** which promote favourable business environments and legislative changes where pop-up retailing takes place. They also provide networking and training opportunities and programs to support their members.
- **Activist Groups:** They are **advocates** who promote change based on a set vision of the group. For example, a group of local residents interested in protecting their community against the entrance of big box retailers can be considered an activist group. An animal rights group that protests a pop-up retailer who sells down-filled products is also an activist group.

Table 4.1 Summary of Stakeholder Roles and Responsibilities (adapted from Rambo and Liu, 2010)

Level	Stakeholders	Roles	Responsibilities
Contribution	Customer	Actor	To give patronage to pop-up shops
	Retailer	Principal	To initiate and implement a pop-up retail operation with specific vision
	Landlord	Principal Support	To provide space and support a pop-up retailer's vision
Source	Supplier	Provider	To provide merchandise, display fixtures, storage, and other retailing resources
	Consultant	Service Provider	To interpret a pop-up retailer's vision and advise on strategies which can be implemented
	Designer	Service Provider	To provide skills and design production that contribute to pop-up retailing
	Space Agent	Service Provider	To connect vacant space with pop-up retailers
Market	Neighbourhood Retailer	Competitor	To share target market and resources with pop-up retailers
	Financial Community	Collaborator	To collaborate with pop-up retailers by providing payment options
Community	Government Agency	Legislator	To set out laws, bylaws, rules, regulations, procedures and programs that create the environment for changes where pop-up retailing takes place
	Trade Association	Advocate	To promote favourable business environments and legislative changes
	Activist Group	Advocate	To promote changes based on a set vision of the group

## 2. Inputs, Costs and Risks for Each Stakeholder Group

An important aspect of stakeholder management is to achieve balance between contributions, costs, risks and benefits, taking into account the roles and concerns of all stakeholders. In the context of pop-up retailing, the costs and benefits for each stakeholder group are diverse. An in-depth analysis will help develop effective stakeholder management strategies. Based on our categorization of stakeholders into four levels, we know that from levels one to four, stakeholders have progressively less of an impact on a pop-up retail operation. Another way to look at this is that as the contributions made and costs incurred decrease for stakeholders, so too do the risks involved.

### 2.1 The First Level: Contribution

Recall that this level includes customers, retailers (business owners, managers and employees) and landlords.

- **Customers:** Customers are the ultimate reason for the success of a pop-up shop and retailers/brands.

They contribute money to purchase goods and in exchange, achieve personal objectives from engaging in shopping. In an omni-channel retailing context, a pop-up shop is one of the channels through which customers acquire products/services. Scholars argue that shoppers' decision on which channel to use is driven by trade-offs, specifically trade-offs between "costs of time, costs of goods, pleasure derived from shopping, perceived value of goods and perceived risks of each channel".<sup>8</sup> In the case of shopping in a pop-up store, the costs incurred include time and effort and the risks may involve physical risks (such as health and safety risks from products/services acquired) and emotional risks (such as an unpleasant shopping experience).

- **Retailers:** As we saw in the previous section, pop-up retailers include two categories: owners of small and medium-sized businesses who usually work directly on pop-up retail operations (with or without employees) and national/global chain stores whose managers and employees are the stakeholders. Business owners primarily contribute capital and skills to conceptualize, plan and implement the pop-up retail operations. The costs incurred are usually directly related to the planning and operation processes. In addition to the obvious risk of losing profitability, they may also risk a "spill over" effect from the pop-up shop into other channels of retail operations, such as online or bricks-and-mortar stores, for example. This could lead to a loss of future wealth. For managers and employees of chain stores, the contributions made are skills and labour and the costs incurred are the time used in the pop-up shop execution process. The risks for these stakeholders are their career development paths and even their livelihoods.
- **Landlords:** Landlords play a key role in the implementation of pop-up shops. Their level of cooperation and willingness to support pop-up retailers' visions are critical to the business success. The landlords provide premises for pop-up retail to happen and they incur costs associated with property management. The risks for them relate to how effectively wealth can be generated from the property being used for pop-up retail operations, in contrast to other potential options, such as long-term rental or claiming tax rebates for vacant commercial and industrial buildings. In some cases, other stakeholders must be prepared to articulate the intangible benefits to incentivize a landlord's participation in a pop-up initiative where the hassles may appear to outweigh the payoff.

## 2.2 The Second Level: Source

Recall that this level includes services providers such as suppliers, pop-up consultants, designers and pop-up space brokerage agents.

- **Suppliers:** While primary suppliers provide the merchandise to be sold, others provide rental solutions for store fixtures, lighting fixtures, mannequins and other accessories. For suppliers, the main costs are carrying expenses of inventories and profitability is a potential risk.
- **Pop-up Consultants, Designers, and Pop-Up Space Brokerage Agents:** As service providers, these groups of stakeholders share similar types of costs and benefits in their involvement in pop-up retail operations. The contributions they make are primarily their skills, knowledge and connections, the costs incurred relate to their service provisions, and their profitability is potentially at risk.

## 2.3 The Third Level: Market

Recall that this level includes neighbourhood retailers and the financial community.

- **Neighbourhood Retailers:** They are direct or indirect competitors of the pop-up shop in terms of location, types of goods/services offered, merchandise type and mix, quality, pricing strategy, store format and payment options. Competitors do not directly contribute to a pop-up shop in its own operations, but they do contribute to the formulation of sector norms which establish a broad context for pop-up stores. **Sectors norms** include many aspects related to retail business practice, such as wages, work hours, productivity expectations and customer service protocol, and may also include how retailers collaborate with partners, such as landlords and vendors. The costs for direct and indirect competitors are related to defending the market share as the pop-up shop may pose the challenge of taking away target customers, which is also a risk.

**Sector Norms:** established business practices which, in the retail context, relate to wages, work hours, productivity expectations and customer service protocol.

- **Financial Community:** They collaborate with pop-up retailers by providing payment options for pop-up businesses' customers and oftentimes financing to the retailers. This stakeholder group incurs investment management costs and the risk for them is losing capital.

#### 2.4 The Fourth Level: Community

Recall that this level includes government agencies, trade associations and activist groups.

- **Government Agencies:** This stakeholder group contributes to funding and programs that build service and regulatory infrastructures as well as general community infrastructures (i.e., streets and public transit) in which businesses operate. The costs incurred are those of legislative process and are indirectly related to a pop-up operation. The policies developed and implemented not only have a far-reaching impact on regional and national economic development, but also have significant implications for pop-up retail operations.
- **Trade Associations:** This stakeholder group shares communal resources and promotes positive community support to retail business and business districts. They incur the costs of advocacy activities and they risk losing their leadership position among members and the public.
- **Activist Groups:** They are part of a wider context that influences the business environment. Based on their visions and interests, activist groups can play a significant role in many aspects of retail developments. They incur the costs involved in their courses of action and their potential risks are not achieving their visions and failing to protect the rights they defend.

Table 4.2 Summary of Stakeholder Inputs, Costs and Risks (adapted from Whysall, 2000)

Level	Stakeholders	Contributions Made	Costs Incurred	What's at Stake
Contribution	Customer	money	time and effort	health, safety, and well-being
	Retailer	capital, skills, and labour	opportunity costs, loss of free time	profitability and livelihood
	Landlord	premises	property maintenance	wealth
Source	Supplier	goods	costs for inventory holding	profitability
	Consultant	skills	service provision costs	profitability
	Designer	skills	service provision costs	profitability
	Space Agent	skills	service provision costs	profitability
Market	Neighbourhood Retailer	sector norms	defensive advertising	market share
	Financial Community	investment	investment management	capital
Community	Government Agency	infrastructure	legislative process	regional/national development
	Trade Association	communal resources	costs of advocacy activities	leadership and influence
	Activist Group	raised awareness	costs of actioning	visions and values

### 3. Strategies for Working With Stakeholders

Pop-up retailing does not happen in a vacuum. Rather, like any other commercial activity, it is interwoven in the wider social context, in which many stakeholders have vested interests and concerns. Oftentimes, these interests and concerns are competing or conflicting. Therefore, priorities for developing strategies for working with stakeholders should focus on balancing contributions, costs, risks and benefits for all stakeholders. At the core of a stakeholder network are customers, who are the ultimate force of retail success. Satisfying customers' needs will ensure the growth and profitability of retail businesses and is of the utmost importance. The proposed **model of stakeholders in pop-up retailing** can serve as a useful road map to help dissect and analyze the complex network of stakeholders.

#### Key Takeaways

In this chapter, you learned:

- about the key stakeholders of pop-up retail operations
- how inputs, costs and risks differ among each stakeholder group in pop-up retailing
- what framework should be used to devise effective strategies for working with stakeholders

Key Terms:



- Stakeholder
- Sector Norms
- Activist Group

### Mini Case Study

#### **Fortune & Destiny**

##### **Situation**

A local community revitalization project determined that a significant factor in the lack of interest in their business district by potential customers was due to the large number of vacant retail spaces. The project was initiated by property owners who had very little money to work with as landlords who were losing revenue every month. At the same time, local residents were worried about their property values declining, and few new retailers were actively seeking space in their area.

Working with stakeholders is much easier and more fruitful than working around or against them and a collaborative approach was a key part of the project.

##### **Solution:**

By identifying, reaching out to, understanding, and working with the major stakeholders, the community was able to create a solution that worked. A free online portal that connected retailers with vacant spaces for pop-up shops was developed. A contest was held with the aim of increasing awareness about the project and to get more people involved. Winning submissions for pop-up shops in the area were given various lease options that amounted to ‘free temporary rent’, and the whole community was involved either directly (such as helping prepare spaces for rent), or indirectly (as customers).

##### **Results:**

The area lowered its vacancy rate, which continues to drop year-over-year. Local property values started to level off and were no longer falling. More foot traffic in the business area meant more local businesses could thrive. The community looked better with vacant space decreasing rapidly.

#### **Consider the following questions:**

1. Can you name the various stakeholders of this community revitalization project and explain their relationship to it?
2. What are some other ways that the community could have recruited pop-up retailers to set up shop in their area?
3. Established permanent businesses in the area can see benefits to this kind of revitalization project. List at least 3 potential benefits and briefly explain them.

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# Chapter 5: Consumer Segments and Psychographics

## Chapter Overview

As temporary retail operations that are designed to fulfill a time-sensitive need in the marketplace, pop-up shops have a short window of opportunity to attract their target customers. These customers have specific needs and wants and are looking for a unique experience in a lifestyle-branded environment. To stay competitive in today's challenging retail market, pop-up shops need to deliver a welcoming shopping environment that resonates with their customers.

To gain insights into the core values of their customers, retailers can consider the use of **market segmentation** when planning their retail mix strategy. Market segmentation helps pop-up retailers understand who their customers are, what they do and how they think.

**Market Segmentation:** the process of breaking down heterogeneous consumer populations into homogeneous segments in which consumers demonstrate similar needs and wants within the segment.

This chapter gives you a helicopter overview of the various consumer segments that exist in our society. You will also learn how pop-up retailers adjust their retail mix by leveraging their understanding of consumers' psychographic profiles.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Define characteristics of consumer segments.
- Analyze the psychographics and behaviours of the ideal pop-up consumer.
- Assess which pop-up format best aligns with different pop-up consumers.

*Setting the Context***VIDEO**

The following video helps to offer some context to thinking about different consumer segments.

In this scene, two students are speaking in class as one plans to open a pop-up shop to sell her original jewelry designs for a very specific demographic – expectant mothers with a taste for French culture. They discuss how to determine if such a market exists in their city and if so, how to reach those customers.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=79>

**1. Consumer Segments***1.1 Demographic Segmentation*

As more and more consumers move their shopping activities online, shopping malls and department stores are seeing less foot traffic. With online retail creating a choice overload, some consumers have found the distinctive products and shopping experience delivered by pop-ups to be valuable as they start to appreciate the curated retail concepts.

Instead of aiming to serve everybody in the market, targeting a particular group of consumers can be beneficial to pop-ups. The demographic segmentation approach uses demographics (identifiable and measurable population data) to group customers based on their age, gender, ethnicity, income and other statistical aspects of populations.

Table 5.1 Examples of Demographic Segmentation

Demographics	Questions to be considered by pop-up retailers
Age	What are the prime age groups of the target market?
Gender	Is the target market male, female or members of the LGBT2QS community?
Ethnicity	Does the target market cover a distinctive ethnic group?
Income	What is the income level of the target market? Can they afford the planned products or services?
Household size	What is the household size of the target market?
Marital and family status	Is the target market single or married? Do they have children or parents to look after?
Employment status	Do they have full-time jobs, part-time jobs or are they in a career transition?
Occupation	In what industries are people in the area working? Are they mostly blue-collar or white-collar workers?
Education	Are they college or university-educated?

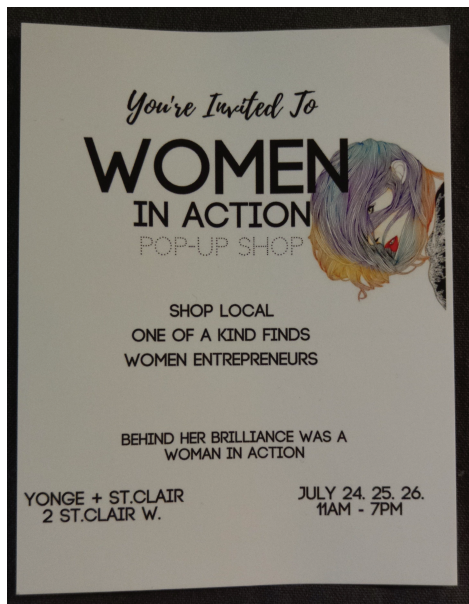


Figure 5.1 An invitation to the “Women in Action” Pop-up Shop (CC-BY Ken K. Wong, 2017)

For example, a pop-up shop called “Women in Action” in the Yonge and St. Clair neighbourhood in Toronto (see Figures 5.1 & 5.2) brings together female merchants and customers who may share similar interests. This retailing approach not only allows merchants to source more relevant products for their target market, but also encourages customers to interact directly with the merchants who are often the brand owners or creators.



Figure 5.2 A pop-up shop in the Yonge and St. Clair neighbourhood in Toronto (CC-BY Ken K. Wong, 2017)

#### Did You Know?

- According to Statistics Canada, immigrants made up 20.7% of Canada's population in 2011. This figure is estimated to reach as high as 30% in 2036, with more than half immigrating from Asia.<sup>1</sup>
- The 2016 Census revealed that the Prairies were the only provinces where there were more people aged 15 to 34, often referred to as Millennials, than Baby Boomers (aged 51 to 70).<sup>2</sup>
- Japan has the oldest population in the world, with one in four people 65 years of age and older.<sup>2</sup>

In Canada, ethnocultural diversity is increasing. Chinese and South Asian immigrants continue to be the two largest visible minority groups, while Koreans, West Asians and Arabs are the fastest growing ethnic groups in Canadian society. Pop-ups can leverage this demographic change and cater to the needs of these consumer segments<sup>3</sup> by offering certain types of ethnic foods in locations where there might be a high demand for such products.

Other commonly used demographic segmentation approaches include grouping consumers based on their year of birth<sup>4</sup> and age<sup>5</sup> (see Tables 5.2 & 5.3). Pop-ups selling to the Greatest Generation and Baby Boomer segments



should adjust their retail mix to ensure these consumers are welcome in their senior-friendly shops. For example, these pop-ups may need to arrange talkative employees who have the patience to serve the elderly and make sure signs are printed in large font size to increase readability.

Table 5.2 Consumer Segments by Year of Birth<sup>4</sup>

Segment	Year of birth	Age (in 2018, they are...)
The Greatest Generation	Prior to 1946	Older than 72
Baby Boomers	1946-1965	53-72 years old
Generation X	1966-1980	38-52 years old
Generation Y (a.k.a. Millennials)	1981-1995	23-37 years old
Generation Z (a.k.a. iGenerations)	1996 to present	Younger than 23

Table 5.3 Consumer Segments by Age<sup>5</sup>

Segment	Age
Children and Tweens	6-12 years old
Young Adults	19-34 years old
Sterling Silver Seniors	65-84 years old

## 1.2 The Millennials

While traditional bricks-and-mortar stores may want to target Baby Boomers who have disposable income, pop-ups may want to pay attention to Generation Y, also known as the **Millennials**, who were born between 1981 and 1995. This consumer segment has gained retailers' attention because Millennials tend to be independent, confident, tech-savvy and have a strong sense of community (both local and global). This consumer profile fits particularly well with pop-up shops that are selling locally-made or eco-friendly products. Unlike other consumer segments, Millennials particularly want to shop for both experiences and products.

**Millennials:** the demographic cohort following Generation X. This consumer segment consists of those who were born between 1981 and 1995.

Boston Consulting Group has suggested that Millennials can be further divided into six distinct segments (see Table 5.4)<sup>6</sup>. Pop-ups that sell green products (e.g., eco-friendly detergent) can target the “Hip-ennial” and the “Clean and Green Millennial” who care about the environment. Shops that sell unique, premium goods (e.g., handmade leather bags) can target the “Millennial Moms” who are wealthy and highly social. Meanwhile, those pop-ups that promote high tech products (e.g., smartphones) can target the “Gadget Guru” who have greatest

device ownership. Local, smaller pop-ups selling traditional goods (e.g., clothes) can target the “Old-School Millennial” who like to socialize in a face-to-face manner.

Table 5.4 The Six Millennials Segments<sup>6</sup>

Segments	Traits
Hip-ennial (29%)	<p>“I can make the world a better place.”</p> <ul style="list-style-type: none"> <li>• Female dominated, below-average employment, globally aware, charitable and information hungry.</li> </ul>
Millennial Mom (22%)	<p>“I love to work out, travel and pamper my baby.”</p> <ul style="list-style-type: none"> <li>• Older female, wealthy, family oriented, works out, confident and highly social.</li> </ul>
Anti-Millennial (16%)	<p>“I’m too busy taking care of my business and my family to worry about much else.”</p> <ul style="list-style-type: none"> <li>• Locally minded, conservative, does not spend more for green products and services, seeks familiarity over excitement or change.</li> </ul>
Gadget Guru (13%)	<p>“It’s a great day to be me.”</p> <ul style="list-style-type: none"> <li>• Male dominated, above-average income, single, greatest device ownership, pushes/contributes to content.</li> </ul>
Clean and Green Millennial (10%)	<p>“I take care of myself and the world around me.”</p> <ul style="list-style-type: none"> <li>• Male dominated, healthy, green, cause driven, greatest contributor of cause related content.</li> </ul>
Old-School Millennial (10%)	<p>“Connecting on Facebook is too impersonal, let’s meet up for coffee instead!”</p> <ul style="list-style-type: none"> <li>• Older, not wired, spends least amount of time online, reads a lot, confident and independent.</li> </ul>

### Example

To target youthful demographics, **iHeartRadio** toured American universities and colleges with its social media vending machine in a pop-up campaign. Students and staff who visited the pop-up could receive free T-shirts or sunglasses from the vending machine, when they shared their love for iHeartRadio by posting on Instagram, using the #iHeartRadio hashtag followed by a four digit code displayed on the vending machine.

Appealing to the Millennial mindset, this innovative vending machine helps brands like iHeartRadio to create an unforgettable retailing experience. The campaign was a great success, the

radio station garnered over 5.7 million impressions (likes, shares and views), during the first seven days of this five week campaign.<sup>7</sup>

### *1.3 Four Major Social Consumer Segments*

Without a doubt, pop-ups can make use of social media to generate buzz and collect feedback from their fans and customers. The conversation on social media has shifted from growing fans and followers, to driving real engagement and business values. Consulting firm The Incyte Group proposes that there are four major consumer segments that are most likely to look to customer communities, especially social media, when making purchasing decisions. Having a good understanding of these social consumer segments allows pop-up retailers to fine tune their target market, develop the right marketing messages, and leverage their social media strategy to nurture a long-term customer relationship. The four major social consumer segments are:

1. Fashionista Professionals
2. Web-Building Techies
3. Bargain-Hunting Mamas
4. Knights with Shiny iMacs<sup>8</sup>

Table 5.5 Four Major Types of Social Media Users<sup>8</sup>

Segments	Traits
Fashionista Professionals (26%)	<p>Female professionals aged 25-34.</p> <ul style="list-style-type: none"> <li>• There are 47.2 million of them in the U.S.</li> <li>• They have discretionary income and no children to spend it on.</li> <li>• They desire a deep, meaningful relationship with brands.</li> <li>• They are more than willing to provide feedback and advocate for a product or service they like.</li> <li>• They are active on social media.</li> <li>• These consumers are important to the marketers due to their high purchasing power, sheer segment size, and their propensity to share information among their networks.</li> </ul>
Web-Building Techies (16%)	<p>Male aged 21-24.</p> <ul style="list-style-type: none"> <li>• There are 29 million of them in the U.S.</li> <li>• They are early adopters.</li> <li>• They seek out and have strong social ties with like-minded techies.</li> <li>• These consumers are important to the marketers due to their high likelihood to advocate for their favourite brands among their techies friends.</li> </ul>
Bargain-Hunting Mamas (14%)	<p>Female, often mothers, aged 35-44.</p> <ul style="list-style-type: none"> <li>• There are 24.6 million of them in the U.S.</li> <li>• They are responsible for household shopping.</li> <li>• They are value-driven shoppers.</li> <li>• These consumers are important to the marketers due to their active participation in online community.</li> </ul>
Knights with Shiny iMacs (9%)	<p>Male professionals aged 24-35.</p> <ul style="list-style-type: none"> <li>• There are 16.5 million of them in the U.S.</li> <li>• They are educated and in the know about the latest gadgets.</li> <li>• They are tech-savvy and helpful.</li> <li>• They are active on social media.</li> <li>• They join online communities to share product expertise with fellow consumers.</li> <li>• These consumers are important to the marketers due to their high purchasing power and willingness to help other customers.</li> </ul>

### **Fashionista Professionals**

The “Fashionista Professionals” are important to pop-ups selling luxury or niche products because this group of consumers has high purchasing power and sheer segment size. They are powerful because of their social connections and ability to share information. Pop-up shops can consider giving them special offers and promotions, and also creating active online communities for easy social sharing.

### **Web-Building Techies**

If brands are looking for advocates, the “Web-Building Techies” become important because these young men like to spread news among fellow techies, assuming the pop-ups offer them insider information or exclusive incentives.

### **Bargain-Hunting Mamas**

For pop-ups that sell mass-market, branded products or services, they can target the “Bargain-Hunting Mamas” by providing them with special offers or coupons. These consumers are eager to join online communities, participate in research topics and share their knowledge and views about the brand.

### **Knights With Shiny iMacs**

The “Knights With Shiny iMacs” can be valuable to pop-up shops, especially when the shops are selling highly technological, complicated products that may be difficult to use. These male professionals are willing to share their product expertise and offer generous support to other customers.

## **2. Psychographics of Pop-Up Retail Customers**

### *2.1 Understanding Consumers’ Lifestyle Profiles*

In addition to demographic segmentation, pop-ups can also group their customers by psychographic analysis — a process that reveals details about consumers’ lifestyles. It involves the use of quantitative methods such as surveys to understand consumers’ activities, interests and opinions.<sup>9</sup>

Some consumers may prefer to buy the same brand, at the same retail chain and at the same location. However, there are others who like to try out new brands and shop with new vendors in unexpected places.<sup>10</sup> Consumers are becoming eager for new experiences and originality. Many are looking for excitement and are willing to pay a premium for trendy goods and services. By having a thorough understanding of consumers’ lifestyle profiles, pop-up shops can better serve their target market through adjustment in their retail mix. They can also explore the possibility of serving the unserved and under-served market segments (e.g., the LGBT2QS community), by providing them with products or service that are not widely available from traditional retail channels.

### *2.2 The “Buy Local” Movement*

Traditional retail formats such as supermarkets and department stores have the upper hand in selling national brands and private labels due to their economies of scale in sourcing. They can sell a broad range of products at highly competitive prices. However, that does not mean smaller pop-up shops cannot compete in the marketplace. Consumers want a remedy to the homogenization of choices offered by national retail chains. In recent years, many people have started turning to pop-up shops to look for locally made products due to economic and environmental movements. Consumers are interested in having unique shopping experiences that are less routine and monotonous.<sup>11</sup> At pop-up shops, consumers often have the opportunity to interact personally with a brand and its creator. Being able to establish relationships with the faces behind the product can be satisfactory to some consumers.



Figure 5.3 A pop-up shop owner making her merchandise (CC-BY Ken K. Wong, 2017)

### *2.3 Consumer Innovativeness and Shopping Enjoyment*

Prior research has examined the consumer psychographic characteristics that positively affect the behavioural intentions of pop-up retail. It has been found that pop-up is an effective retail format for marketing to those who consider shopping to be an enjoyable activity and demonstrate high levels of **consumer innovativeness**.

**Consumer Innovativeness:** the predisposition to search for and purchase new and different products rather than simply adhering to accepted consumption patterns.

In general, innovative consumers not only exhibit a need for novelty and uniqueness, but also derive enjoyment from checking information, discovering facts and examining product attributes in their decision-making processes. These consumers prefer self-guided exploration rather than being served by pushy sales staff.



Figure 5.4 Zvelle's pop-up shop at Yorkdale Shopping Mall, Toronto (CC-BY Ken K. Wong, 2017)

Innovative consumers are more likely to appreciate more of the positive hedonic aspects of pop-up stores, such as friendly employees, impressive decor, pleasant emotions, exposure to new and unique products and the excitement of the pop-up shop experience. Consumers with higher innovativeness and shopping enjoyment demonstrate a more positive attitude toward pop-up retail, considering it to be “good, appealing, interesting, and pleasant”. To target the innovative consumers, pop-ups can also utilize vacant storefronts in mixed-use neighbourhood as the unique location can give sensory stimulation to this consumer segment.<sup>12</sup>

If retailers can address consumers' expectations for new and unique shopping experiences, products and services through pop-up shops, they can affect longer-term attitudes, intentions and loyalty toward their brands.<sup>13</sup>

An example can be seen from Zvelle, a Toronto-based shoe brand founded by entrepreneur and designer Elle AyoubZadeh.<sup>14</sup> When the shoe company was founded initially, Elle sold women's shoes exclusively online. Although her shoes received international recognition, with celebrities and government officials wearing them, Elle soon realized that her customers were interested in touching her shoes, talking to her knowledgeable sales associates and most importantly, experiencing her brand in person. Elle opened up a pop-up shop in Toronto's Eaton Centre and subsequently another one at Yorkdale.

### 3. Aligning Pop-up Shops With Consumer Segments

#### 3.1 A Wide Range of Shops

There are many pop-up options that one can consider: a table in a flea market, a booth in a shopping mall, an empty storefront, a section in a department store, a warehouse and many others. The choice depends on many factors, such as business objectives, brand positioning, budget, and the kind of shoppers it wants to target. For example, a Nordstrom warehouse sale (see Figure 5.5) may attract the Bargain-Hunting Mamas but not necessarily the web-building techies. On the other hand, pop-up shop can be the ideal place for relationship building with customers. Brands that target the millennials, especially the Hip-ennial who are information hungry and the



Millennial Mom who are highly social, should focus on offering consumers a unique shopping experience rather than facilitating purchase decisions.



Figure 5.5 A Nordstrom warehouse sale (CC BY – Hong Yu)

Since pop-ups are short-term establishments without a long lease, manufacturing brands can make use of these pop-ups to do a wide variety of things. They can verify whether certain retail concepts will work in a given geographic area and continue to adjust until the right concept is found. Pop-ups can be used to test market reaction to the brand's product offerings, store design and location. For example, Judith & Charles opened up a pop-up shop in Yorkdale Shopping Mall in Toronto to see if a long-term presence in this upscale shopping mall was warranted.



Figure 5.6 Judith & Charles' pop-up shop at Yorkdale Shopping Mall, Toronto (CC-BY Ken K. Wong, 2017)

### Example

Fashiontruck Canada is a boutique on wheels that was launched in March 2014.

- Read about fashiontruck Canada
- Watch a video clip about this pop-up shop

### 3.2 Launching New Products in the Mass Market

Not all pop-ups are established to facilitate sales transactions. Some are created by manufacturing brands to promote their new product or service offerings. The Korean electronic giant Samsung built a number of pop-up “experience centres” in the major metropolitan areas around the world to showcase their latest innovations to the public. For example, in Hong Kong, Samsung purposefully built a temporary, time-limited pop-up shop outside a busy shopping centre to support the launch of its Galaxy S8 series smartphone. Not only could visitors experience the smartphones themselves, but they could also speak directly to the brand evangelists to learn about the phone’s advanced features. Samsung was not targeting a particular consumer segment for this launch, so they chose to locate the pop-up shop in a prime downtown location to maximize foot traffic.



Figure 5.7 Samsung's pop-up shop in Hong Kong (CC-BY Ken K. Wong, 2017)

### *3.3 Performing Brand Reinforcement in the Target Market*

Another use of pop-ups is to reinforce a company's brand image in its target market. For example, in Korea, the online game League of Legends chose to set up a pop-up shop in front of U-PLEX, which is a shopping centre that targets the same 18-24 age group consumer segment. Visitors could play games in the shop and receive gifts that bear the League of Legends logo. The selection of shop location, combined with relevant shop activities, helped the software game developer to keep its target market excited about the League of Legends online game.





Figure 5.8 League of Legends pop-up shop in Seoul (CC-BY Ken K. Wong, 2017)

### 3.4 Providing Temporary Service

Retailers can make good use of pop-up shops to provide temporary service to their customers when their flagship locations are closed due to renovations or relocation. When the Canadian bookstore chain Indigo was constructing its new “IndigoSprite” flagship store at the Scarborough Town Centre, it opened up a smaller “Indigopop-up” shop nearby to sell a limited selection of books and accessories. Similarly, when the Toronto Public Library’s North York branch underwent a year-long renovation in 2017, it opened a pop-up library nearby in the mall-level of North York Centre so people in the community could still access library resources.



Figure 5.9 Indigo’s pop-up shop at Scarborough Town Centre, Toronto (CC-BY Ken K. Wong, 2017)

### 3.4 Increasing Foot Traffic with the Store-in-Store Concept

As more and more consumers are interested in smaller brands and locally-made products, department stores such as Target in the United States opened pop-ups within their stores to attract shoppers. In 2013, Target invited independent designers to sell their goods at a designated area called “The Shops at Target” which appeared in over 100 Target stores throughout North America.



Figure 5.10 Hanes’ pop-up T-shirt shop at Nordstrom, Toronto (CC-BY Ken K. Wong, 2017)

In Canada, the idea of utilizing the store-within-store concept is not new. The upscale department store Nordstrom has a “Pop-in@Nordstrom” pop-up shop. It partners with manufacturing brands and suppliers to bring a unique shopping experience to its shoppers. For example, it partnered with Hanes to open a “pop-in” T-shirt store over the summer of 2017, featuring 100 custom-designed pieces by almost 40 artists. Nordstrom has also sold drones, instant photo cameras and other technological gadgets at this in-store pop-up. These are products not typically carried by the department store, so their presence creates excitement for the shoppers, and gives them another reason to revisit the store.

Department stores such as Hudson’s Bay also make use of pop-ups to increase foot traffic. By inviting national

brand Levi's to set up a pop-up shop, it attracted loyal Levi's fans to visit Hudson's Bay to check out the latest offerings from their beloved brand.



Figure 5.11 Levi's pop-up shop at Hudson's Bay in Toronto (CC-BY Ken K. Wong, 2017)

### 3.5 Bringing Food and Fashion to New Neighbourhoods

Food trucks and mobile fashion boutiques have gained popularity in recent years. These pop-ups help aspiring entrepreneurs to realize their business dreams using specially-configured trucks. According to the American Mobile Retail Association (AMRA), there are over 500 mobile trucks operating across the US.<sup>15</sup> In Canada, we can find not only food trucks on the street, but also fashion boutiques on wheels.

#### Key Takeaways

In this chapter, you learned:

- about how pop-ups can target consumers based on their demographic characteristics and psychographic profiles
- that pop-up shops are great for consumers who (i) want to buy local, (ii) have a fear of missing out, (iii) enjoy shopping and (iv) demonstrate a high level of consumer innovativeness
- about some examples of pop-up shop formats and their ideal target markets

Key Terms:

- Market Segmentation
- Millennials

- Consumer Innovativeness

### Mini Case Study



Figure 5.12: Uncle Tetsu's pop-up shop at Yorkdale's CONCEPT

Founded in 1985, Uncle Tetsu is a cheesecake shop from Japan. The super soft, rich and flavourful freshly baked cheesecake has gained popularity not only in Japan but also



internationally. It landed in Toronto on March 18, 2015 with a store at Bay and Dundas<sup>16</sup> and has expanded to four stores since then. In April 2017, Uncle Tetsu participated in a month-long retail initiative organized by Oxford Properties, to set up a pop-up shop at a multi-vendor retailing space called CONCEPT at the Yorkdale Shopping Centre.<sup>17</sup> It was a great success with shoppers often seen queuing up in front of the pop-up shop.

The Canadian management team for Uncle Tetsu is now planning for growth and they are wondering about the role of a pop-up shop in their expansion plan.

**Consider the following questions:**

1. How can Uncle Tetsu benefit from this pop-up shop in Yorkdale?
2. Would the pop-up shop cannibalize the sales of its existing four shops in town?
3. Should Uncle Tetsu open up more pop-up shops around the city, considering that this may reduce the exclusivity and excitement of the shopping experience?

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# Chapter 6: The Role of Pop-Up Shops in Community Development

## Chapter Overview

This chapter looks at the potential role of pop-up shops within the area of community development. Communities can be defined in many ways, from geographic boundaries (e.g., neighbourhoods), shared identities (e.g., shared cultural heritage or beliefs) and increasingly, as virtual communities (e.g., social media platforms such as Facebook). A community is defined by both its members (or stakeholders) and their relationship to one another.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Define community development.
- Understand the role of pop-up shops in contributing to community development.
- Identify different types of retail vacancy and the strategies used to handle retail vacancy.

## Setting the Context

### VIDEO

The following video helps to set some context about the considerations of landlords and BIAs (or community groups) who have been presented with the idea of offering short-term and/or reduced-rent lease agreements for pop-up shops as part of a strategy to revitalize a location with long-term vacancies.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=81>

## 1. Community Development and Streetfront Revitalization

The term **community development** can be used to describe a range of community-based interventions and their outcomes. It is typically seen as a grassroots (or ground-up) process through which communities seek to improve their collective well-being and quality of life. This can involve working together to improve health, reduce poverty, strengthen the local economy or address any range of social, economic, cultural or environment goals.

Community development is a collaborative process whereby the community takes responsibility for tackling issues of common interest. Development does not necessarily mean that growth needs to take place, rather development is used to refer to making changes within the community for the betterment of the community as a whole. Community development can therefore be seen as a vehicle for change. It needs to be planned and organized both by and for the community. Community development is often associated with concepts such as economic development, urban renewal and revitalization.

**Community Development:** the planned evolution of all aspects of community well-being (economic, social, environmental and cultural). It is a process whereby community members come together to take collective action and generate solutions to common problems. The scope of community development can vary from small initiatives within a small group, to large initiatives that involve the whole community. Regardless of the scope of the activity, effective community development should be:

- a long-term endeavour,

- well planned,
- inclusive and equitable,
- holistic and integrated into the bigger picture,
- initiated and supported by community members,
- of benefit to the community
- grounded in experience that leads to best practice.<sup>1</sup>

As many pop-up shops are located along streetfronts, this chapter will focus on how pop-up shops can contribute to the revitalization of traditional commercial strips in urban markets and the impact that this can have on the local community. We will look at the ways in which pop-up shops contribute to community building, the stakeholders in the community that are interested in and impacted by pop-up shops and the challenges facing pop-up shops in terms of translating short-term revitalization into long-term commercial vitality and vibrancy. We will explore three case studies of community-led pop-up shop initiatives from Canada, the US and Australia. An additional generic case study will highlight the challenges associated with transitioning pop-up shops from temporary to permanent use.

### *1.1 Identifying the Need for Streetfront Revitalization*

Before we look at how pop-up shops can contribute to streetfront revitalization we need to identify the characteristics that define commercial blight along streetfronts. Why do streetfronts need to be revitalized? What are the signs of blight? When does the community become concerned? While the most obvious indicator of the need for streetfront revitalization is store vacancy, it is important to note that there are many indicators that may signal the need to engage in streetfront revitalization activities. For example, over time, the quality of the tenants along a streetfront may deteriorate, there may be increased criminal activity along the street or the streetfront may appear unkempt with buildings in need of repair. Pop-up shops can be part of the process of re-energizing streetfronts by temporarily occupying vacant spaces, engaging the local community in such efforts, and potentially becoming long-term tenants.

### *1.2 Store Vacancy*

The ultimate sign of commercial distress is when a business goes through the process of closing and leaves behind a vacant property that is placed back on the market. When retail space becomes available, it is left up to the market to determine if there is enough demand to re-lease the space. Does anyone want to lease the vacant space? If so, at what cost, for what use and over what period of time? Rabianski (2002) describes three types of vacancy: frictional, cyclical and structural.<sup>2</sup> The differences between these types of vacancy help illuminate the challenges and opportunities involved in turning a vacant space back to productive use again.

#### *1.2.1 Frictional Vacancy*

Frictional vacancy can be described as “the cost of doing business”. Frictional vacancy is inherent to a functioning real estate market, and is therefore not of any special concern to the store owner/landlord. An example of this

would be a landlord securing a major retailer to take over an abandoned store, but the tenant being unable to open for many months due to the renovation and refit of the property. This space would be vacant from a consumer (and community) perspective, but not from the landlord’s perspective. This can be thought of as a form of transactional vacancy, whereby there is a firm commitment to occupy the space at later point in time. The vacancy is therefore simply part of the transition from one tenant to the next. Many frictional vacancies are extremely short-term as owner/landlords do not want their properties to sit empty without tenants paying rent.

### 1.2.2 Cyclical Vacancy

Cyclical vacancy occurs when a space is vacant as a result of a weakening economy. This indicates that the space would otherwise be in demand, however is not currently leased due to broader economic weakness in the area or region. While this is problematic from the owner/landlord perspective, the solution rests mostly in an economic recovery for the region. Such downturns in the economy impact the entire community.

### 1.2.3 Structural Vacancy

Structural vacancy is the most problematic and challenging to owners/landlords and the community. It is space that is not demanded in its current configuration, as it is either too large or small to be reasonably used and/or in need of major renovations and reconfiguration (or adaptive re-use of space such as converting some of the retail space to residential units). It often requires redevelopment and associated capital expenditure in order to be absorbed into the market. From a community perspective, this is a major issue as structural vacancy represents long-term vacancy and is typically associated with significant sustained commercial blight. Streetfronts with widespread vacancy, boarded-up properties and often absentee owner/landlords have numerous knock-on effects for the community and without intervention, can spiral down into extremely challenging revitalization projects that fall well beyond the bounds of grassroots interventions. In extreme cases, very high structural vacancy may involve the local government expropriating and demolishing properties as they prepare the sites for future development projects.

Table 6.1 Types of vacancy<sup>2</sup>

Vacancy Type	Definition
Frictional	The excess supply that allows the market to work efficiently; allows easy movement of space users from one place or space to another.
Cyclical	The excess supply that occurs as demand for space declines due to economic and financial factors. Once demand for space returns, vacant space will be taken directly from the market.
Structural	The excess supply in the market that does not meet the needs of space users (i.e., a mismatch between the attributes of the space and the needs of the space user). Unlike cyclically vacant space, structurally vacant space will not be absorbed until it is rehabilitated and reconfigured.

Table 6.2 Prioritizing vacant property strategies<sup>3</sup>

<b>Vacancy Level</b>	<b>Neighbourhood Conditions</b>	<b>Goal</b>	<b>Priorities and Strategies</b>
<b>Lowest Vacancy</b>	<b>Vacancy rates:</b> Relatively low	Retain current properties	Prevent vacancy
	<b>Property conditions:</b>	Get properties reoccupied	Maintenance
	– Generally well preserved		Marketing
	– Very few vacant lots		Increased code enforcement
	<b>Neighbourhood engagement:</b>		Address commercial vacancy on neighbourhood borders
– High			
<b>Low Vacancy</b>	<b>Vacancy rates:</b> Relatively low	Retain current properties	Prevent vacancy
	<b>Property conditions:</b>	Get properties reoccupied	Marketing
	– Generally well preserved with some maintenance required		Increased code enforcement
	<b>Neighbourhood engagement:</b>		Maintenance activities
	– Relatively high		Repair and rehabilitation
		Address commercial vacancy	
<b>Moderate Vacancy</b>	<b>Vacancy rates:</b> Mid-level vacancies	Retain current residents	Demolition
	<b>Property conditions:</b>	Prevent damage	Greening and vacant lot maintenance
	– Some open, dangerous and blighted properties		Boarding and securing
	<b>Neighbourhood engagement:</b>		Increased code enforcement
	– Organization exists but involvement tends to be relatively low		
<b>High Vacancy</b>	<b>Vacancy rates:</b> Relatively high	Obtain control	Demolition
	<b>Property conditions:</b>	Manage vacant lots	Large scale greening
	– Many blighted structures and vacant lots	Get dangerous properties demolished	
	<b>Neighbourhood engagement:</b>		
	– Low to non-existent		

**DISCUSSION QUESTIONS:**

- Which type of vacancy is the most challenging to work with and why?
- Are pop-up shops better suited to dealing with a specific type or level of vacancy?
- Who is responsible for dealing with streetfront vacancy?

## 2. How Can Pop-up Shops Contribute to Streetfront Revitalization Efforts?

### Example

Pop-ups can offer an affordable and creative means to address many problems that challenged retail districts face. Small, temporary investments fostered by pop-up programs can help advance larger, more permanent investments or broader organizational or community goals.<sup>4</sup>

To learn more, please watch the following video about pop-up strategies to revitalize some of Detroit's neighbourhoods.

Pop-up shops facilitate the temporary activation of vacant space. Given the role that consumption plays in our modern-day lifestyles, the revitalization of local retail and services is a crucial element of community development. As Smart Growth Americas note, pop-up shops can be part of a broader retail revitalization plan and strategy aimed to create diverse retail and build a “shop local” culture.

*Maintain ‘pop-up’ locations to grow local start-ups and experiment with retail formats. As downtown values escalate, smaller businesses can find it difficult to locate affordable space, and small retailers such as artisan boutiques, may find it difficult to generate enough income from sales to justify a permanent storefront. Pop-up shops generate interest among shoppers while giving entrepreneurs the chance to test the waters or reach new customers. This strategy can be particularly useful in areas with several vacant storefronts.<sup>5</sup>*



INFO

# POP-UP SHOPS

## Building Vibrant Streets

pop-upshops.ca

<h3>What is a pop-up shop?</h3> <p>Pop-up shops are temporary retail stores that maximize vacant commercial space</p>	<h3>What do pop-up shops do?</h3> <p>Provide opportunities to retailers while bringing new energy to the commercial area</p>	<h3>How do they work?</h3> <p>Retailers and property owners reach an agreement to use available space on a short-term basis</p>
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### Benefits of Pop-up Shops

Pop-up Tenants	Property Owners
<ul style="list-style-type: none"> <li>Test your business plan</li> <li>Minimize risk</li> <li>Turn your retail vision into reality</li> <li>Keep costs low</li> </ul>	<ul style="list-style-type: none"> <li>Attract a different rental market</li> <li>Generate revenue and keep your space active between other opportunities</li> <li>Showcase your shop to prospective renters</li> </ul>

**As an Economic Development Tool**

<div style="border: 2px dashed black; padding: 5px; background-color: #34495e; color: white; display: inline-block;"><b>FOR LEASE</b></div>		<b>OPPORTUNITY!</b>
<b>Persistent Vacancies?</b> Is your area plagued by high commercial vacancy rates?	<b>Open to New Ideas?</b> Invest in the neighbourhood to bring new energy to your commercial strip	<b>Pop-up Shops</b> Energize your commercial area with innovative solutions

Figure 6.1 Benefits to Property Owners and Tenants in Building Vibrant Streets

Source: Danforth East Community Association

**DISCUSSION QUESTIONS:**

- Who are the community stakeholders and what are their interests in pop-up shops?
- What are the key benefits of pop-up shops to the community?
- Who should decide what type of pop-up shop is needed and/or allowed to operate?
- Are any members of the community negatively impacted by pop-up shops?

**3. Pop-Up Shops and Sustainable Community Development**

Traditionally, the standard measure of success in streetfront revitalization is the conversion of short-term vacancy into long-term leases. However, the widespread disruption that is taking place in the retail sector today is fundamentally challenging traditional retail business models. The concept of long-term retail lease agreements may no longer be a true metric of success in an environment that increasingly places emphasis on experiential as opposed to transactional retail space.

Pop-up shops represent a double-edged sword for the retail and real estate industries – whether we are looking at independent retail along streetfronts or major chain retail stores within major shopping centres. Pop-up shops provide tremendous opportunity to re-invigorate streetfronts and shopping centres, yet also contribute to the ongoing challenges that retail tenants and their landlords face in determining the need for retail space, its value and the best way to manage space.

From a streetfront perspective, the management issues are particularly acute due to fragmented ownership and the lack of contiguous spaces to manage. When you place these changing retail business models into a community development context it becomes even more challenging. As Frank and Smith (1999) note, community development is a tool for managing change, but it should not be used as a “quick-fix or short-term response to a specific issue within a community”. They go on to state that:

*community development is about community building as such, where the process is as important as the results. One of the primary challenges of community development is to balance the need for long-term solutions with the day-to-day realities that require immediate decision-making and short-term action.*<sup>6</sup>

However, there is a growing interest in tactical urbanism with guerilla urbanists engaging in a broad range of temporary revitalization projects, from art work on sidewalks to cleaning storefronts, with the assumption that such short-term projects will ultimately lead to long-term change.<sup>7</sup> If pop-up shops are nothing more than temporary stop-gap measures, they are unlikely to create long-term externalities (or spin-off effects) for the community. However, despite their small scale, pop-up shops can be viewed as a catalyst for change and their success may prompt more substantive revitalization projects over the long-term.

*While these small investments can have big impacts, pop-up programs are not an end-all be-all solution as*

*a standalone initiative. When pop-up programs are integrated within a larger portfolio of investments or interventions, long-term change is more likely. Pop-up initiatives are especially well suited for collaboration that allow multiple actors to contribute to the change they want to see. Involving multiple partners at the local, city, region and state level when creating a larger vision for business district revitalization can help instigate additional investments. When pop-up is part of the vision, the momentum and excitement seeded by small investments and small projects help illustrate potential solutions and can help make the case to begin tackling larger opportunities and challenges.<sup>4</sup>*

### **DISCUSSION QUESTIONS:**

- What are the most important indicators of the long-term impact of pop-up shops on the communities in which they locate?
- What type of new measures of success could be used to evaluate the impact of pop-up shops?
- Is the success of pop-up shops measured by not needing them in the future?

## **The Case Studies**

### *Danforth East Pop-Up Shop Project*

Danforth Avenue is one of the City of Toronto's major east-west arterials, running from Yonge Street in the west all the way to Scarborough in the east. It has long home to the trendy and affluent Greektown neighbourhood, but by 2012, there were segments of Danforth Avenue to the east that were showing signs of escalating retail vacancies.<sup>8</sup> One specific group of residents, the Danforth East Community Association (DECA), decided to tackle the challenge proactively.

Starting out with the specific aim of increasing foot traffic along the eastern part of Danforth Avenue, from Monarch Park Avenue in the west to Main Street in the east, DECA decided to activate empty storefronts with pop-up retail that would attract local shoppers, generate activity on the street and provide spaces for entrepreneurial and start-up shops.

The Pop-up Project was officially launched in 2012, spurred on by an inspiring presentation from Marcus Westbury of the Renew Newcastle program in Australia. In 2013, in partnership with community agency WoodGreen Community Services and funder The Metcalf Foundation, the program hired two Economic Development Coordinators to keep up the momentum and drive the process forward.

Over the next five years, the team would: identify empty storefronts along East Danforth; engage with and encourage the participation of landlords; prepare available storefronts for pop-up tenants; and both invite and screen prospective pop-up retailers to join the program. Volunteers were also involved in every step, from marketing to screening of tenants.

The program started by offering free space for one month to retail pop-ups, but had limited success, so the decision was made to offer longer pop-up leases but with highly affordable rents. The model evolved into tenants paying \$750/month in rent, along with 10% of sales beyond an agreed baseline.

Between 2012–2017, the Danforth East Pop-Up Shop Project saw:

- 32 pop-up shops launched
- 15 stores permanently leased
- 11 landlords' participation (some owned multiple storefronts)
- decreased commercial vacancy rates (from 17% to just 6%)<sup>9</sup>

In addition, six small enterprises were incubated by the Pop-up Shops Project, including:

- Merrily, merrily
- The Handwork Department
- LEN Democratic Purveyors of Fine Art & Beautiful Things
- In This Closet (operated for three years but has since closed)
- Fa.real Custom Tees
- Looking Glass Adventures

Along the way, the organizers learned some valuable lessons. For example, programs like the Danforth East Pop-up Shop Project are best suited to neighbourhoods where storefront vacancies are 15%–20% and there is the opportunity to generate real excitement about the opening of new, local stores. An active residents' association that took a strategic perspective of neighbourhood revitalization and focused on pop-ups as part of a larger initiative was an asset to the success of the project. Among the challenges was finding landlords willing to participate, since Toronto landlords receive a vacancy rebate for unoccupied space. Other challenges included figuring out how to work with existing retail businesses and engaging the community stakeholders in the revitalization initiative.

**Further Reading:** How the Danforth East Pop-Up Project Moved Grassroots Practice to Policy Change

#### **DISCUSSION QUESTIONS:**

- Why do you think that one month rent-free leases weren't successful?
- Is it more effective to launch a pop-up retail program as part of a larger community revitalization strategy? Why or why not?

- Why would a vacancy rebate discourage landlords from participating in a pop-up retail project?

### *Art Enlivens Empty Storefronts in Seattle*

For many of the early adopter pop-up programs, the arts and culture sector has provided the tenants, not the retail or artisanal sector. Storefronts Seattle, which was launched in 2010, is a case in point.<sup>10</sup> By that time, downtown Seattle was dealing with a combination of factors that were causing storefront vacancies to escalate. A conversion of residential to commercial space on the back of the dot com boom meant that the downtown emptied out after working hours. The 2008 recession had dealt a blow to smaller businesses already struggling with the loss of a local market. Vacancies hit an all-time high of 20% at the end of 2010 and community stakeholders decided to take action.

Initially billed as a pilot project, Storefronts Seattle was spearheaded by a not-for-profit arts organization called Shunpike and the concept was to match artists and art groups with vacant storefront space. The idea was to create art installations that the public could view and enjoy through store windows, which is somewhat different from later programs that activated empty space with art galleries or studios.

In the case of Storefronts Seattle, the City of Seattle has played a constructive and supportive role, especially on a strategic level, participating in blue-sky thinking, brainstorming and working to identify economic development actions. Participating landlords made their spaces available on a month-to-month-basis, for a period of between three to six months, at a nominal rental of \$1/month. Critically, tenants agreed that if the property owner secured a permanent tenant, they would relocate within 30 days – this ensured landlords did not miss any opportunities. Indeed, landlords have benefited from Storefronts Seattle directly, as 20% of the previously empty spaces were rented on long-term leases at full rents.

Artists and arts groups are required to submit a detailed proposal to Shunpike and these submissions are reviewed and selected by an independent panel. Successful projects, according to the submission criteria, are: compelling, viable and relevant.

In 2014, Storefront Seattle placed 50 individual artists in the greater Seattle area. But then things started to change. The economic climate improved, demand for space in the downtown picked up, and new development projects emerged. The net impact was that available vacant space became harder and harder to find. Storefronts Seattle is responding to the changing urban dynamic to focus on new opportunities: filling street-level vitrines in corporate offices with art displays, for example, and identifying spaces on the margins that remain unused.

#### **Further Reading:**

- Storefronts Seattle
- A Lack of Empty Spaces Forces the Seattle Storefronts Programs to Adjust

**DISCUSSION QUESTIONS:**

- What are some of the challenges with installing art in vacant storefronts, compared to activating empty spaces with artists' studios or galleries?
- In other pop-up programs, providing space for free was unsuccessful. Why was free space viable for Storefronts Seattle?
- Are there other ways that the program can respond to an improving economic environment?

*Renew Newcastle Inspires a Main Street Revitalization Movement*

One of the most frequently cited and widely emulated pop-up initiatives is that of Renew Newcastle, which was launched in Newcastle, New South Wales, Australia in 2008. Not only did it spawn the revival of Newcastle's deteriorating CBD, it also inspired a movement (e.g., Renew Adelaide, Pop-up Parramatta and Renew Townsville).

The global economic recession in 2008 was a death knell for Newcastle, which was already struggling with empty storefronts and businesses relocating to the suburbs. By that time, the city centre had some 150 empty stores and no new development. Projects that had been in the pipeline before 2008 were stalled or entirely scrapped by the recession.<sup>10</sup>

Renew Newcastle acts as an intermediary between temporary creative uses and the landlord. Inspired by projects that matched artists with vacant spaces, the initiative evolved with several important differences from similar programs elsewhere in the world:

- **Barriers to both the artist and landlord are actively minimized.** By focusing on liability insurance, tax and accounting support, and managing operating costs, the program makes it simple for both property owners and tenants to participate. For instance, tenants sign rolling 30-day licences, rather than complex lease agreements, and agree to vacate quickly if permanent tenants are secured.
- **Tenants can be private or not-for-profit.** Initiatives include: galleries and studios for artists; office spaces for emerging professionals like architects; and retail space for artisanal goods.
- **Everything being sold is handmade.** Whether it be art or professional services, participants sell their own services or products.

Using this approach, Renew Newcastle launched 40 new enterprises and initiatives in its first year alone.

**Further Reading:** Renew Newcastle

**DISCUSSION QUESTIONS:**

- Why would vacant buildings attract street crime, vandalism and violence?
- Why are business licences easier to implement than lease agreements?
- Why is the “handmade” requirement important for the program’s success?

**Key Takeaways**

In this chapter, you learned:

- how pop-up shops can be used as part of sustainable community development to enhance the vitality and viability of commercial strips
- how stakeholders involved in community development can leverage pop-up retail as part of revitalization efforts to reduce different types of commercial vacancy
- what types of benefits can be accrued by businesses and other community stakeholders through managed pop-up retail initiatives

Key Terms:

- Community Development
- Types of Store Vacancy (e.g., Cyclical, Frictional, Structural) and Property Vacancies (e.g., Low, Moderate, High)

**Mini Case Study****Creating a vintage cluster to leverage intensifying residential population**

As part of the city-wide trend towards downtown living and residential intensification, Blobsville was seeing a resurgence of interest in families buying houses and townhomes in the neighbourhood, which was traditionally characterized by small workshops: car mechanics, glass manufacturers and building suppliers. The small, older and blue collar community was serviced by a cluster of convenience stores, independent grocers and hairdressers. However, with residential growth, the local neighbourhood has slowly become more professional and affluent, showing an increasing interest in local, artisanal and upcycled shopping choices.

As the owners of the older stores and businesses have retired and moved on, and despite the

high influx of residents into the neighbourhood, the number of streetfront vacancies has continued to increase. With it have come rising perceptions that the neighbourhood may not be safe, that there are too many people panhandling in front of empty buildings and the main street has an air of desolation. Prospective home buyers start to speak about the risk of urban blight on real estate prices if something isn't done.

The local Business Improvement Area, which has recently been formed by the owners of local properties concerned about rising vacancies, decides to take action. They start by engaging with the local municipality's economic development team and asking them to identify incentives for public space activation or storefront renovation, but none exist. They approach the local residents' association and agree to partner on a pop-up retail program, based on the growing number of residents with disposable income. They convince three landlords with existing empty stores to provide short-term space at a lower-than-market rental rate.

Based on community consultation by the residents' association, the pop-up program will focus on building a cluster of vintage clothing retailers. Research suggests there is strong demand in the neighbourhood for vintage clothing and accessories, as well as in the surrounding residential areas.

The pop-up program launches in June with much fanfare for three carefully screened small businesses specializing in vintage wear, supported by low and fixed rents, and a social media campaign driven by both the BIA and the residents' association. The stores are set to be open through the summer.

Unfortunately, by the end of the summer, all three pop-ups have closed and none will be signing longer-term leases with the landlords.

A debriefing by all of the stakeholders involved identified three major challenges that were not anticipated nor managed during the program:

- Each of the three pop-ups were located on different blocks along the same street.
- Street-based issues like panhandling and public consumption of alcohol impacted public safety.
- Shoppers consistently complained that two of the three pop-up stores were not selling truly vintage products.

**Consider the following questions:**

- Why did the three factors (above) so significantly impact the pop-up pilot?
- What measures could be put in place for the next pop-up program to mitigate these issues?



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# Part 3: Practices and Strategies for Pop-Up Retailing - Primary Activities

This part of the book readers will explore the primary activities involved in a pop-up operation, including how to find the right location, design and display issues, point-of-sale technology and considerations, merchandising, inventory and marketing strategies.

# Chapter 7: Location, Location, Location

## Chapter Overview

The choice of location is a critical decision for any pop-up business. The age old maxim “location, location, location” underlines that the level of success of a business is heavily dependent on operating the business from the right location. This chapter looks at the factors that need to be considered when evaluating where to locate a pop-up shop. Some locations will work well for certain types of pop-up concepts and not for others. In this chapter we unpack all the elements of the pop-up store location decision.

*Location is EVERYTHING. You can have the best product at the best prices but if the customer demographic of an area is not right, then your pop up shop is not going to be as successful as you need and want it to be.<sup>1</sup>*

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Define different location types.
- Identify the differences and similarities between pop-up shop and traditional retail location decisions.
- Understand the three levels of market analysis related to location decisions: market, neighbourhood and property.
- Determine the key success factors associated with pop-up shop location decisions.
- List the key stakeholders involved in selecting and operating pop-up shops.

### Setting the Context

**VIDEO**

The following video helps to set some context about the considerations that may go into selecting a location for a pop-up shop.

In this scenario, a business owner is meeting with a leasing agent outside a streetfront retail strip and discussing the pros and cons of setting up within a vacant store in a nearby area or in a traditional shopping mall.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=86>

## 1. Types of Retail Location Decisions

Retail location decisions refer to a variety of activities related to changing the physical store footprint, including:

- opening or closing single stores
- acquisition or disposal of groups of stores
- expanding the store network in international markets
- refascias and the development of new store concepts
- expansion or contraction of operating square footage at existing stores
- refit or renovation of stores
- relocation of stores to new locations within the same market or shopping centre/retail strip

The figure below shows the type of of location decisions made by major Canadian retailers in 2011.

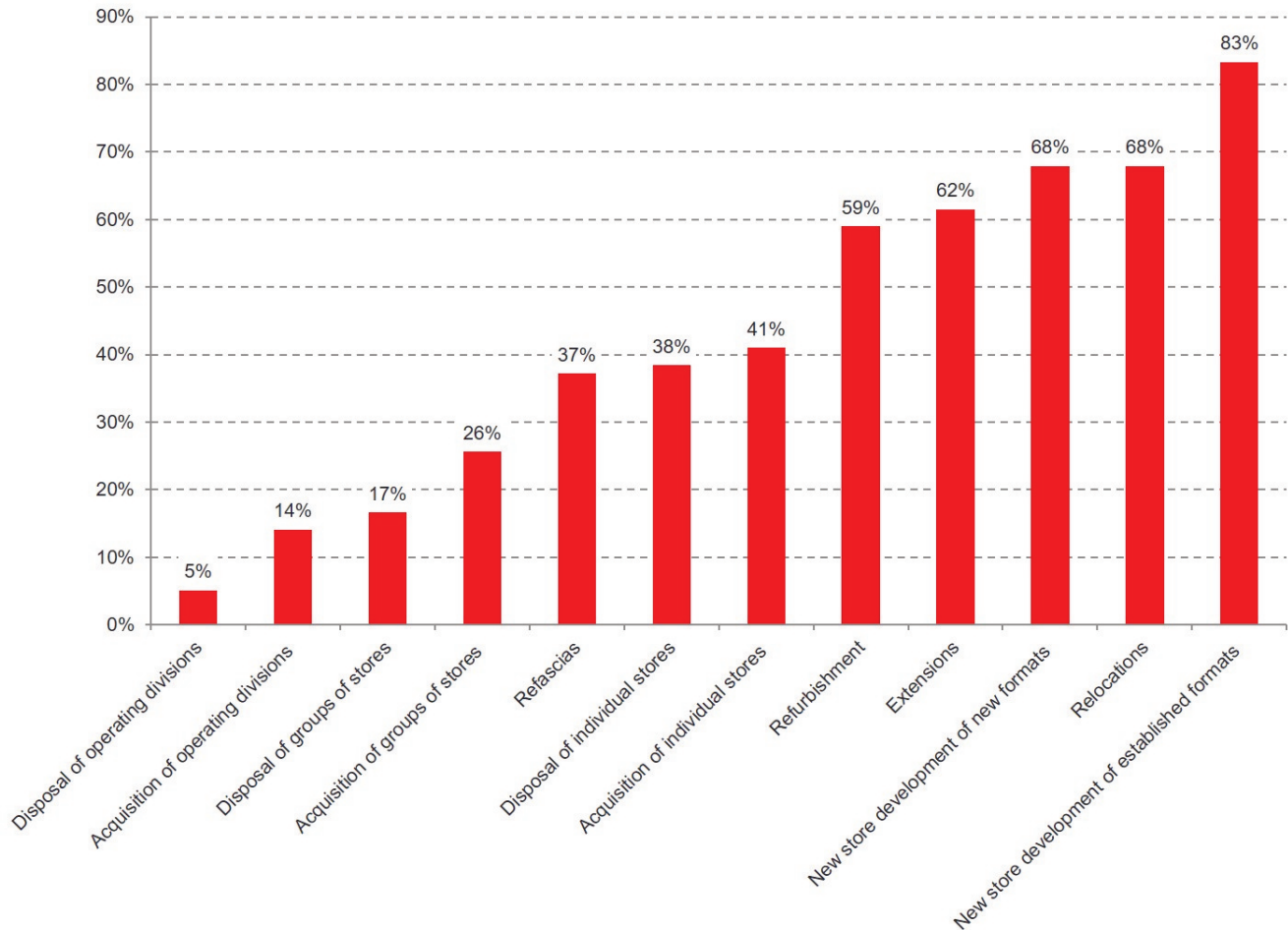


Figure 7.1 Canadian Retail Location Decisions (2011) <sup>2</sup>

**Location Decisions:** a variety of activities related to changing the physical store footprint

### 1.1 Traditional Retail Location Decisions

Retailers have traditionally provided consumers with access to their goods and services through retail stores. Location decisions are critical to the ultimate success of the retail enterprise.

*Good locations allow ready access, attract large numbers of customers and increase the potential sales of retail outlets... even slight differences in location can have significant effects on market share and profitability.<sup>3</sup>*

In terms of costs, location decisions often represent major capital investment and therefore risk for retail organizations. While many elements of retail and service strategy are dynamic and fast-changing, location decisions are by contrast traditionally long-term and binding. For example, it is relatively straightforward for a retailer or service provider to change pricing, product/service assortment or advertising. However, the physical

“bricks-and-mortar” of store locations are a form of grounded capital that cannot be easily altered or quickly changed. As such, there is an underlying inertia to retail location decisions; once made, the organization usually must live with the decision for many years to come.

For example, a retailer may decide to open-up a new store in a major shopping centre. The shopping centre landlord may be able to charge a high price for the lease of the property due to the high demand for space in the centre. The landlord may tie the retailer to a long-term lease commitment over 10 years, with significant financial penalties for vacating the property before the termination of the lease. The retailer may even have to wait for the right space to become available in the shopping centre. In some cases, as part of the lease agreement, the retailer might be pressured to open up other stores in shopping centres owned by the landlord elsewhere in the country. The retailer may also need to invest in refitting the store to meet their specific brand requirements (e.g., store frontage, interior design of the store, fixtures and fittings, etc.). In the case of a retailer looking to build a new store, they will need to: secure the purchase of land; put in place all of the necessary municipal planning approvals; perhaps be subject to lengthy delays due to challenges in gaining approvals; then work with a developer/construction firm to build out the property to meet the design and branding standards of the retail concept. Whether the retailer is taking up existing space or building their own new space, the traditional retail location decisions can be extremely costly and time-consuming.

*A great spot is the alpha and omega. Everything rises and falls on the right location. Even the most convincing concept won't brew, if the spot is shady.<sup>4</sup>*

## 1.2 Traditional Retail vs. Pop-Up Shop Location Decisions

*Pop-up stores are still vastly under-utilized as a retail device. They provide rich, 3D experience, so can provide seasonal or in-campaign brand impact. Pop-ups can serve to test-market a new concept prior to full investment. If sales hit a threshold, morphing to a permanent location is a logical progression.<sup>5</sup>*

Now, let's contrast the onerous location decision for a traditional retailer against that of a pop-up shop. Since pop-up shops are temporary, the level of investment is significantly lower than it is for traditional retail. It is important to note that while pop-up shops are not subject to the same level of long-term commitment, the decision to operate from the right location is still critical. Many pop-up concepts are generated by small start-up businesses that do not have large reserves of capital to spend on a store location. For many of these businesses, they are using the pop-up model to test their business concept. Location decisions for pop-up stores are short-term but they do have long-term implications for the ultimate success of the business concept – they may lead to the formation of a permanent business.

### Example

In Vancouver, pop-ups are increasingly turning permanent—from food trucks like Tacofino and Pig on the Street opening restaurants to businesses blooming from The Chinatown Experiment, an

empty shell on Vancouver’s Columbia Street that is rented out to an ever-changing roster of pop-ups that inhabit the space for a few days, weeks or months.<sup>6</sup>

Check out these examples of pop-up shops that went permanent in Vancouver.

### DISCUSSION QUESTIONS:

- Why are location decisions of critical importance to retailers?
- Which types of location decisions do you think are most prevalent for retailers?
- What makes pop-up shop location decisions different from traditional retail location decisions?

## 2. Making Location Decisions

When researching prospective locations for a pop-up shop, here are some important questions to consider.

- Who are your target customers?
- Are you dealing with a seasonal pop-up concept and focusing on high traffic areas during a particular time of the year?
- Do you have a set of new products and services to test on a small scale and gain customer feedback before investing in the roll-out of the concept?
- How “retail-ready” is the location you are considering?
- If the location is part of an institutional pop-up program, what additional support and resources may be available? (e.g. marketing, leasing assistance, insurance considerations.)

*Do the research before you move in. Where are your customers likely to be throughout the year? Instead of viewing seasonality as a challenge, see it as an opportunity. At the same time, a great venue does not mean a great location. Make sure you are positioned optimally on the venue to ensure your potential customers can find you. That will maximize your impact.<sup>7</sup>*

*Finding the right neighborhood or store location is critical to ensuring the success of a pop-up shop. This includes doing due diligence on area demographics, other retailers present in the neighborhood, visibility, foot and vehicle traffic counts, and neighborhood safety. Speak to neighboring stores for the real scoop.<sup>8</sup>*

*You know your brand better than anyone. The space you choose should mesh visually with your brand and look like an extension of your website, if you have one. Think about it: if you owned a vintage clothing e-store, would it make sense for you to rent a corporate event space for your pop-up?<sup>9</sup>*

In order to make your location decisions, it's important to:

1. **Know your pop-up goals:** Pop-up shops can serve many purposes, from generating sales to raising brand awareness. Deciding why you're opening a pop-up will help you determine the best type of space for your event.
2. **Know your target demographic:** Knowing your target demographic is crucial, as you'll want to pick a neighbourhood that fits your brand. Researching the demographics of neighbourhoods that you're considering for a pop-up will help you get the right kind of foot traffic in the door. The best place to pop-up is in an area where a good number of your target market hang out.
3. **Research locations:** For a pop-up shop, location is key to ensure that your shop gets the foot traffic it deserves. Talk to nearby businesses and walk the streets to make an informed decision about the right space for your brand.
4. **Be strategic about your hours of operation:** After determining your goals, target and location, set hours of operation that will bring you the most success. For example, SK-II's pop-up studio in San Francisco offered half-hour lunchtime facials for women on the go. These details can go a long way, especially if you know who your customer is.
5. **Find a space:** Once you've considered these goals and needs, start looking for a location. There are many companies that provide "find a pop-up space" services. These pop-up store marketplaces have sets of filters that can be applied to narrow down your search for the best location. Alternatively, look out for empty premises and then find and approach the owner; leasing agents and brokers can help with this.
6. **Communicate your needs:** Let the space owner know what you're looking to do in their space, when you're planning on popping up, how much inventory you'll bring and any other special needs you may have.
7. **Negotiate:** Remember you will often be doing the landlord a favour. Some rental income from the property is a lot better than none and your buzzing pop-up will help liven up the area. You can negotiate to get the best deal.<sup>10, 11</sup>

### 3. The Market, Neighbourhood and Property

When locating a pop-up shop you need to decide on the marketplace in which you want to locate, then the neighbourhood and finally the specific property. Each of these levels of location have different sets of interrelated questions associated with them.

#### 3.1 The Market

- What type of demographic does the pop-up offer appeal to?
- Do you already operate other businesses/have brand awareness in the market?
- Will the concept be best suited to a downtown, urban, suburban, exurban or small-town setting?
- Do you want to test your pop-up in a small market before taking on the higher costs of a major urban market?



### **3.2 The Neighbourhood**

- Which neighbourhoods in your chosen market best fit the target audience for your pop-up offer?
- How vibrant is the neighbourhood? What size is the neighbourhood?
- Where are the commercial hubs and high traffic areas located?
- Does the image of the neighbourhood work with your pop-up concept?

### **3.3 The Property**

#### **Exterior**

- What is the potential target market foot traffic in the immediate area of the property?
- Who are the other notable retailers and consumables in the immediate area and are they complementary?
- Are there events or community gatherings taking place in the vicinity?
- Is the space in a nondescript building with a small entrance sign, or does the building have a grand entrance with a large logo? Can you alter the signage easily?
- What's the cleanliness level like in the area?
- Is there parking nearby? If so, how much and at what cost?
- Is the location accessible by public transit? Is there a bike lane?
- Is there a large window that you can dress up for a display?
- How easy will it be to access deliveries?
- Can you place display signs outside?
- What is the location's capacity? Retail square footage?

#### **Interior**

- Is there back stock space?
- What does the lighting communicate? Can lights be dimmed or alternative lamps and lighting brought in?
- Is there a camera to prevent theft and shrinkage? If not, what other loss-prevention tactics can be made available?
- Is there Wi-Fi to carry out credit card transactions with your POS solution? Can it be made available to customers?
- Is there a sink and a washroom?
- Can you make amendments to the space?
- What hours can the property be open?
- Can you serve food and beverages? Are there facilities to prepare or store foods?<sup>12, 13, 14</sup>

*The look and feel of a pop-up has to match other shops in your pop-up location. You want shoppers passing by your shop to feel your shop has a seamless, integrated feel with the rest of the area. Keep the shop organized as you would a permanent location and display merchandise attractively. Avoid blatantly giving off the impression that your retail shop is a temporary location.<sup>15</sup>*

## 4. Types of Locations

In their Ultimate Guide to Pop-Up Shops, e-commerce giant Shopify identifies different types of locations.<sup>13</sup>

1. **Store-within-a-store:** some of the advantages of this type of location include being able to open your pop-up quickly in a place that complements your scope of supply and services while offering you a lower cost lease and operating charges.
2. **Gallery or event space:** the open concept floors and minimalistic set-up of these types of spaces can be very inviting for a pop-up.
3. **Shopping centre or mall:** usually this type of location has two options – a kiosk/booth space or a vacant store space that the shopping centre reserves for pop-ups or has a hard time renting out.
4. **Vacant street level retail space:** often commercial real estate agents will settle for short-term leases for properties they are having a hard time selling or renting long-term.

In addition, each of these location types may exist within the broader context of an institutional pop-up program where a key location decision is the identification of an area in need of some economic revitalization initiative.

Other types of locations for pop-ups include:

- Office
- Industrial
- Outdoor/Parks
- Other (e.g., modular/container temporary retail spaces)

## 5. Working with Stakeholders to Close the Deal

Pop-up shop location decisions often involve a variety of stakeholders, including the retailer, real estate leasing agents, landlords, developers, the local planning authority, etc. Clarke and Hallsworth (1994) remind us of “the process of bargaining, negotiation and tactical play between ‘actors’ surrounding, and impinging on, the decision to invest in a particular location.”<sup>16</sup>

The How to Pick the Perfect Location chapter in Shopify’s Ultimate Guide to Pop-Up Shops provides helpful information about things you should consider when preparing to make a location decision for your pop-up.

Another helpful resource is the Canada Business Network’s blog post on temporary retail. Remember that you may have to adhere to certain bylaws or acquire additional permits or licences for a temporary location, especially if you operate on the street or the sidewalk, for example.

### Further Resources

- Pop-Up Shops: A Short-Term Solution to Vacancies
- Advantages of Pop-Ups for Landlords

### Examples

#### Pop-Up Shop Marketplaces Around the World

- pop-up go
- Appear Here
- thisopenspace
- Storefront
- We Are Pop Up
- PopUp Angels
- PopUp Republic
- Popertee

### Key Takeaways

In this chapter, you learned:

- about the different types of location decisions that retail and service organizations undertake
- how important location decisions are to the success of a pop-up retailer and how they differ from traditional location decisions
- what factors pop-up retail operators need to take into account when they search for, assess and negotiate leases for their store location

Key Terms:

- Location Decisions
- Location Analytics
- Location Type

### Mini Case Study

#### **Wolf Paw Apparel**

##### **Situation:**

Wolf Paw has traditionally sold its highly-desired outerwear at wholesale to partner retailers rather than in their own brick-and-mortar locations. Their entire business model revolved around them being business-to-business (b2b) rather than business-to-consumer (b2c).

However, with changing demand and an ever-increasing outcry for better selection and more styles, Wolf Paw has decided that the only way to meet the desires of some customers is to open their own brick-and-mortar stores. Due to the inherent risks associated with opening a brick-and-mortar location, Wolf Paw wants to ensure that each store is right for its local market. Additionally, Wolf Paw has no experience in running a retail location. All the retail strategies, policies, management, staffing, inventory, supply chain, customer service, point of sale (POS), and other related matters need to be carefully planned and implemented. Yet using their first store as part of a trial-and-error method to work out the details could seriously hurt their brand image, customer loyalty, and future sales.

##### **Solution:**

Wolf Paw noticed that there was a short-term vacant space in the same mall where they wanted to launch their first permanent store several months later. They asked the mall leasing manager and found that the space was being held for a new international retailer but it would remain vacant for several months until construction on the new store was set to begin.

Given that the location of the vacant space was close to their future flagship store, they felt that it would be an ideal place to launch a pop-up shop and work out the above-mentioned details of running a retail shop; away from the high-expectations of customers expecting a major flagship store experience.

##### **Results:**

The pop-up shop served several purposes: to get people interested in the brand as a new retailer, to promote awareness of the upcoming flagship launch in the same mall, to understand the intricacies of running a retail shop first hand, to plan and execute different strategies in areas like supply chain management and customer service management, to develop staffing requirements and training material, to slowly build brand loyalty at the retail level, to test out customer loyalty programs, and more. Wolf Paw successfully opened its flagship retail store several months later

and used the lessons learned at the pop-up shop to ensure a smooth and efficient transition from a b2b to b2c model.

**Consider the following questions:**

1. Why is location such an important decision for pop-up shops?
2. If the vacant space (near their eventual flagship location) was not available, what are some strategies Wolf Paw could have used if:
  - a) they still wanted to use pop-up shops to introduce their audience to their new retail venture?
  - b) they wanted to work out the details of running a retail location?
3. What value did the pop-up shop at the mall offer to:
  - a) the mall and its owners?
  - b) other retailers in the mall?
  - c) Wolf-Paw's retail partners?

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# Chapter 8: Design, Layout and Display

## Chapter Overview

Experts agree that a delightful and surprising shopping experience is a distinctive characteristic of pop-up shops. Pop-up retail, as an innovative marketing strategy, is considered a “typical expression of the experience economy”<sup>1</sup>. Moreover, the ephemeral pop-up shop is also a spatial practice on the boundary between stable place and transitory space. Therefore, pop-up shops are viewed as differential space to immerse the shoppers in an interactive environment to co-create meaning to products and experiences.<sup>1</sup> Shopping experiences involve customers interacting with tangible and intangible aspects of a shopping environment. This chapter focuses on topics related to tangible factors, such as store layout and display, but also covers intangible elements, such as characteristics of employees and other customers in a shopping environment.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Describe the key differences in retail designs between pop-up and traditional bricks-and-mortar stores.
- Categorize multi-sensory retail experiences and the strategies behind them.
- Compare design strategies for different pop-up formats and functions.

## Setting the Context

### VIDEO

The following short video introduces two female friends at a coffee shop who have just returned from visiting a Sunday pop-up market with vendors that promote a healthy lifestyle. They reflect on their experience, the atmosphere of the market and wonder if there will be follow-

up communications or continued customer engagement initiatives from any of the vendors beyond the one-time pop-up event.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=88>

## 1. Retail Design: Pop-Up vs. Bricks-and-Mortar

### 1.1 Shoppers' Perceptions

Research shows that shoppers' perceptions of pop-up shops are different from their perceptions of traditional bricks-and-mortar stores. Ibrahim & Chua (2010) investigated shoppers' perceptions of permanent and temporary retail space (in-line store vs. retail carts) in shopping centres in Singapore and found that customers view in-line stores and retail carts as sharing three common image dimensions: atmosphere, variety of product and service quality. Customers also perceive in-line stores as offering value. In addition, shoppers rated overall retail space attributes and factors higher on in-line stores than retail carts, which may suggest that shoppers consider in-line stores to be superior to retail carts. Specifically, the in-line store is regarded highly for its attributes of means of payment, general lighting and general accessibility. In contrast, the retail cart ranked higher on product type and service quality of staff.<sup>2</sup>

Although the findings reported are limited to the shopping mall context and focus on only one form of pop-up shop, they do, to certain degree, provide empirical support for the notion that shoppers' perceptions differ between pop-up shops and their bricks-and-mortar counterparts. Against this background, how do retailers best approach their pop-up shop designs to address the challenges and maximize the potential of this unique retail format?



## 1.2 Store Atmospherics and Their Design Implications

### 1.2.1 Store Atmospherics Defined

The effects of store atmospherics on shopping behaviour have been explored since the 1960s.<sup>3</sup> Kotler (1973) was the first to use and define the term “**atmospherics**“. He argues that consciously controlled and designed consumption space can influence the emotional state of the customers, which increase their likelihood of making purchases.<sup>4</sup> The set of controllable characteristics of environmental cues are “atmospherics”.

**Atmospherics:** a set of controllable external, general interior, layout and design, point-of-purchase and decoration, and human characteristics of a store that influence shoppers’ internal states.

More recently, researchers have contextualized atmospheric cues such as music, lighting, colour and crowding in retail settings, and investigated how these various atmospheric variables contribute to shopping outcomes such as approach/avoidance, affective response, merchandise/retailer evaluations, shopping satisfaction, and intention to purchase.<sup>15</sup> Based on a review of empirical studies of atmospheric effects on shopping behaviour, Turley & Milliman (2000) created a comprehensive table that systematically categorizes the variables into five groups: external variables, general interior variables, layout and design variables, point of purchase (POP) and decoration variables and human variables. Please refer to the table below for more details.

Table 8.1 Store Atmospherics Variables

<b>External Variables</b>	<b>General Interior Variables</b>	<b>Layout and Design Variables</b>	<b>POP and Decoration Variables</b>	<b>Human Variables</b>
1) Exterior signage	1) Flooring & carpeting	1) Space design & allocation	1) Point of purchase displays	1) Employee characteristics
2) Entrances	2) Colour scheme	2) Placement of merchandise	2) Signs & cards	2) Employee uniforms
3) Exterior display windows	3) Lighting	3) Grouping of merchandise	3) Wall decorations	3) Crowding
4) Height of building	4) Music	4) Work station placement	4) Degrees & certificates	4) Customer characteristics
5) Size of building	5) Scents	5) Placement of equipment	5) Pictures	5) Privacy
6) Colour of building	6) Width of aisles	6) Placement of cash registers	6) Artwork	
7) Surrounding stores	7) Wall composition	7) Waiting areas	7) Product displays	
8) Lawns & gardens	8) Paint & wallpaper	8) Waiting rooms	8) Usage instructions	
9) Address & location	9) Ceiling composition	9) Department locations	9) Price displays	
10) Architectural style	10) Merchandise	10) Traffic flow	10) Technology	
11) Surrounding area	11) Temperature	11) Racks & cases		
12) Parking availability	12) Cleanliness	12) Waiting queues		
13) Congestion & traffic		13) Furniture		
14) Exterior walls		14) Dead areas		

Source: Adapted from Turley and Milliman (2000)

Among the five groups of variables, external variables are those mostly determined when a store location is selected and are most challenging to change after the store opens. However, there are still aspects that are within the control of a retailer, but oftentimes overlooked. For example, exterior signage, entrances and exterior display windows are all important elements that can make positive first impressions on shoppers and entice them to enter the store. These variables are integral to a retailer's brand image and should reflect a retailer's overall business strategy.

General interior variables are within the control of a retailer, but they are unlikely to be changed regularly unless a remodeling project is done. The lifespan of a remodel is driven by market competition, but generally speaking,

many retailers have programs which call for a minor renovation every five years and a full remodel every ten years.<sup>6</sup> Among the general interior variables, music, scents, temperature and cleanliness should be carefully controlled and monitored on a regular basis. Retailers have full control over layout and design variables and point-of-purchase (POP) and decoration variables, all of which directly contribute to customers' shopping experiences. Human variables should be included in retailers' operation strategies.

### 1.2.2 Store Atmospherics: Pop-Ups vs. Bricks-and-Mortar

Store atmospherics involve a series of sensory stimuli ranging from tactile, gustatory, olfactory, visual, as well as social factors.<sup>5</sup> Due to their temporal nature, pop-up shops need to prioritize what store atmospheric factors are most important due to budget, time, location, space, target audience and objectives. The following is a summary of pop-up store atmospheric variables.

Table 8.2 Pop-Up Shop Atmospheric Variables

External Variables	General Interior Variables	Layout and Design Variables	POP and Decoration Variables	Human Variables
1) Exterior signage	1) Colour scheme	1) Space design & allocation	1) Point of purchase displays	1) Employee characteristics
2) Entrances	2) Lighting	2) Placement of merchandise	2) Product displays	2) Employee uniforms
3) Exterior display windows	3) Music	3) Grouping of merchandise	3) Price displays	3) Crowding
4) Surrounding stores	4) Merchandise	4) Placement of cash registers	4) Technology	4) Customer characteristics
5) Address & location	5) Temperature	5) Traffic flow	6) Graphics	5) Privacy
6) Surrounding area	6) Cleanliness	6) Racks & cases		
7) Parking availability		7) Waiting queues		
8) Congestion & traffic				

Source: Adapted from Turley and Milliman (2000)

As shown in Table 8.2, pop-up store atmospherics include fewer variables than bricks-and-mortar stores. Because pop-ups are temporary in nature, retailers do not plan a generous budget and customers do not expect an extravagant shopping experience. It's the novelty, innovation and the spur-of-the-moment atmosphere that pop-up shoppers enjoy most. However, careful planning and attention to detail in operation are still critical to ensure a pop-up success as a pop-up store is oftentimes an omni-channel extension of a retailer and it's a golden opportunity to expand the brand's reach to existing and new customers.

Given that pop-up retailers often strive to find an existing space that's most suitable for their target markets and budget, they usually have a clear vision for how to execute aspects related to general interior, layout and design, and POP and decoration, while external variables and human variables are sometimes overlooked. External

variables and human variables not only play a substantial role in contributing to the pop-up experience, but also affect other aspects of store atmosphere. For example, creative licences are very different if a pop-up shop is in a shopping mall versus in a streetfront location, which affects multi-sensory aspects of marketing strategy such as signage, colour scheme and music. If temporary employees are hired for a pop-up operation, proper training should be in place to ensure brand knowledge and consistency in brand experience.

## 2. How Design Choice Impacts Shopper Experience

Shoppers' in-store experiences are multi-faceted, including not only rational aspects, but also sensory and emotional elements.<sup>7</sup> Through the in-store shopping journey, a customer encounters many touch points which involve "a substantial level of interactions among shoppers, salespeople, and the store's atmosphere".<sup>7</sup> Researchers<sup>8</sup> suggest that in-store shopping behaviour is best explained by the environmental psychology paradigm<sup>9,10</sup> and by the Servicecapex<sup>11</sup>.

Environmental psychology originally rests on the emotion-cognition theory which in turn, leads to two contrasting forms of behaviour, approach and avoidance.<sup>9,12</sup> Approach is a desire to stay, explore and affiliate, whereas avoidance is the opposite. For example, when a shopper approaches a store, he or she first encounters the external elements, such as storefront and surroundings. Upon entering the store, the shopper will interact with the store environment, such as decor, lighting, merchandise arrangement, fixtures, salespeople and other shoppers. These sensory aspects may stimulate his/her emotional reaction, such as excitement or pleasure. He or she may also derive rational assessment of the store which leads to his/her intention to stay and shop or leave the store.

An alternate theory posits that cognition elicits emotions.<sup>13</sup> In this case, a shopper forms perceptions of the store through internal assessments, which results in emotional responses, such as joy or disappointment.

It is worth noting that external and internal cues must be evaluated in terms of one's own experience and goals, including expectations for different types of stores.

### 2.1 Store Types

Retail management literature has provided a number of ways to categorize store types. In this book, we adopt the typology proposed by Bell and Ternus (2012)<sup>14</sup>.

1. **Department store:** a very large store carrying a wide and deep merchandise assortment while offering a substantial level of customer services. Department stores are usually organized into many departments, each devoted to a specific product category<sup>15</sup> (e.g., Hudson's Bay Company).
2. **Specialty store:** a store that specializes in one or a limited number of merchandise categories (e.g., Ann Taylor). Specialty stores cater to a target market segment and usually have a more exclusive store image.<sup>14</sup>
3. **Boutique:** a small specialty shop carrying a selective merchandise assortment and catering to a narrowly defined clientele (e.g., the shops on Queen Street West in Toronto).
4. **Discount store:** a large general merchandise retailer carrying a wide merchandise assortment. They usually feature limited customer services and low prices<sup>15</sup> (e.g., Walmart).

5. **Dollar store:** dollar stores vary in size but all merchandise fit into a specific price range, usually from one to twenty dollars per item<sup>14</sup> (e.g., Dollarama).
6. **Hypermarket:** hypermarkets combine a discount store and a superstore grocer in a very large warehouse-like building<sup>15</sup> (e.g., Walmart Supercentre, Real Canadian Super Store).
7. **Outlet store:** a standalone store or a small store located in an outlet mall, selling brand name merchandise at a discounted price. Outlet stores may sell irregulars or overstock and off-season merchandise<sup>14</sup>, but in recent years, it's become common practice for retailers to develop a special product assortment that carries the brand name labels at lower price points (e.g., SAKS OFF 5th, Nordstrom Rack).
8. **Warehouse store:** a discount retailer selling merchandise in large quantity packages and reduced unit price in a no-frill store environment. They reduce cost by cutting down service level and offering selective merchandise assortment<sup>15</sup> (e.g., Costco, Sam's Club).
9. **Thrift store:** often operated by non-profit organizations, thrift stores sell a variety of merchandise from fashion apparel and furniture to home accessories and books donated by private citizens and businesses<sup>14</sup> (e.g., Salvation Army).
10. **Pop-up stores:** a temporary location designed to engage customers directly for the purpose of generating brand awareness, selling seasonal goods, or testing new products and markets or responding to local needs.

## 2.2 Retail Design and Store Type

Research shows that customers shop in different types of stores with varying expectations for their shopping experiences. Based on empirical findings, Yoon (2013) reported that department store shoppers preferred affective experiences the most, whereas discount store and online shoppers preferred rational experiences. The author reasoned that department stores tend to draw customers with lifestyle products and pleasant store atmospherics, therefore, customers expect to derive a hedonic shopping experience, which involves pure enjoyment, excitement, captivation, escapism, and spontaneity beyond the purchase of product itself.<sup>16</sup>

In contrast, customers shopping in discount stores and online usually are mostly value seekers who focus on price or functionality of products. Therefore, they expect utilitarian value when they shop. The customers may evaluate their shopping experience exclusively on the tangible attributes of goods and services acquired from their shopping trips<sup>17</sup>, as well as on whether a purchase is made in a deliberate and efficient manner<sup>16</sup>.

Store designs should aim to satisfy the types of shopping experience customers are looking for. Permanent stores, department stores, specialty stores and boutiques should strive to reflect more on customers' need for sensory and experiential shopping attributes, while discount stores, dollar stores, hypermarkets, outlet stores, warehouse stores and thrift stores need to highlight the value proposition that customers are seeking.

For pop-up shops, one of the most important criteria for store design is consistency. A pop-up shop should be consistent in store brand image with its other channels of operation: bricks-and-mortar, online or mobile commerce. The designs of pop-up shops should also align with the objective(s) of the pop-up retail operation, in consideration of factors such as length of operation, location, target market, existing space and budget.

### 3. Developing Effective Multi-Sensory Pop-Up Design Strategies

Central to retail design is customer experience. Experts project that due to many changes in the retail landscape, physical retail space will be different as a result.<sup>5</sup> Along with technology-enabled shopping solutions (e.g., smart mirrors), traditional physical store formats need to become flexible and diversified (e.g., pop-up shops). As discussed in Chapter 2, pop-up retail can serve as a marketing and communication tool (to promote brand image and affect word-of-mouth), a market entry tool (to test new products, attract new target market and set up omni-channel retail operations) and can be used as an outlet for inventory liquidation. Based on their intended function and format, pop-up shop design priorities can vary.

#### 3.1 Pop-Up Shops as a Marketing and Communication Tool

As a marketing and communication tool, pop-up shops place primary priority on communication and experiential objectives, while selling is largely ignored. In the context of an experiential economy, an important element of a pop-up shop is the experience itself where the store setting contributes to telling a brand story through design, layout and display strategy via multi-sensory elements.

- **External Variables:** branded exterior signage should be strategically placed to draw and direct customers and entrances and exterior display windows should use brand brand templates and wordmarks.
- **General Interior Variables:** colour scheme, lighting, music, temperature and cleanliness must be carefully executed to reflect the brand experience.
- **Layout and Design Variables:** space design and allocation as well as traffic flow are key aspects to implement to ensure customer engagement and avoid congestion in certain areas.
- **POP and Decoration Variables:** attention should focus on technology and graphics that enhance the communication and experiential objectives.
- **Human Variables:** employees must be carefully trained to not only provide superior customer service, but also be knowledgeable about the brand. Crowding should be controlled based on the space capacity so that customers get to fully engage in the brand experience.

The table below highlights the important variables for this situation.

Table 8.3 Atmospheric Variables at Play When a Pop-Up is Used as a Marketing Tool

External Variables	General Interior Variables	Layout and Design Variables	POP and Decoration Variables	Human Variables
1) Exterior signage	1) Colour scheme	1) Space design & allocation	1) Point of purchase displays	1) Employee characteristics
2) Entrances	2) Lighting	2) Placement of merchandise	2) Product displays	2) Employee uniforms
3) Exterior display windows	3) Music	3) Grouping of merchandise	3) Price displays	3) Crowding
4) Surrounding stores	4) Merchandise	4) Placement of cash registers	4) Technology	4) Customer characteristics
5) Address & location	5) Temperature	5) Traffic flow	5) Graphics	5) Privacy
6) Surrounding area	6) Cleanliness	6) Racks & cases		
7) Parking availability		7) Waiting queues		
8) Congestion & traffic				

Source: Adapted from Turley and Milliman (2000)

### 3.2 Pop-Up Shops as a Market Entry Tool

As a market entry tool, pop-up shops place primary priority on testing objectives and selling is a key indicator of market acceptance. In this scenario, design, layout and display strategy should focus on highlighting the new products via multi-sensory store atmospheric elements.

- External Variables: exterior signage, entrances and exterior display windows should provide clear directions and use brand brand templates and wordmarks.
- General Interior Variables: merchandise must be the focal point.
- Layout and Design Variables: space design and allocation and traffic flow should be strategically planned to ensure maximum exposure of the pop-up space; merchandise placement and grouping of merchandise on racks and cases should be implemented so that shoppers can easily see and access them. Cash registers should be placed so that waiting queues do not interfere with customers browsing in the store.
- POP and Decoration Variables: product displays and especially price displays should be strategically planned and implemented.
- Human Variables: employees must be carefully trained to not only provide superior customer service, but also be knowledgeable about the products. Crowding should be controlled to ensure comfortable distance among shoppers for a pleasant shopping experience.

The following table highlights the important variables for this situation.

Table 8.4 Atmospheric Variables at Play When a Pop-Up is Used as a Market Entry Tool

External Variables	General Interior Variables	Layout and Design Variables	POP and Decoration Variables	Human Variables
1) Exterior signage	1) Colour scheme	1) Space design & allocation	1) Point of purchase displays	1) Employee characteristics
2) Entrances	2) Lighting	2) Placement of merchandise	2) Product displays	2) Employee uniforms
3) Exterior display windows	3) Music	3) Grouping of merchandise	3) Price displays	3) Crowding
4) Surrounding stores	4) Merchandise	4) Placement of cash registers	4) Technology	4) Customer characteristics
5) Address & location	5) Temperature	5) Traffic flow	5) Graphics	5) Privacy
6) Surrounding area	6) Cleanliness	6) Racks & cases		
7) Parking availability		7) Waiting queues		
8) Congestion & traffic				

Source: Adapted from Turley and Milliman (2000)

### 3.3 Pop-Up Shops as an Inventory Liquidation Tool

As an inventory liquidation tool, pop-up shops' primary priority is selling through. In this scenario, design, layout and display strategy should focus on creating a sense of urgency and emphasize the fun of bargain-hunting through multi-sensory components.

- External Variables: exterior signage and entrance should explicitly highlight the sale with simple sign and poster designs.
- General Interior Variables: music should be fast-paced to enhance the excitement of finding “treasures” and increase the sense of urgency.
- Layout and Design Variables: space design and allocation and traffic flow should be simple and straightforward. Use a race track floor layout with utility tables, capacity racks and cases as fixtures and place the cash register near the exit so the waiting queue is positioned to be away from the customers still shopping.
- POP and Decoration Variables: product displays and especially price displays need to be effectively executed.
- Human Variables: employees usually provide minimal customer service, but must work promptly at re-organizing the merchandise and loss prevention. Employees should wear uniforms so they can be easily identified. Crowding should be controlled based on the space capacity so that customers get to access to the merchandise.

The following table highlights the important variables for this situation.



Table 8.5 Atmospheric Variables at Play When a Pop-Up is Used as an Inventory Liquidation Tool

External Variables	General Interior Variables	Layout and Design Variables	POP and Decoration Variables	Human Variables
1) Exterior signage	1) Colour scheme	1) Space design & allocation	1) Point of purchase displays	1) Employee characteristics
2) Entrances	2) Lighting	2) Placement of merchandise	2) Product displays	2) Employee uniforms
3) Exterior display windows	3) Music	3) Grouping of merchandise	3) Price displays	3) Crowding
4) Surrounding stores	4) Merchandise	4) Placement of cash registers	4) Technology	4) Customer characteristics
5) Address & location	5) Temperature	5) Traffic flow	5) Graphics	5) Privacy
6) Surrounding area	6) Cleanliness	6) Racks & cases		
7) Parking availability		7) Waiting queues		
8) Congestion & traffic				

Source: Adapted from Turley and Milliman (2000)

### Key Takeaways

In this chapter, you learned:

- about the key differences in retail designs between pop-up and traditional bricks-and-mortar stores
- how to develop and implement effective strategies to create multi-sensory experiences for pop-up shoppers
- what aspects to consider when comparing design strategies for different pop-up formats and functions

Key Terms:

- Atmospherics
- Store Types (e.g., Department Stores, Specialty, Boutique, etc.)
- Atmospheric Variables:
  - External Variables
  - General Interior Variables

- Layout and Design Variables
- POP and Decoration Variables
- Human Variables

### Mini Case Study

#### **Blue Corp.**

##### **Situation:**

An international retailer with many brick and mortar locations that sell furniture and home accessories wanted to decrease overhead costs for its new locations. Thus, instead of building new locations within major city limits, they decided to build them in suburban areas that cost less to purchase or rent, operate, and maintain. However, moving store locations outside the city limits would decrease exposure, foot traffic (and associated conversions into sales), and require a longer commute for shoppers.

A solution was required to generate more interest in the new locations and demonstrate the added value of having a store in the suburbs (e.g. larger locations with greater selection, more parking, and free pick-up of online orders).

##### **Solution:**

A temporary pop-up shop in the downtown core was planned as a way to improve awareness and garner interest for customers to consider making the trip to suburban stores. While demonstrating the wide selection of items available and benefits such as free parking and pick-ups, Blue Corp. utilized communicational and experiential strategies for their pop-up shop in the downtown core. The pop-up highlighted the benefits of shopping at the suburban locations through the presentation of a highly engaging and memorable experience.

For instance, a customized pinball machine near the entrance helped set the overall mood and tone immediately, while a major focus on food and artwork created a warm and inviting feeling. The artwork was created using items that were for sale at the larger stores, as was the food offered at the pop-up shop. A dance competition was held in another area, with contestants getting 10% off of food purchases at the pop-up. Lastly, there were 50 specifically selected cooking, eating, or entertaining items available for purchase, using radio frequency identification (RFID) technology to tap and select items in an electronic shopping cart. The entire pop-up experience was highly focused on providing a unique experience to visitors.

Expectations were being set as visitors were immersed in welcoming and comforting experiences associated with Blue Corp. that would invariably end with a query about the location of the closest suburban store.

##### **Results:**

A positive, inviting experience mixed with the communication of key information about the brand meant that visits to the pop-up shop translated to increased traffic at the suburban locations.

Brand and store-location awareness improved among the residents of the city and suburbs as local news organizations ran stories about the pop-up event. The goodwill and interest of people living in the city was won over by focusing on delivering a homogeneous, positive, and informative experience.

**Consider the following questions:**

1. Why would Blue Corp. limit the selection of products rather than selling the maximum number of items possible at its pop-up shop?
2. What was the focus of the pop-up and how does that compare with the expectations of their target market?
3. Why might the display of art that was made from items for sale at Blue Corp.'s larger stores help with their overall sales plan?
4. What are some atmospheric variables that Blue Corp. could have utilized at its pop-up shop to not only garner interest, but also compliment their larger store in the suburbs?

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# Chapter 9: Point-of-Sale (POS) Systems

## Chapter Overview

The point-of-sale (POS) system and strategy for a pop-up shop may range from very simple to highly complex, depending on business objectives and the needs of customers. While the POS needs at a pop-up may differ somewhat from those of a traditional retail store, several core features remain the same such as inventory tracking, sales tax calculations and record keeping. It is also important to anticipate the expectations of customers, potential technology limitations of a location and the norms for a specific market.

Keeping in mind that not every pop-up will be designed with sales in mind (recall *transactional* and *market testing* objectives may involve selling while others may not), there is still value in considering how other elements of the point-of-sale design can be relevant in collecting data from customers at pop-ups with an *experiential* or *communicational* focus. Likewise, institutionally driven programs, in some cases, could benefit from implementing a consistent approach to payment methods and data sharing across the pop-ups that will be hosted within their community.

With this in mind, this chapter will outline how point-of-sale systems may be similar and different in traditional versus temporary shops, the types of systems available and how to choose the right one, along with the customer value that may be derived from certain POS options.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Describe the different needs in a POS for pop-up and traditional stores.
- List key POS companies for pop-up retailers.
- Align POS features with the functions of pop-up retail operations.
- Evaluate how a POS would provide value to the consumer in a pop-up setting.

## Setting the Context

The following video demonstrates some of the considerations a pop-up retailer must take into account to best serve customers at the point-of-sale. In this example, multiple scenarios in the same setting illustrate some of the issues related to the methods of payment accepted by pop-up shops in relation to customer expectations.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=90>

## 1. POS Systems in Pop-Up Shops

**Point-of-Sale (POS) System:** the point-of-sale is anywhere that a transaction takes place in the purchase of products or services. A POS system may incorporate computer-based technology to link sales with other elements of the business, such as inventory management, customer loyalty databases, customer surveys and more. At traditional retailers, the point-of-sale is sometimes referred to as the “cash wrap”, “checkout counter” or where you find the “cashier”.

### 1.1 Receipts and Refund Policies

One of the fundamental purposes of a point-of-sale system is the exchange of money, issuance of receipts and when applicable, outlining return or refund policies. In traditional stores, the check-out line is often the final **customer touch point** of a shopper’s visit.

**Customer Touch Point:** a place where an interaction occurs between a customer and the brand;

sometimes referred to as “moments of truth” that can lead to positive or negative perceptions about the shopping experience.

Beginning with the simple act of providing a receipt, operators of pop-up shops in particular should carefully think through their options for what this means to their business. The purpose of the receipt can be far greater than simply itemizing the products, their prices and total amount paid by the customer.

For instance, as a temporary shop, one might want to encourage customers to make future purchases through an e-commerce website that can be highlighted on the receipt itself. Likewise, a social media account or online survey could be included to encourage customer feedback about their experience at the pop-up shop, with the product itself or in an attempt to grow an online community around the brand.

Due to their short term nature, many pop-ups may be designed with a “final sale” policy in mind (i.e., no returns or exchanges). However, the option to include company contact or online refund information can be one way to reassure customers that they are making a smart purchase if they are unfamiliar with the brand. As well, when selecting a POS for pop-up shops, one feature to consider as part of the selection criteria is the ability to provide electronic receipts to a customer’s email address. Beyond offering convenience to the customer, this can serve the additional purpose of building the retailer’s database for future communications. However, it is important to review the relevant privacy legislation for the local jurisdiction and be transparent with how a customer’s data may be used.

### *1.2 Loyalty & Customer Satisfaction*

In addition to allowing customers to pay for items or services they have purchased, the point-of-sale can be important in ensuring a positive experience and building a relationship with the retail brand. Even for pop-ups that are non-transactional in focus and that may not be selling anything on the spot, some of the elements that are typically found at the point-of-sale can prove useful in building satisfaction and loyalty.

One of the potentially overlooked aspects of the point-of-sale is that it provides a specific opportunity for interaction with customers. Whether a customer is making a purchase or not, designing a temporary shop with an exit area and policies that consider this final point of contact can be a great way to make an impression on customers, encourage post-purchase interactions and obtain valuable feedback. Some of the types of questions an employee at the POS or near the exit door might ask could include:

- Do you know about our online store where we offer free shipping?
- Would you like to sign up for our eNewsletter to learn about [future pop-ups, great deals for online purchases, recipes to make with our products, etc.]?
- May I ask how you found out about our temporary shop?
- Is there something different you’d like to see if we were to pop up in this area again?

There are many other brief questions that may be posed to customers leaving the shop and each one might serve multiple purposes by strengthening the experience, providing actionable feedback, and helping to inform

customers who might not realize that the shop is only temporary, but who may be interested to know how they can make purchases through other channels once the pop-up closes.

### 1.3 Inventory Management

For pop-ups that are holding inventory on site, the point-of-sale system can be an important tool in helping to manage and track merchandise that is available and in stock along with measuring the profitability of the shop.

While this may seem unnecessary to small or independent retailers and entrepreneurs, consider the example of an e-commerce business that regularly offers unique or second-hand items online while operating a temporary pop-up shop. Having an inventory-linked POS system may help to avoid potential negative customer experiences when someone in the pop-up location chooses to purchase a unique item that another individual may have added to their online shopping cart at home. Similarly, having instant insight into what has been selling or not can be invaluable when testing a new concept, considering changes to the merchandise presentation or replenishing under-stocked items.

These elements are relevant to traditional retail stores as well and given the limited time frame to realize a return from a pop-up location, could be particularly important when weighing the possibility of using manual, paper-based inventory tracking or installing an inventory-linked and computer-based point-of-sale system.

## 2. Types of POS Available

There are many different ways to accept payment from customers at a pop-up shop. In this section, we'll look at some of these options.

- **Cash Box:** a simple metal box for storing bills and coins may be all that's needed in some pop-up shops where all items involve cash purchases, manual receipts are issued and real time inventory updates are not required. Cash boxes can be purchased from office supply stores at minimal cost.
- **Direct Transfers:** accepting digital cash payments is in some ways a modern take on the cash box and may include the use of an app that can scan QR codes with a mobile phone. For example, PayPal mobile wallet can be used to transfer money directly between two accounts, while Motion Pay scanners can be used to accept WeChat and AliPay – China's most widely used platforms.
- **Cash Registers and Computer-based Point-of-Sale Systems:** these devices provide printed receipts and come in varying degrees of complexity with the ability to connect a merchant payment terminal, allow different employee access codes, link to bar code scanners, inventory management and more.



Figure 9.1 – Image of a cash box (CC0 – Public Domain)



These systems typically require access to an A/C power source and may require wired network connections as well. Examples include NCR POS or Intuit Quickbooks.

- **Merchant Payment Terminal:** typically available in countertop (wired) or wireless models, these handheld devices come in a variety of formats and may include the ability to tap, swipe or read chip and PIN based credit cards and debit cards (e.g., countertop and short range wireless terminals offered by Moneris Inc.).
- **Cloud-Based Solutions:** an online store or e-commerce platform can double as a POS system when used with a laptop or tablet in store. Particularly for pop-ups that already operate online, this may provide a simple way to accept payment and issue receipts electronically in locations where WiFi or wired Internet access is in place or if necessary, through using cellular data. Some examples of cloud-based solutions are Lightspeed, Vend and Shopify.
- **Mobile Card Readers:** these dongle-like devices can connect to smart phones and tablets to enable a pop-up merchant to accept swipe and signature or tap-based credit and debit cards or digital payments including Apple & Google Pay, among others. Such devices are offered by Square Inc. and Shopify. However, keep in mind that not all of these solutions are able to accept chip and PIN based payment cards.

#### Did You Know?

According to Tompkins & Galociova (2016) in their report *Canadian Payment Methods and Trends*<sup>1</sup>:

- Since 2011, the use of cash has been declining by around 5% each year.
- Cash has the lowest average transaction size of all of the payment methods at about \$17.50.
- Credit cards represent 58% of the total value of POS transactions.
- The volume of credit card purchases is growing at about 5% per year, but is down from a peak rate of 9% growth in 2012.
- Canada is one of the top countries for use of debit cards, which account for one out of every four payments made.

### 3. Choosing a POS Based on Type of Pop-Up Retail Operation

When planning the type of POS system to implement for a pop-up shop, there are a number of important considerations, beginning with an understanding of the basic features that are required to meet business objectives as well as the potential limitations that may be imposed by the location. For pop-ups that are more communicational or experiential in their objectives, one might still consider the non-transactional aspects of a POS that could be delivered through unique technology solutions. Finally, understanding the expectations of

customers and their payment preferences or willingness to share information will go a long way toward the success of a pop-up.

### 3.1 Basic Needs

Before choosing a POS, start by thinking about the location of the pop-up itself.

- Will it be located indoors or outdoors?
- Is it inside a shopping centre or a vacant streetfront shop?
- Will it be in an urban or rural environment?
- Is it a standalone pop-up or part of a larger festival, craft show or market?

If only a simple cash box is required to store physical currency and make change for customers, the limitations of a location will not impact this decision. However, a pop-up that requires technology as part of the POS set-up must consider the availability and ease of access to electrical power, WiFi, reliable cellular service for data, the ability to secure the area around the POS and other potential factors that could influence which options may best meet the needs of the business.

### 3.2 Multi-Location or Multi-Channel Business

If the objective of the pop-up is to test a new business concept or product and the pop-up operates independently from any other locations or channels, then understanding the location needs and customer expectations are likely all that is required. However, retailers and entrepreneurs with at least one existing location or additional channel, such as an e-commerce store, must consider how and if the POS at the pop-up should be integrated with that of the larger business. In some cases, an independent system may be suitable. Those that share inventory, loyalty programs, and seek to engage with individuals at all stages of the **customer journey** might be more effective in a multi-location or multi-channel situation.

**Customer Journey:** the steps that an individual follows pre-purchase, during a transaction and post-purchase. Their sense of satisfaction with the outcome may lead to repeat business with the brand.

### 3.3 Communicational or Experiential Pop-Ups

Pop-up shops that aim to promote awareness about a brand, a new product launch or build excitement through engaging experiences may still consider the non-purchase-based elements of a POS that should be incorporated into the design of the customer experience.

For instance, when launching a new product, a pop-up strategy could be part of building awareness before the product is commercially available and may allow visitors to pre-order on site. Other pop-ups that serve as a showcase for new products and ideas, but do not carry inventory, could benefit from incorporating a simple kiosk for customers to order directly from the brand's online store with assistance from an associate at the pop-up.

Even though a full POS system may not be required at these types of pop-ups, it's important to think about how the inclusion of some POS elements could enhance success and customer experience during the event.

### *3.4 Customer Expectations*

As with many retail business decisions, it's critical to consider what the customer expectations are with respect to payment preferences. This topic is sometimes taken for granted, but there are several important distinctions to make between the way customers expect to pay in certain regions, for certain product types and at certain price points.

According to a Bank of Canada discussion paper<sup>2</sup>, almost 44% of all payments in 2013 were cash-based, while 21.2% used debit and 30.8% used credit cards. However, the median purchase value for cash transactions was only \$9, while debit card transactions were higher at \$27 and credit cards at \$34.

Imagine a scenario where a pop-up business planned to set up at a farmer's market to sell handmade items ranging from \$25 to \$50 in price. The nature of the market might suggest a willingness on the part of customers to pay cash, however at this price point, these same customers may expect the ability to use a debit or credit card instead. If the business owner fails to consider this and simply shows up with a cash box, he or she could be losing multiple potential sales.

Consider, as well, the expectations of customers within a specific demographic. If a pop-up shop is planned for a location with a high population of Chinese or Japanese residents or tourists, the ability to accept Union Pay or JCB-based transactions will be important to success. To assist in reviewing POS vendors, Table 9.1 identifies some of the payment options and features to look for when selecting the right system to meet the objectives of a pop-up shop. To complete it yourself, add the vendor name, pricing and key information for each POS you are considering and then check off all payment types and functions that apply.

Table 9.1 POS System Checklist

POS Name:						
	Cash	Credit	Debit	Apple/Google Pay	PayPal	Union Pay, JCB
Issues Printed or Electronic Receipts						
Inventory Management Integration						
Customer Database (CRM) Integration						
Collects Customer Emails						
Collects Customer Postal/Zip Codes						
WiFi / Cellular / LAN Connection						
Manual vs. Battery Power vs. Electrical Cables Required						
Barcode Scanner						
RFID Scanner						
QR Code Enabled						
Purchase Price (monthly or one-time)						

#### 4. Providing Value to Consumers Through POS Options

Just as POS features can provide additional benefits to the pop-up retailer, they may enable a business to offer implicit or explicit value-added services to customers beyond the transaction itself.

The first and most fundamental value that customers may see from certain POS systems is one of trust and a limitation of risk. A pop-up shop by its nature is a temporary business, but the ability to issue a receipt with company contact information and a formal record of sale can help reassure customers that they are engaging with a legitimate business with some degree of accountability.

Beyond trust factors, pop-ups may create unique value to customers through exclusive contests or opportunities to receive a special discount on purchases through game-enabled transactions or other activities similar to “scratch and save” cards at the point-of-sale.

**Game-Enabled Transactions:** the integration of experiential activities throughout a shopper’s visit such as scavenger hunts, points for playing product-focused trivia and similar activities can lead to discounts or rewards being applied at the point-of-sale.

As well, some POS systems include the ability to create and offer gift cards on the spot, link to drop shipping options or enable dynamic pricing where visitors to the pop-up may benefit from discounted prices during off-

peak hours. There are many ideas to consider when thinking about ways to enhance a customer's brand experience at one of the most important retail touch points: the point-of-sale.

### Examples

The following videos outline examples of POS solutions from multiple vendors and their potential benefits for pop-up shops.

- Vend and Etsy: The Perfect Pop-Up
- What is Alipay?
- Moneris Success Stories: Daniel Chocolates Toronto
- No wallet? No problem.

### Key Takeaways

In this chapter you learned:

- about some of the different requirements for a POS at pop-up versus traditional stores.
- examples of POS solution providers.
- how to align POS features with the functions of pop-up retail operations.
- how a POS may provide value to the consumer in a pop-up setting.

Key terms:

- Point-of-Sale (POS) System
- Customer Touch Point
- Customer Journey

### Mini Case Study

#### **Mother's Day Market**

#### **Situation:**

“The Sentiments Shop” is an independent retailer that partnered with their local BIA (Business Improvement Area organization) to open a 1-day Mother’s Day Market over a long weekend. Their objective was to invite other local stores to set up and sell their goods in a small dedicated “pop-up” area within The Sentiment Shop, adding richness to the customer experience by providing a wider variety of Mother’s Day related goods.

As each of the 10 vendors opened little pop-ups within the larger Sentiment Shop, an issue previously overlooked came to light as sales started to ring up – each vendor had their own point of sale (POS) system. This led to confusion between customers in identifying how to pay for a combination of items in a single basket where some belonged to the Sentiment Store’s own inventory while others were from the pop-up vendors. As well, each vendor accepted different forms of payment (e.g. cash, credit, ApplePay, etc.) leaving customers unable to make their purchase in many cases.

**Solution:**

In this case, The Sentiment Store’s owner, Mr. Art Vandalay was responsible for running the overall store, managing its utilities, meeting legal and bylaw requirements, keeping the space clean and presentable, and in general ensuring that it generates a healthy revenue for his investment. Mr. Vandalay stepped in and allowed customers of the 10 pop-ups to use any form of payment they wished through manual entries to his own POS, which he would then track and transfer to the appropriate vendor.

**Results:**

Customers and vendors were impressed, recognizing that Mr. Vandalay had stepped in to find a quick and effective remedy to the situation. The pop-ups avoided the loss of potential sales and the overall Mother’s Day event was a success. This pilot event would be the first of many held by Mr. Vandalay in each of his five locations across the city.

**Consider the following questions:**

1. Propose several different solutions to the problem encountered at Steve’s Goods. Which would be the best alternative?
2. Identify a situation where a cash box would be considered an adequate POS system? Explain why something more sophisticated would not be ideal for certain types of pop-up shops.
3. Whether a pop-up shop is a standalone operation or part of a larger market/festival, there may be different implications in selecting a POS System. What are some of the options or issues to consider between each scenario?

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# Chapter 10: Merchandising, Inventory and Logistics

## Chapter Overview

The competitive retail landscape has seen accelerated changes in the past decades and many changes have been driven by the evolving needs and wants of shoppers. In an omni-channel retail environment, retail operations are largely developed to reflect the changes in how customers shop and how retail space is utilized.<sup>1</sup> While savvy retailers are focusing on the customer experience, convenience and technology integration to lure shoppers back to the brick and mortar stores<sup>2</sup>, each element of store experience has implications for all aspects of retail operations, such as pricing and promotions, inventory control and management, as well as logistics.

Pop-up shops, as a relatively low-cost option for emerging entrepreneurs looking to get a foothold in the marketplace, have gained popularity around the world. It's important to note that even though pop-up shops are temporary by design and business owners can maximize the benefits of a no-frills presentation, experts advise them to operate to their full potential because pop-up retailers can gather important market data for future operations<sup>3</sup> and the pop-up shop is about the brand and brand experiences for the customers. In this chapter, we will discuss the operational aspects of a pop-up shop.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Describe the factors to consider when developing a merchandise budget plan.
- Evaluate the best approaches to merchandise assortments for pop-up shops.
- Choose appropriate pricing strategies based on the pop-up format and function.
- Evaluate merchandising, inventory and logistic strategies based on pop-up retail decision making criteria.



## Setting the Context

### VIDEO

The following video offers some context to what goes into the first steps in planning the merchandise to offer for sale along with ideas for displays, layout and the duration for a series of pop-up shops in different locations.

In this scenario, the public relations director for a musician meets with a consultant to talk about using a pop-up strategy to grow awareness about her client's music in new markets.



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## 1. Merchandise Planning and Management for Pop-Up Shops

**Merchandise** is what a retailer carries in stock and makes available for sale. Retail merchandise is the backbone of any retail business and contributes to retail productivity – a key performance indicator of success.<sup>4</sup> The two key elements in the merchandise planning process are the **merchandise budget plan** and **merchandise assortment plan**. With the budget plan, buyers/business owners have a clear idea of how much money to spend on purchasing merchandise. It also provides a guideline for buyers to determine the details for the assortment plan. An assortment plan includes the specific quantities and characteristics of each product based on specific factors such as brands, colours, sizes and materials.<sup>5</sup> Merchandise budget planning and assortment planning are integral components of the procurement processes for a retailer. Daily and weekly sales records are compared with the plans to measure performances to avoid stockout situations and determine if additional promotions are required to move any slow inventory. For pop-up retailers large and small, it's critical to take into consideration the objective(s) and time duration of the pop-up operation when creating the merchandise budget plan and assortment plan.

**Merchandise:** what a retailer carries in stock and makes available for sale.

**Merchandise Budget Plan:** a projection in dollars of the sales goals of the store or department over a specific time period.<sup>5</sup>

**Merchandise Assortment Plan:** an outline of the specific quantities and characteristics of each product based on specific factors such as brands, colours, sizes and materials.<sup>5</sup>

In Chapter 2, we identified five objectives for pop-up shops:

1. **Communicational:** Pop-up shops with a primarily communicational objective focus on creating brand awareness, enhancing brand identity and influencing brand perception. Selling may be part of a communicational pop-up shop, but it's of significantly lesser importance.
2. **Experiential:** Pop-up shops with an experiential objective devote significant effort to facilitating brand-customer engagement. The operation of experiential pop-up shops is usually an integral element of a firm's marketing plan to build a brand community.
3. **Transactional:** Pop-up shops with a transactional objective relate to the economic dimension of commerce activities, where sales are at the core of business operations.
4. **Testing:** Pop-up shops with a testing objective emphasize gaining shopper insights and testing markets' responses to new products/brands. They are a relatively low risk and low cost option for companies to enter into a new market or launch a new product/brand that may lead to changed consumer habits.
5. **Institutional:** In addition to satisfying the business objectives of a brand or retailer, an institutional pop-up shop also contributes to revitalizing local communities and promoting economic redevelopment of the area.

Since selling is not an essential element for pop-up shops with communicational and/or experiential objectives, merchandise planning and management discussions will focus on those pop-up shops with transactional, testing, and/or institutional objectives. While pop-up shops with transactional objectives are oftentimes engaged in short-term operations (i.e., a few days to a few weeks), pop-up shops with testing objectives can last from a few days to a few months. Many institutional pop-up shops go into a vacant space with an intention to turn into longer term tenants; thus their pop-up operations can be planned for three to six months. This chapter will focus on how to develop merchandise budget and assortment plans for ten days, four weeks and six months.

### *1.1 Merchandise Budget Planning*

The selection of merchandise available is what differentiates one store from another. A strategic and innovative buying approach is critical to growing a healthy business. When it comes to merchandise budget planning, it is important to keep in mind: merchandise groupings; four key operating ratios; and markdown strategy.

### 1.1.1 Merchandise Groupings

Pop-up shops usually operate in a small retail space. Therefore, extensive merchandise categories and quantities are not feasible. A pop-up entrepreneur's task is to plan the proper goods to impress the customers and build favourable images of the business, regardless of the merchandise type being sold (e.g., fashion goods, seconds, antiques, or commodities).<sup>6</sup> Grouping merchandise into departments and classifications is one of the most important things to ensure retail success. Generally speaking, each department should account for 10% of the store revenue and each department should include no more than 10 classifications. Departments are considered separate business units that can be operated as standalone business entities. For example, women's wear and men's wear can be two departments of a clothing store.

Due to intense competition from big box retailers who are carrying an extensive amount of merchandise, many small businesses choose to specialize in limited groupings, but include a lot more merchandise varieties within the category. In the case of pop-up retail operations, department level may be irrelevant and merchandise classification is sufficient for merchandise groupings. Each classification can be further divided into sub-classifications, lines, items and Stock Keeping Units (SKUs). Figure 10.1 below shows an example of how to classify a store's merchandise.<sup>6</sup>

Table 10.1 Merchandise Classification System (Adapted from Kunz, 1998)

### Possible Categories Within a Merchandise Mix and Classes in Each

<b>Apparel</b> – Men's – Women's – Children's	<b>Accessories</b> – Fine Jewelry – Costume Jewelry – Belts – Scarves – Gloves	<b>Cosmetics</b> – Make-up – Hair Products – Perfume – Bath Products	<b>Sporting Goods</b> – Baseball – Golf – Tennis – Camping
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### Sub-classes Within Selected Classes

<b>Children's Apparel</b> – Newborn – Infants – Toddlers – Girls – Boys	<b>Gloves</b> – Men's Leather – Women's Leather – Winter Gloves – Winter Mittens	<b>Hair Products</b> – Shampoo – Conditioner – Colour	<b>Baseball</b> – Uniforms – Baseball Bats – Baseball Gloves – Batting Gloves – Helmets
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### Merchandise Groups Within Selected Sub-Classes

<b>Newborn</b> – Pajamas – Shirts – Pants – Dresses	<b>Uniforms</b> – Jerseys – Pants – Hats
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### Assortment Factors for Selected Sub-Classes and Merchandise

<b>Shirts</b> – Price-point – Brand – Style – Colour	<b>Leather Gloves</b> – Style – Size – Colour	<b>Hair Colour</b> – Men's – Women's – Brand – Type	<b>Jerseys</b> – Size – Style – Team Branded
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#### 1.1.2 Advantages of Classifying Merchandise

A major advantage of classifying merchandise is to gain insight into customer behaviour. Customers cast votes with their money spent in categories (this can be drilled down to individual units) and this information can be used to adjust the inventory quickly, if feasible. Even though making inventory adjustments may not be feasible during the time of a pop-up operation, planned promotions may be implemented to stimulate slow-moving categories. Furthermore, the shopper insights can be used to effectively guide the budget planning for the next planning period in terms of dollar amount to invest in certain categories.

#### 1.1.3 Four Key Operating Ratios

The four key operating ratios discussed below are important indicators for pop-up retailers, not only when conducting self-assessment of their business performance, but also when making future business decisions.

**1. Stock Turnover Rate** refers to the number of times that the average stock is sold during a given period of

time.<sup>5</sup> Stock turnover rate should be reviewed on a weekly basis. The higher the turnover rate, the less money is being held in inventory, and the better chance for a retailer to bring fresher products to draw more customers' interests and spending.

$$\text{Stock turnover rate} = \text{Net sales}/\text{Average inventory}$$

There are two distinct product strategies related to stock turnover rate:

1. high margin, high price, low turnover
2. low margin, low price, high turnover

Depending on the retailer's brand positioning and types of merchandise carried, they can choose to apply either or both strategies. For pop-up retailers that run operations for a few days with a transactional objective, low margin, low price and high turnover is the ideal strategy. For pop-up retailers with an objective to test the market and run operations in a few days to a few weeks, either strategy can be implemented depending on the merchandise/service offering being tested. For pop-up retailers running operations for a few months, both strategies may apply with each strategy dominating certain classifications suitable for low stock turnover vs. high stock turnover.

Stock turnover rate is an important ratio when pop-up retailers plan their overall merchandise budget. For example, if the planned total sales for six months is \$500,000 and stock turnover rate is two, the retailer should plan \$250,000 worth of merchandise at retail value. As a general rule, the total purchase should not exceed 120% of the planned sales.<sup>6</sup>

**Stock Turnover Rate:** the number of times that the average stock is sold during a given period of time.<sup>5</sup>

**2. Stock-to-Sale Ratio** indicates the relationship between planned sales and the amount of inventory required to produce those sales.<sup>5</sup> Stock-to-sale ratio is another measure of how well the inventory level matches the sales. As a general rule, a stock-to-sale ratio of 4 :1 is a good indicator for small retail businesses to run a profitable operation.<sup>6</sup>

$$\text{Stock-to-sale ratio} = \text{Beginning of month inventory at selling price}/\text{Total sales for the month}$$

**Stock-to-Sale Ratio:** a figure that indicates the relationship between planned sales and the amount of inventory required to produce those sales.<sup>5</sup>

**3. Gross Margin Return on Inventory Investment (GMROII)** is a measurement of the profitability of a retailer's sales.<sup>5</sup> Purchasing inventory is an investment for a retail business and GMROII provides a means to indicate how much money a retailer is getting back for every dollar invested in inventory.<sup>6</sup>

$$\text{GMROII} = \text{Gross margin in dollars}/\text{Average inventory at cost}$$

As a general rule, a GMROII greater than three is a good benchmark for business performance, as it suggests sufficient return to cover costs and make a good profit.<sup>6</sup> Retailers should calculate GMROII at classification level

so they know what the best performers in the store are and can use them as input for future decisions on buying, marketing, visual merchandising and promotion.

**Gross Margin Return on Inventory Investment (GMROII):** a measurement of the profitability of a retailer's sales.<sup>5</sup>

**4. Sales per Square Foot** refers to net sales divided by square feet of selling space.<sup>7</sup> Sales per square foot is an industry standard calculation of how productively a retailer is using the selling space to generate sales.

$$\text{Sales per square foot} = \text{Net annual sales} / \text{Total selling area in square feet}$$

Industry trade organizations and consulting firms often publish the sales per square foot figures for various retail sectors and store types. Pop-up retailers can calculate the sales per square foot for the duration of their pop-up operation and convert it to an annual figure. By comparing the pop-up retail performance with an industry benchmark, pop-up retailers can gain insights into how their retail business compares to others.

**Sales per Square Foot:** net sales divided by square feet of selling space.<sup>7</sup>

#### 1.1.4 Markdown Strategies

It's a common practice in the retail industry to build in promotional markdowns and regular markdowns in a merchandise budget plan. Promotional markdowns usually take place in conjunction with a specific event, such as a customer appreciation sale over a weekend. The price change is temporary and the price will return to normal once the sale event is over. Regular markdown is the amount set aside for each month in the merchandise budget plan to address the slow-moving inventory to reflect the market value. Recognizing that buying mistakes are unavoidable, regular markdowns are taken to stimulate the sale and inventory turnover.<sup>6</sup>

Promotional markdowns and regular markdowns are mainly applicable to transactional pop-up operations, such as a warehouse sale. Other types of pop-up retailers can use the two markdown strategies on limited merchandise to create the spurt-of-the-moment feeling for shoppers.

Most pop-up retailers should follow a seasonal markdown strategy. This type of markdown provides shoppers exposure to full-priced merchandise for an extended period of time and then takes markdowns for the last few days or weeks of the pop-up operation.<sup>6</sup> Since pop-up shops are perceived as providing a novel and engaging experience to shoppers, frequent markdowns should not be the main focus of the business strategy.

#### 1.1.5 Creating a Six Month Merchandise Plan

Even pop-up retailers who operate for a few days or weeks – whether part of a larger retail chain or an independent online or brick-and-mortar shops – usually have a longer term plan. For this reason, their merchandise plan can be a part of a larger six month plan for the main business with the pop-up representing a brief time within that period. In the retail industry, merchandise planning is usually done for February–July (spring) and August–January (fall).

Here is an example of a six month merchandise plan.

Table 10.2 Six Month Merchandise Plan

<b>Sales (LY)</b>	\$500,000.00					
<b>% Planned Increase</b>	3.0%					
<b>Planned Sales</b>	\$515,000.00					
<b>Planned EOM</b>	\$115,000.00					
<b>Initial Markup %</b>	53.9%					
<b>Planned Reductions</b>	8.0%					
<b>Planned Purchase at Retail</b>	\$622,600.00					
<b>Planned Purchase at Cost</b>	\$287,018.60					
	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUNE</b>	<b>JULY</b>
<b>Sales Distribution</b>	10.0%	10.0%	35.0%	20.0%	15.0%	10.0%
<b>Stock-Sales Ratio</b>	2.4	2.4	2.1	2.0	2.0	2.0
<b>Reductions Distribution</b>	5.0%	5.0%	10.0%	20.0%	30.0%	30.0%
<b>PLANNED SALES</b>	\$51,500.00	\$51,500.00	\$180,250.00	\$103,000.00	\$77,250.00	\$51,500.00
<b>PLANNED BOM</b>	\$123,600.00	\$123,600.00	\$378,525.00	\$206,000.00	\$154,500.00	\$103,000.00
<b>PLANNED EOM</b>	\$123,600.00	\$378,525.00	\$206,000.00	\$154,500.00	\$103,000.00	\$190,000.00
<b>PLANNED REDUCTIONS</b>	\$2,060.00	\$2,060.00	\$4,120.00	\$8,240.00	\$12,360.00	\$12,360.00
<b>Planned Purchase at Retail</b>	\$53,560.00	\$308,485.00	\$11,845.00	\$59,740.00	\$38,110.00	\$150,860.00
<b>Planned Purchase at Cost</b>	\$24,691.16	\$142,211.59	\$5,460.55	\$27,540.14	\$17,568.71	\$69,546.55

For detailed instructions on how to forecast and create a six month merchandise (budget) plan, please review the following videos:

1. Six month merchandise plan: step 1
2. Six month merchandise plan: step 2
3. Six month merchandise plan: step 3
4. Six month merchandise plan: step 4

5. Six month merchandise plan: step 5
6. Six month merchandise plan: step 6

### *1.2 Merchandise Assortment Planning*

The merchandise (budget) plan sets the framework in terms of the dollar amount for a buyer/business owner to follow when it comes to purchasing goods for each classification. If the merchandise purchased meets the demands of the marketplace and reflects the retailer's brand image, there will not be a lot of leftover merchandise to be marked down. Merchandise selection requires careful analysis of:

- the store's goals and objectives
- the types of products offered
- past sales records
- the target market
- other factors might impact sales<sup>5</sup>

Pop-up retailers must establish a core merchandise assortment plan that fits with their objectives and target market. Although the assortment planning for pop-up retailers is focused on the short term, the process of planning is similar for stores who run year-round.

Many pop-up retailers offer unique products that differentiate them from their big box counterparts. In this niche marketing approach, the assortment of products is oftentimes narrow and deep, meaning they offer a limited number of merchandise classifications, but a wide variety of sub-classifications within each classification. This strategy positions a pop-up shop as a specialty retailer with extensive merchandise choices.

Here is an example of an assortment plan.

Table 10.3 Assortment Plan



<b>Budget</b>	\$12,000.00
<b>Unit Cost</b>	\$12.00
<b>Units Needed</b>	1000

<b>Size Distribution</b>	
* Small	20%
* Medium	32%
* Large	28%
* XLarge	20%

<b>Color Distribution</b>	
* Red	50%
* Blue	20%
* White	30%
* Black	0%

<b>Size/Colour</b>	<b>Red</b>	<b>Blue</b>	<b>White</b>	<b>Black</b>	<b>TOTALS</b>
Small	100	40	60	0	200
Medium	160	64	96	0	320
Large	140	56	84	0	280
XLarge	100	40	84	0	224
TOTALS	500	200	324	0	

### Example

Please see the following video for detailed instructions on how to create an assortment plan.

## 2. Pricing Strategies for Pop-up Shops

### 2.1 Traditional Retailer Pricing Techniques

Traditionally, retailers' decisions on initial pricing and subsequent markdowns are primarily based on cost and historical data. Most retailers implement a fixed percentage on top of the cost of the merchandise to determine

a retail price. Keystone markup, for example, results in a 50% markup based on retail price. Another traditional pricing technique is to set the price above, on par with, or below the competition's pricing.<sup>8</sup>

Before establishing retail prices based on a cost orientation, retailers consider the following factors.<sup>5</sup>

1. **Target market:** pricing is a direct relationship that a retailer establishes with customers. Most retailers can't cater to all customers; they must identify a segment of the market in which to position their stores. A store manager needs to understand how the target customers view price. Is higher price perceived as equal to higher quality? Is quality customer service valued? Are customers willing to do comparison shopping to get the lowest price possible? Will customers expect to negotiate on price?
2. **Store policies:** store policies are part of the retail strategy to create the store image. In practice, the following are the most commonly seen pricing strategies:
  - a. Skimming pricing: a retailer charges the highest price possible to create a prestigious image of the store
  - b. Penetration pricing: a retailer sets prices with aggressively low margins in order to sell high volumes of products to increase market share
  - c. Loss leaders: a retailer strategically selects products with high market demand and sets their prices at a level where no profits are generated. These products are featured to build store traffic and a store's value proposition. It is the hope that once customers are drawn into the store, they will purchase other items that have been priced with higher margins.
  - d. Odd-cent pricing: built on price impression psychology, products are priced at an odd-cent ending to create the perception of being cheaper. For example, a product is priced at \$9.99 rather than \$10.00.
  - e. Even-ending pricing: opposite to odd-cent pricing, products are priced at even-cent ending. For example, a product is priced at \$42.00 rather than \$41.95.
  - f. Price lining: a retailer selects certain price points and charges all product assortment at those prices. Many retailers use the pricing strategy to create distinctions among the products carried in the store, for example, good (\$15.99), better (\$25.99) and best (\$35.99).
3. **Competition:** retailers need to carefully analyze the competition's pricing strategies and also examine their own product offerings. If a retailer is selling mostly national brands, the room for selling below competition is limited because it's likely that the national brand manufacturers would charge about the same prices to all retailers. However, if a retailer is selling private labels or exclusive designer labels, the opportunity to charge a premium price is significantly greater. Customers would be willing to pay a higher price for the unique products and the prestige of owning the unique products.
4. **Economic conditions:** pricing strategies should be aligned with the overall economic conditions of the market and based on supply and demand principles. Seasonal adjustment and product life cycle should be integral elements of pricing decisions.

## *2.2 Selecting Pricing Strategies for Pop-Up Shops*

Managers of pop-up shops should carefully select appropriate pricing strategies for their operations. The pricing

policies should be consistent with those in the existing channel of operations (i.e., e-commerce and/or bricks-and-mortar stores). Since the primary functions of pop-up shops are to create excitement and engage shoppers in exciting and entertaining ways, not all traditional retail pricing techniques are applicable. For example, a skimming pricing strategy may be effective for a new product launch of a premium brand, while penetration pricing could be effective for a pop-up retailer contemplating a permanent presence in the business area. In addition, refund policies may differ at transactional pop-ups using a “final-sale” approach or directing customers to permanent locations and alternatives where appropriate. Decision makers should consider the duration of the pop-up operation, consistency and how the pop-up shop pricing contributes to the overall business strategy.

### 3. Inventory Management Strategies for Pop-Up Retail Operations

#### 3.1 *Establishing Inventory*

##### 3.1.1 Open-to-Buy (OTB)

**Open-to-Buy (OTB)** is the amount of funds available for buyers to make new purchases. It is calculated like this:

$$\text{OTB} = \text{Budgeted end-of-the-period stock} + \text{Budgeted sales} + \text{Budgeted reductions (markdowns, thefts)} - \text{Beginning-of-the-period inventory} - \text{Purchases already received} - \text{Purchase orders placed but not yet received}$$

OTB is calculated on regular basis as a part of an inventory management strategy. It is an integral element of pre-season and in-season planning when buyers consistently compare the actual sales figures against the planned, in conjunction with considering inventory levels against planned reductions, orders received and orders made but not received. OTB allows buyers to optimize inventory based on market demand, to build a safety buffer and to seek buying opportunities when they present themselves.

Pop-up retailers should include OTB when they conduct long-term planning. Even though it may not be feasible to leverage OTB for those pop-up operations of a few days or a few weeks, these retailers can still use OTB to replenish and re-establish inventory for the next pop-up event.

**Open-to-Buy (OTB):** the amount of funds available for buyers to make new purchases.

##### 3.1.2 Purchasing Merchandise

There are different approaches to buying merchandise for pop-up retail operations depending on the objectives. For example, communicational and experiential pop-up retailers may only need to prepare giveaways/samples and limited product assortment if any, while testing and institutional pop-up retailers would need to carefully select products to be made available due to the selling focus. If a pop-up operation is set up for inventory liquidation, then the efforts would be devoted to organizing and presenting all items as efficiently as possible.

#### 3.2 *Controlling Inventory*

Pop-up operations are temporal in a location and often take place in different locations over time which creates challenges for efficient inventory management. When pop-up retailers choose a location to pop up, they consider

their target market. Depending on the size and layout of the space and length of the pop-up operation, managers make decisions on what and how much inventory to bring to the venue. Most retailers keep all inventory on the floor without a distinctive stockroom area, and many of them require a storage facility on site or close by to store excessive stock and address fluctuations of customer demands. Once the pop-up operation is done, the inventory will be transported back to a more permanent facility for holding inventory.

An accurate and timely inventory tracking and tagging protocol is important to help retailers do the following:<sup>5</sup>

1. Maintain a proper balance between sales and inventory level. This will help reduce instances of over-stock or under-stock in classifications and the store overall.
2. Identify slow-movers in a more timely fashion so markdowns and other promotional strategies may be implemented.
3. Identify best sellers early in the selling cycle so additional orders may be placed to increase the total sales. This will also help reduce loss of sales due to stockout.
4. Detect excessive shrinkage so loss prevention strategies may be put into action.

Carrying and maintaining inventory is costly (usually 20%–30% of the initial investment in inventory)<sup>9</sup>, so effective control of inventory is meaningful. A perpetual control system is more suitable for pop-up retailers.

**Perpetual Control System:** an inventory control system which involves recording business transactions such as sales, purchases, returns, and transfers on a continuous basis.<sup>5</sup>

The benefit of using the perpetual control system is that stock levels can be calculated at any time. While many pop-up retailers have computerized inventory tracking and tagging protocol, some small businesses still use a manual method. An advantage of a computerized inventory control system is that a retailer can maintain inventory control down to a unit. Radio Frequency Identification or RFID-equipped merchandise allows retailers to track a product from place to place while it's in the supply chain. Some computerized inventory control systems have automatic replenishment capability which sends orders when inventory of certain items falls below a threshold set up by a buyer or store manager.

#### 4. Logistics and Pop-Up Retail Management: Challenges and Strategies

Logistics in retailing are about product availability. As Fernie & Sparks (2014) state, “in order to make products available, retailers have to manage their logistics in terms of product movement and demand management”.<sup>10</sup> That is, retailers have to anticipate the customer demand and be able to respond quickly when the demand changes. On the other hand, retailers must also move the under-demand products out of the customer-facing positions efficiently and cost-effectively.

Fernie & Sparks<sup>10</sup> identify five components in the retail logistics mix:

1. **Storage facilities:** this could be a warehouse, distribution centre or stockroom in a store
2. **Inventory:** retailers hold stock or inventory with the goal of selling for profit

3. **Transportation:** all means of transporting goods from manufacturing to retail to consumption
4. **Unitization and Packaging:** large packaging in logistics terms and small quantity floor-ready merchandise
5. **Communication:** data collection and exchange with regards to demand and supply, but also volumes, stock, prices and movements of merchandise to facilitate the logistics process

All components are interconnected and all players (retailer and suppliers) involved in the retail logistics system must work collaboratively to achieve optimal logistics efficiency. When applying the “retail logistics mix” framework to pop-up retail operations, all components are relevant, but there is not a cookie cutter approach, as pop-up retail operations come in all shapes and sizes and with very diverse objectives. Nonetheless, the framework is valuable in guiding an in-depth analysis of the implications of each component when planning the logistics of a pop-up retail operation.

Another framework to facilitate strategy development for pop-up retail logistics is inventory parameters, developed by Sharma (2017)<sup>11</sup>. Inventory parameters include:

1. **Demand:** demand should be associated with a suitable period (e.g., by day, by week, by month or by year). For pop-up retail, this might be the duration of the pop-up operation.
2. **Procurement Cost:** purchase cost and transportation cost. This is an important parameter for choosing a pop-up location and any required storage facilities.
3. **Cycle Time:** the time it takes between the initial procurement and stock replenishment. For pop-up retail operations that are run for a few days or a few weeks, this may not be relevant. However, as most pop-up operations are an integral element of a longer-term retail strategy, it’s still meaningful to consider how a given pop-up operation fits into a bigger picture.
4. **Ordering Cost:** the costs associated with processing and handling orders from customers by retailers or from retailers by wholesalers. This parameter directly affects pricing strategy for merchandise being sold at a pop-up retail operation.
5. **Inventory Carrying Cost:** cost of warehousing, insurance and handling. This is one of the most important parameters that affects retail business overall and therefore it’s an essential factor to consider when planning pop-up logistics.
6. **Inventory Stock:** the available units at any point in time. Careful planning must be conducted to ensure inventory level meets the anticipated demand for the duration of the pop-up operation.
7. **Stockout Level:** inventory shortage due to demand exceeding supply or uniform demand with a delayed supply. A certain level of buffer stock should be prepared at the pop-up venue or in nearby storage facility to respond to unexpected surges in demand. Orders should be placed with enough lead time to minimize the risk of supply delay or interruption.
8. **Stockout Cost:** the estimated loss of sales due to inventory shortage. This may be a result of customers switching to another brand, customers no longer visiting the store due to stockout. Since pop-up retail is one of the ways to encourage customers’ cross-channel behaviours beyond the pop-up operation itself, customers’ unsatisfactory experience (due to stockout) may spill over to their perceptions of the retailer as a brand, so strong emphasis should be placed on reducing stockout

situations.

### Key Takeaways

In this chapter, you learned:

- about key ratios to consider for merchandise budget planning and management
- how to develop merchandise assortments based on the functions and formats of pop-up retail operations
- traditional retail pricing techniques and how to select pricing strategies for pop-up retail operations
- pop-up retail inventory management strategies
- challenges and strategies for pop-up retail logistics

Key Terms:

- Merchandise
- Merchandise Budget Plan
- Merchandise Assortment Plan
- Stock Turnover Rate
- Stock-to-Sale Ratio
- Gross Margin Return on Inventory Investment (GMROI)
- Sales per Square Foot
- Open-to-Buy (OTB)
- Perpetual Control System

### Mini Case Study

#### SouthStorm Clothing

##### **Situation:**

SouthStorm is a major retailer of clothing and apparel across North America. They frequently have to balance the need to launch new and exciting products while maintaining inventory levels for their best-sellers. The business typically turns over inventory quickly and efficiently but at times, new products don't move as well as expected and the employees at SouthStorm find themselves with unsold items that they need to liquidate. As a result, SouthStorm was looking for an innovative new method to solve their periodic liquidation efforts.

**Solution:**

SouthStorm decided to use a pop-up strategy to host a “Warehouse Sale” over a 5-day period. Using cleverly chosen locations in select markets, such as a fairground near a major city, SouthStorm was able to offer 80% of their unsold inventory at a major discount and reach more customers than before. Additionally, the event added an element that their regular stores lacked through the feeling customers get when ‘hunting’ for a deal. The liquidation event gave savvy customers, who may otherwise not shop at their regular stores, an opportunity to find discontinued or unique items at a great price.

**Results:**

Over the last 3 years, SouthStorm has put on 10 of these “Warehouse Sales”, an indication of the high degree of success that these events have enjoyed. Since the first event, SouthStorm has added social media elements to their inventory liquidation campaigns with a Facebook contest for followers and regular shoppers of their brand.

**Consider the following questions:**

1. What other ways could SouthStorm have liquidated their stock? List and explain two methods?
2. How can a pop-up using an inventory liquidation strategy also serve as a communicational pop-up? Explain your answer.

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# Chapter 11: Marketing

## Chapter Overview

Pop-ups can create unique and memorable experiences that are aligned with the brand's value. They have grown in popularity as a hybrid model to help pure-play online retailers and bricks-and-mortar retailers to build intimate relationships with their customers. However, figuring out the target market, choosing an ideal location, hiring the right employees, stocking unique products are just the beginning. Successful pop-ups need to put a solid marketing plan in place to promote the business. This chapter presents several marketing tactics that can help pop-ups generate word of mouth for their businesses, and discusses how social media can be leveraged to achieve pop-up retail success.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Describe marketing tactics that can be used by pop-ups.
- Understand how social media marketing can contribute to pop-up retail success.
- Develop an effective multi-faceted marketing campaign.

### Setting the Context

#### **VIDEO**

The following video helps to set the context for some of the marketing considerations that pop-up entrepreneurs may overlook while focusing on the operations of their business.

In this scenario, a food truck owner who has relied on foot traffic for customers meets with a student to discuss new ideas for marketing his business.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=94>

## 1. Introduction to Marketing

The retail environment has changed radically in the past two decades. The way that people live, shop, and work has been transformed. Traditional marketing techniques such as cold-calling, print advertising, TV commercials, and junk mails have not totally disappeared from the market but they are being valued less and less by the consumers, especially the younger ones. Hence, retailers – from small pop-up shops to multi-nationals – have been forced to adapt the way they attract, convert, and delight their customers. They are doing this through an expanded Marketing Mix that covers Product, Promotion, Pricing, Place, and People tactics. Pop-ups need to re-think their marketing strategies to make them relevant in this social media era. The ultimate goal is to turn prospects not only into customers but also supporters and advocates.

### 1.1 Product Tactics for Pop-up Shops

#### 1.1.1 *Crossing Over with Another Brand*

An advantage of the pop-up shop format is that the brand can be very creative when it comes to product development and presentation. Pop-up shops can be used by brands to test new product ideas and market reaction, without disrupting the day-to-day operation of their existing sales channels. Eva’s Original Chimneys’ pop-up shop at Yorkdale Shopping Centre launched a “Limited Edition Chimney Cone” using **crossover branding** with Uncle Tetsu, a famous Japanese cheesecake shop. This dessert cone was only available for one day in May 2017. To create scarcity, Eva’s Original Chimneys only sold 15 cones per hour on a first-come-first-served basis.<sup>1</sup> The dessert shop posted about the limited edition cone on Instagram and received 975 “likes” and a long queue of

people wanting this special cone. Incorporating a pop-up with other brands or local businesses can be a good way to inject freshness into the shop.<sup>2</sup>

**Crossover Branding:** also known as co-branding, it is a strategy that involves two different brands joining forces to create a new product or service indicative of both their identities. This approach opens up an opportunity for one brand to introduce its product or service to the fans of another brand.



Figure 11.1 Eva's Original Chimneys announced a limited edition of its cross-over product with Uncle Tetsu at its Yorkdale pop-up shop on Instagram<sup>1</sup>.

### 1.1.2 Creating Excitement with “Pull” Marketing



Figure 11.2 Consumers attending Sony’s pop-up shop at Fairview Shopping Mall in Toronto to learn about its latest PS4 gaming console and accessories Source: CC-BY Ken Wong, 2017

Prior research has argued that marketing strategies for the retail sector have changed direction from “push” to “pull”, and suggested that consumers need to take part in communication and advertising.<sup>3</sup> Pop-ups can benefit from such “pull” marketing strategy by allowing consumers to have a different shopping experience in their shops. The idea is to put the consumers in the driver’s seat and let them touch the products, ask questions and enjoy the brand experience. Generally speaking, the pop-up environment should be experiential and highly authentic. Compared to typical retail shops that are more generic, pop-ups should be more unique, more fun and offer something extra.

### 1.1.3 Selling Feelings Towards Your Products

Pop-ups are not always meant to facilitate quick sales transaction. They can be used by companies to reinforce brand images, revitalize matured brands, or

fix damaged brands. With this in mind, pop-up shops can be set up creatively as a fun, exciting and memorable place to capture foot traffic. For example, SC Johnson promoted its Glade fragrance products in New York City by creating a pop-up boutique whose aim was to “sell feelings”. The Glade Boutique featured a multi-sensory, immersive and interactive experience for shoppers. To enable visitors to further explore the brand, they were invited to experience the “Scent Lab” which featured a candle wall housing 1,500 back-lit scented candles<sup>4</sup>. SC Johnson encouraged their visitors to share their experiences via social media using the hashtag #FeelGlade. Furthermore, a 60-second behind-the-scenes video was made available on Glade’s YouTube channel.<sup>4</sup>

### 1.1.4 Making Your Product Available for a Short Period

Pop-ups that create a sense of urgency usually attract consumers’ attention and get them to pay a visit. In general, a short lifespan pop-up shop can generate foot traffic and attract customers easier than long-term ones from the viral marketing point of view. A good example can be seen from iZettle’s “The 12 Hour Store” in Central London, UK. This mobile payment solution vendor created a pop-up shop that lasted for only six days. Through a marketing competition, iZettle found six local small businesses and empowered each of them to trade out of this shop from

9:00 a.m. to 9:00 p.m. for only a day.<sup>5</sup> To create a sense of urgency, iZettle put up street signs that said: “Grand opening today, grand closing tonight.”<sup>6</sup>

One of these six businesses was Iam Vibes. This brand achieved record-breaking sales after participating in “The 12 Hour Store”. Tom Hardless, founder of Iam Vibes, said, “Taking part in iZettle’s 12 hour store was a dream come true. The 12 hour store did not just give me a physical space to trade from; it gave me a huge morale boost.”<sup>7</sup>

### 1.1.5 Creating one-of-a-kind Pop-up Shop to Help Others

Traditionally, pop-ups are commonly used by major brands to attract customers with the ultimate goals of increasing sales. However, non-profit organizations are now taking advantage of the pop-up shop concept to practice the art of philanthropy. For example, The Haven Night Shelter for the homeless in Cape Town, South Africa, set up a temporary “Street Store” to let citizens donate clothings and winter accessories.<sup>8</sup> The homeless people can in turn take the time to choose what they want in a location where they feel comfortable and familiar with — the street.

Similarly, there are social entrepreneurs who set up pop-up shops to let people buy products that get distributed directly to the poor in the city. An example is the pop-up shop “Crack + Cider” in London, UK that is organized by Scarlett Montanaro and Charlotte Cramer.<sup>9</sup> “We decided that we just wanted to create a really simple, totally transparent model for charitable giving,” says Cramer. Their venture seem to be successful with expansion to Bournemouth and also San Francisco. These one-of-a-kind pop-up shops that help others often generate attention of the media and people like to spread the word over social media.

#### Did you know that?

- The first **Street Store** is born in Cape Town, South Africa in January 2014. Since then, more than 500 Street Stores have popped up in 200+ cities around the world.<sup>8</sup>
- Watch a video clip about the Street Store on YouTube.

## 1.2 Promotional Tactics for Pop-up Shops

### 1.2.1 Listing in Online Pop-up Directory

Without a permanent location, pop-up shops may be difficult to find. Some pop-up shops receive little foot traffic even though they are selling great goods. In addition to handing out flyers on the streets or advertising in local newspaper, pop-ups can consider listing their businesses in some pop-up specific online directories. For example, there are over 35,000 separate listings in the PopUp Republic directory, covering pop-ups across the United States.<sup>10</sup>

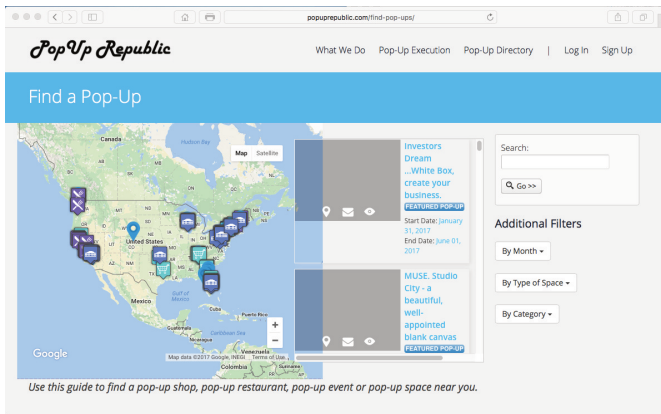


Figure 11.3 PopUp Republic's online directory<sup>10</sup>

In Canada, there are also online directories that help people locate food trucks and other types of pop-ups. The key to success is to have a detailed, comprehensive listing that entices people to check it out.

Table 11.1 An example of a comprehensive food truck listing

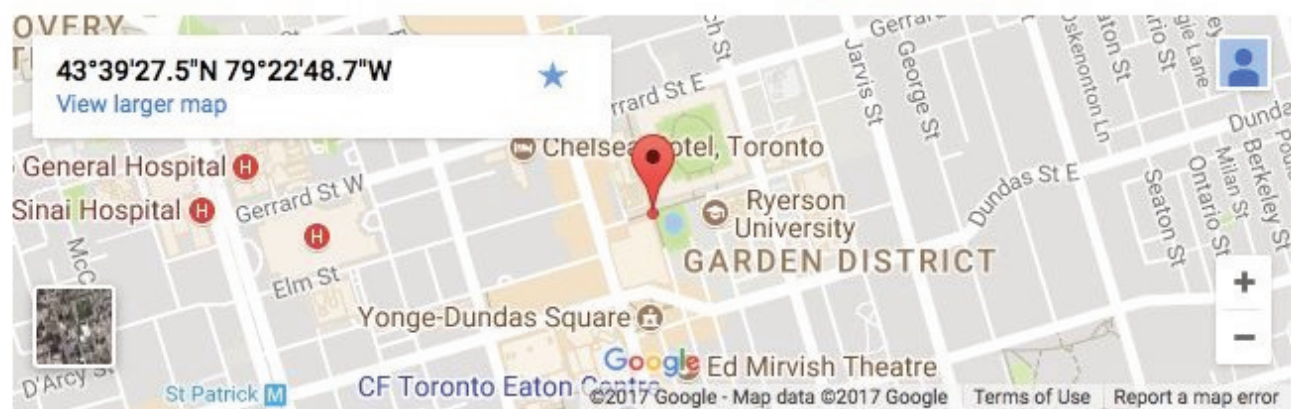


Items to include in a pop-up listing	
<b>Name of business</b>	ABC Delicious Fast Food Truck
<b>Description of business</b>	John was onto something special when he decided to quit his banking job to bring comfort food to the streets of Toronto. The delicious cuisine from ABC Delicious will surely KO your cravings. The gourmet Stuffed Wings are the stuff of legend, with crazy savory options.
<b>Start Date</b>	December 1, 2017
<b>End Date</b>	December 10, 2017
<b>Hours of Operation</b>	11:30 a.m. to 6:00 p.m.
<b>Location</b>	In front of North York Centre on Yonge Street
<b>Address</b>	5150 Yonge Street, North York, Ontario, M2N 6L6
<b>Contact Information</b>	John Smith, (416) 123-4567
<b>Website address</b>	<a href="http://www.abcdeliciousfastfood.ca">http://www.abcdeliciousfastfood.ca</a>
<b>Social media accounts</b>	Facebook.com/abcdeliciousfastfood

Pop-ups can upload photos, videos and even user reviews to make their directory listing more attractive. It is also wise to include GPS coordinates and map information to help visitors locate the pop-up operation.

Today, August 16th


**OPEN NOW** until 3:00 PM



**Ryerson University (Gould/Victoria)**

Figure 11.4 GPS and map information about a food truck<sup>11</sup>

**Example**



Roaming Hunger is an online portal and mobile app where food trucks can advertise their businesses. Visitors can search its online database to locate food trucks in North America. This site has gained popularity since it launched in 2009.

- Learn about how Roaming Hunger helps struggling food truck operators in this Los Angeles Times article.
- Watch an interview with Roaming Hunger's founder on YouTube.

Figure 11.5 Map showing location of food trucks in Vancouver<sup>12</sup>



### 1.2.2 Reaching the Mass Market Through Traditional Media



Figure: 11.5 Samsung's pop-up experience centre in Hong Kong Source: CC-BY Ken Wong, 2017

Although the impact of traditional advertising media such as newspaper, radio and TV has been drastically reduced in recent years, they are still useful as advertising tools. For example, when Samsung launched its Galaxy S8 series smartphone worldwide, it made use of traditional media to promote its pop-up experience centre in town.



Figure: 11.6 Samsung's advertisement on the back cover of Next Magazine, Hong Kong Source: CC-BY Ken Wong, 2017

### 1.2.3 Taking advantage of the “Fear of Missing Out” (FoMO) Phenomenon

Pop-ups are often once-in-a-lifetime opportunities; they come and go quickly. If consumers missed these pop-up shops, they probably wouldn’t be able to experience them again easily. It is not uncommon to see consumers flocking to the pop-up shops once they learn about their existence. For consumers, to be “in the know” can be important in their social circles. This is particularly true when social media platforms facilitate rapid information sharing among friends and colleagues.<sup>13</sup> Some people have a desire to stay continually connected with what others are doing, and are afraid of missing out on the latest trends. Pop-up shops can target those people who demonstrate this “Fear of Missing Out” (FoMO) phenomenon.

**Fear of Missing Out (FoMO) phenomenon:** the uneasy and sometimes all-consuming feeling that you’re missing out — that your peers are doing, in the know about, or in possession of more or something better than you.<sup>14</sup>

#### Did You Know?

- A 2013 study suggested that nearly three-quarters of young adults reported they experienced the FoMO phenomenon.<sup>14</sup>
- FoMO was associated with lower need satisfaction, mood and life satisfaction.<sup>14</sup>
- FoMO was robustly linked to higher levels of social media engagement.<sup>14</sup>

#### Example

In 2011, a group of volunteers in Helsinki, Finland created Restaurant Day, a food carnival that takes places four times a year (February, May, August and November). Restaurant Day enables individuals to realize their dream to run a one-day pop-up restaurant in their own location<sup>15</sup> and has since expanded globally.

- Pop-up restaurant “Raflavaunu” *in Finland*
- Watch a TEDxTurku video clip about Restaurant Day in Finland.
- Read about Montreal’s Restaurant Day.

## 1.3 Pricing Tactics for Pop-up Shops

Pop-ups can use pricing as a way of attracting and communicating an offer to a potential shopper. In today's retail environment, pricing is a competitive tool that retailers can use to better position their products or services.

### 1.3.1 Pricing Objectives

The first step in price development is to understand one's pricing objective. A pop-up shop can be categorized as "profit oriented", "sales oriented", or "Status Quo oriented". If the objective is profits maximization, pop-ups should have a clear picture about their cost structure and the price premium that they can charge. On the other hand, if the focus is on dollar or unit growth, they should run promotions and also price their products or service competitively to gain market share.

Pop-up shops that have operational constraints, such as limited production capacity or labour supply, may want to maintain their status quo. They may want to price their products or services to simply meet the competition to maintain their current production or service levels.

### 1.3.2 Price Level Policies

Once the pricing objective is determined, pop-ups can set their price level policies. Shops that sell unique products or services can consider the use of "Skimming pricing", in which the initial price point is set very high before having gradual price reduction later. Consumers who are fear of missing out are typically willing to pay a premium to obtain the most trendy products or services.

If the pop-up shops are trying to get as many people as possible to experience their brands, they can make use of "Penetration pricing" in which the price is set artificially low during the product introductory phase. The low price point can also be useful when the products or services are relatively unknown to the consumers, as it offsets the perceived risks in such kind of purchase.

### 1.3.3 Full-line Pricing and Prestige Pricing

"Full-line pricing" refers to the presentation of a set of price points of a product family. When shoppers do not have a strong preference of a particular product, they would typically pick the middle one among the "Good", "Better", and "Best" product selection. The use of Full-line pricing can help pop-ups better manage their inventory levels.

Some pop-up are operated by luxury brands. They may use "Prestige pricing" in which the price remains high all the times in order to maintain the brand's premium market positioning.<sup>16</sup>

### 1.3.4 Offering Free Merchandise in Exchange for Social Currency

Prior research of social media as currency has demonstrated significant, positive correlations between posts and increased e-commerce.<sup>17</sup> Considering that much of the Millennial generation is rich in **social currency**, pop-up shops can consider offering patrons free merchandise in exchange for their tweets, or postings on Facebook, Instagram and Pinterest.

**Social Currency:** the extent to which people share the brand or information about the brand as part of their everyday social lives at work or home. This sharing helps companies to create unique brand identities and earn permission to interact with consumers or customers.<sup>18</sup>

In the UK, Marc Jacobs was trying to promote its Daisy Dream fragrance. As part of its multi-faceted marketing campaign, Marc Jacobs set up a 3-day **tweet shop** in London. Shoppers could purchase goods only with social currency by using the hashtag #MJDaisyChain. The value of goods that could be exchanged for social currency went up as shoppers put more effort into their tweets, such as adding images or video clips. According to Marc Jacobs, their launch of tweet shop was preceded by considerable amount of press coverage and hype prior to the shop opening.<sup>19</sup>

**Tweet Shop:** a temporary retail establishment in which store visitors can receive free merchandise or service by tweeting a message at the store, usually about the sponsoring brand or product.

#### Examples

- In 2012, Kellogg's Special K established the world's first "tweet shop" as part of its social media campaign to push its entry into the crisps market.<sup>20</sup>
- Watch this video about the Marc Jacobs tweet shop in London

#### 1.3.5 Turning Shoppers' Social Currency into Discounts

American fashion brand OnePiece opened a pop-up in New York City where shoppers got discounts with their social currency. It created the "PieceKeepers" OnePiece ambassador system in which customers connected their various social media accounts to establish their degree of influence. For every 500 followers, shoppers can earn \$1 towards their purchase, up to \$20. Shoppers can check the worth of their social connection by using an online calculator.<sup>21</sup> To collect their social shopping discount, shoppers upload and share an image in the shop using the #socialcurrency hashtag.<sup>22</sup>

## #SOCIALCURRENCY

WHAT'S YOUR TOTAL SOCIAL FOLLOWING WORTH?  
TYPE IN (SUM ALL NETWORKS) BELOW TO CALCULATE.  
YOU CAN SHOP AT ONEPIECE.COM FOR THE AMOUNT YOU GET.

I HAVE  FOLLOWERS

Your social following is worth:

**\$105.00**

You get a base of \$/€ 15 by sharing #socialcurrency on Twitter and Facebook.  
This is calculated into the amount above.

**YOU REDEEM YOUR #SOCIALCURRENCY AT CHECKOUT ON  
ONEPIECE.COM BY LINKING UP YOUR SOCIAL MEDIA IN THE CART**

CONVERT YOUR FOLLOWERS TO CASH NOW

CHECK OUT THE STORE

Figure 11.5 OnePiece's #socialcurrency discount calculator

its social media app<sup>23</sup>. In this pop-up shop, ooVoo only accepted payment in the form of friends in a visitor's ooVoo roster. For example, a micro scooter bike would cost the visitor "2000 friends". By encouraging influencers to trade their ooVoo friends for merchandise, ooVoo hoped that people would spread the word and get others to join the ooVoo social network.

### 1.3.6 Trading Friends for Free Merchandise

In 2015, software developer ooVoo set up a pop-up shop called "ooVootique" for 13 days in Austin, Texas to promote

### 1.3.7 Accepting Kindness as Payment

Setting up a "Tweet Shop" to let people exchange free merchandise with tweets can be a good tactic as part of a brand's social media campaign. If organized properly, this can be used by a brand to promote corporate social responsibility. For example, Unilever has a skincare brand called "Simple". To differentiate itself from the crowd, Unilever's set up the "#KindIsSimple" pop-up shop in London, UK but it was not selling or promoting any specific products there. Instead, visitors to the pop-up shop were asked to reflect upon themselves, tweet about their acts of kindness, and also suggest ways to make the society better.<sup>24</sup>

To increase people's dwell time in this pop-up shop, visitors were encouraged to write a note for their friends on the Kind Words Wall, relax at the Cup of Kindness Water Bar, or check out the Kindness Tree where thoughtful acts were hanging. The pop-up shop also ran expert panel sessions with skin experts, nutritionists and make-up artists. When asked about the benefit of this pop-up shop, Philippa Bealey, brand manager for Simple at Unilever UK said, "Running this campaign via Twitter and Instagram provides an excellent platform for us to reach our target audience and drive the conversation in a space that is relevant to them."<sup>25</sup>



## 1.4 Place Tactics for Pop-up Shops

### 1.4.1 Collaborative Pop-ups: Selling Together with Other Pop-up Vendors



Figure 11.6 Brands are doing business together at CONCEPT pop-up retail space Source: CC-BY Ken Wong, 2017

The CONCEPT pop-up retail space in Yorkdale Shopping Centre in Toronto was a temporary home to over ten different smaller brands. By presenting shoppers with several brands under one roof, it was able to attract curious consumers to spend more time in the shop to explore various product and service offerings.

This tactic is also used commonly in the food truck business. By collaborating with other food truck operators to do business together, the vendors can usually draw more people to the area as shoppers like to compare products before making a purchase.



Figure 11.7 Food trucks coming together for business on Yonge Street, Toronto Source: CC-BY Ken Wong, 2017

### 1.4.2 Setting Up in an Iconic Building

For big brands that have deep pockets, they can consider building a unique pop-up shop specifically to showcase their brands. The iconic design of the pop-up shop would not only draw the media's attention, but also attract

people to take photos and share them over social media. During the 2015 NBA All-Star weekend festivities in New York, Nike set up a giant pop-up shop called “the Zoom City SNKRS Station” that looked like a shoebox.<sup>26</sup>

Another example is the online bank Tangerine, which placed a pop-up showroom inside an orange cargo container in the parking lot of the Centrepoint Shopping Mall in Toronto. The bank was trying to make their online banking service “tangible” and help residents better understand their service offerings.



Figure 11.8 Tangerine’s pop-up showroom in the parking lot of Centrepoint Shopping Mall, Toronto Source: CC-BY Ken Wong, 2015

### 1.4.3 Piggybacking with a Reputable Bricks-and-Mortar Retailer

Setting up a standalone pop-up shop is costly and the ideal location may not be available. A solution is to piggyback on the success of a reputable bricks-and-mortar retailer. For example, Nutella chose to set up a pop-up shop inside Longo’s supermarket in downtown Toronto in the form of a tasty Nutella Creperie. Visitors were encouraged to share their experience using the #NutellaMoments hashtag on social media, in order to earn a chance to win a personalized prize pack filled with pastries and donuts.<sup>27,28</sup>

### 1.4.4 Collaborating with a Shopping Mall



Figure 11.9 Showroom for online vendor INDOCHINO at Yorkdale Shopping Mall, Toronto. Source: Ken Wong, 2017

Shopping malls are motivated to experiment with niche retail concepts to generate foot traffic. They are interested in bringing all kinds of pop-up shops to their site to create a more exciting mix of tenants.

An increasing number of shopping malls and upscale brands are embracing the pop-up shop format. For example, The Shops at Columbus Circle in New York created a permanent retail pop-up installation called a “Luxury Merchandising Unit (LMU).<sup>29</sup> It has housed upscale brands such as Hermès, La Maison du Chocolat, Moleskine, Sugarfina and Tesla.<sup>30</sup>

Shopping malls have relatively deep pockets to fund various promotional activities. Pop-up shops should leverage

the marketing support provided by the shopping malls, whether it's an advertisement in the shopping guide, an interview article on their website or a tweet that goes out to thousands of their followers.

## 1.5 Customer Service Considerations for Pop-up Shops

### *1.5.1 Hiring Approachable and Friendly Staff Members*

The simplicity, friendliness and relatively laid-back style of the pop-up shop should be represented by the staff hired to interact with the customers. Consumers who are new to the brand, especially the upscale ones, may find the pop-up environment a great starting point to learn about the brand. As a result, these pop-up shops should be designed in such a way that is pleasant, amusing, agreeable and fun.<sup>31</sup> Most importantly, pop-up shops need to hire staff members who can demonstrate these characteristics, and who feel comfortable working in a pop-up environment.

### *1.5.2 Ensuring Staff's Compensation Reflects the Pop-Up Business Model*

The pop-up environment should be welcoming, one that encourages consumers to have face-to-face dialogue with the brand representatives. Therefore, pop-up retailers should recruit knowledgeable brand representatives who can also assist in creating and delivering a distinctive customer experience at their pop-up shops.

Prior research has also argued that consumers shop together as part of their social activities. These consumers visit the pop-up shops to show their devotion and support to the brand, and not necessarily with the intent of making a purchase.<sup>32</sup> With this understanding, brands should pay attention to how they compensate their staff when generating sales is not always the business objective at these pop-up locations.

## 2. Social Media Marketing: A Key Factor For Pop-Up Retail Success

### *2.1 Marketing Opportunities Presented by Social Media*

It is not uncommon to see retailers beefing up their social media marketing initiatives as they try to get ahead in their omni-channel retailing journey. There are many activities that pop-ups can consider. As the first step, they can set up Facebook accounts to showcase new products to get their fans and customers excited. Pop-ups can also tweet about limited time offers, and share photos and videos over Pinterest, and Instagram. To maximize a brand's social media engagement, some pop-ups go out of their way to build specific stations or kiosks inside the shop that revolve around Facebook, Twitter and Instagram activities.





Figure 11.10 Uncle Tetsu Canada tweets about its Yorkdale pop-up shop on Twitter

The power of social media comes when **Key Opinion Leaders (KOLs)** “retweet” or “like” the content posted by the pop-ups. These KOLs may have hundreds or thousands of followers, so they can serve as pop-up shops’ brand ambassadors to help them get the word out quickly.

**Key Opinion Leaders:** thought leaders who successfully combine expertise and passion, both online and offline. Usually, they are active online and have hundreds, if not thousands, of followers over social media.

Social media can serve not only as a pre-sales communication channel to promote new products or services, but also as an after-sales support channel to collect customer feedback and resolve issues. Nowadays, consumers are keen on participating in open dialogue because it allows them to feel important and like they have a voice.<sup>33</sup> Pop-ups can make proper use of social media platforms for other business purposes as well. For example, they can announce job postings over LinkedIn, and learn about their competitors’ latest development using Tweetdeck, Twitter search, or Google Alerts.

## 2.2 Live Video Streaming

The rapid growth of live video streaming on Twitch, Periscope, and Facebook Live provides an excellent promotional opportunity for pop-ups. These platforms are great for pop-ups to stay relevant and ignite real-time conversations with people about their shops.<sup>34</sup>

There are many great video streaming ideas that pop-up shops can consider. For example, they can put together a video as a teaser for their upcoming store opening and then live stream the opening event and interview customers in attendance. They can also broadcast during product launches and arrange product specialists to go over the new product features. Pop-up shops can broadcast behind-the-scenes footage to create buzz around the brand.

An important consideration is that these live streamed videos can be created by other people who may be

interested in the pop-ups. A good example of this is the Periscope video broadcasted by Ok Taec-yeon, a famous Korean singer from the 2PM group, during his visit to the OKCAT pop-up shop in Seoul, Korea. His video was subsequently uploaded to YouTube and was viewed over 9000 times.<sup>35</sup>

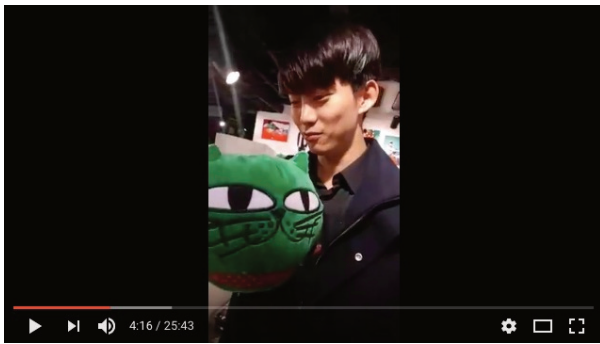


Figure 11.11 A Periscope video broadcasted by a celebrity for his visit to OKCAT’s pop-up shop in Korea<sup>35</sup>

### 2.3 Selecting the Right Social Media Platform

There are many social media platforms in the market. In North America, one can establish a presence on major sites such as Facebook, Twitter, Instagram, Pinterest and YouTube. When choosing social media platforms, it is important for pop-ups to understand the demographic composition of these sites, so that the right kind of shoppers can be targeted.<sup>36</sup>

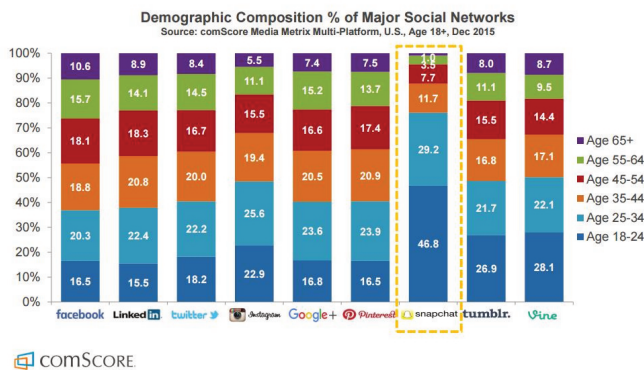


Figure 11.12 Demographic composition of major social networking sites<sup>36</sup>

The social media world has evolved rapidly. The best platform for pop-ups a few years ago may no longer be relevant nowadays. For example, MySpace and Google+ were once social media leaders in the mass market, but they had to shift their focus to serve users in their niche markets since overtaken by Facebook and others.<sup>37</sup>

Note that not all of the mentioned social media sites are available globally, as foreign governments block some due to political censorship. For example, popular social media platforms such as Facebook, Twitter, YouTube and Pinterest are blocked in China due to censorship. Instead, Chinese Internet users utilize alternative services such as those from Renren, Weibo, Youku and Baidu.<sup>38</sup>

#### Did You Know?

- Out of 7.48 billion people on this planet, there are 3.77 billion Internet users and 2.79 billion active social media users.<sup>39</sup>
- Some retailers display a Service Level Objective (SLO) on their social media sites. For example, Royal Dutch Airlines (KLM) shows a “We expect to reply within X minutes” on its Twitter account and this number changes every 5 minutes.<sup>40</sup>
- The top 5 social network sites, as measured by active users, are Facebook (1.8 billion users), WhatsApp (1.3 billion users), Facebook Messenger (1.2 billion users), QQ (877 million users), and WeChat (846 million users).<sup>41</sup>
- In Canada, two out of the top eight retail brands have over 50% of their audiences visiting exclusively from a mobile device.<sup>42</sup>
- 2.4 Developing Effective Social Media Messages

Setting up a social media account is easy but creating effective messages that resonate with consumers can be a challenging task. There are many types of content that pop-ups can share over social media.

Table 11.2 Types of content that can be posted on social media

Types of Content	Description
Insight	Pop-up retailers can share their views towards industry trends or specific competitive offerings. They can also invite Influencers or Key Opinion Leaders (KOL) to share their insights as well.
Expertise	Pop-up retailers can be experts in their industries; they can answer questions about a particular product or service as raised by community members.
Images	Pop-up retailers can share photos about their new product or service offerings. They can also post behind-the-scenes images to get people excited about their operation.
Data	Pop-up retailers can share interesting statistics about their industry, brand or product.
FAQs	Pop-up retailers can post frequently asked questions to help customers learn about the brand, use the products or enjoy the services.

To maximize audience reach, pop-up retailers can consider adding **hashtags** in their social media postings. When Google set up its “Made By Google” pop-up store in New York City<sup>43,44</sup>, certain hashtags such as “#Google”, “#popupstore” and “#NYC” were used extensively in their social media postings. The benefit for Google is that it

can easily find all online conversations that are related to this pop-up shop by searching these hashtags on Twitter and other social media platforms.

**Hashtag:** a word or phrase preceded by a hash or pound sign (#) and used to identify messages on a specific topic over social media

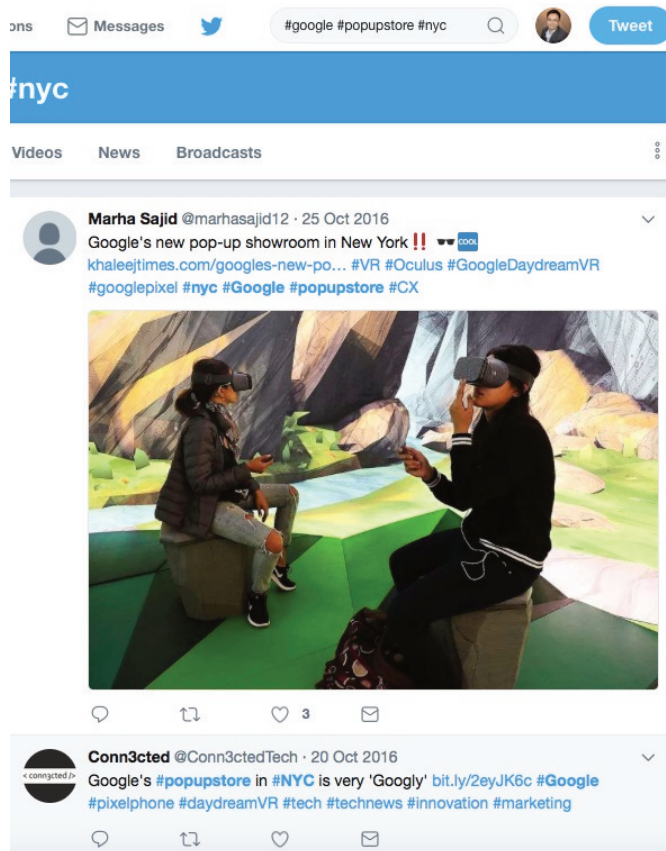


Figure 11.13 Searching social media conversations using a combination of hashtags Source: CC-BY Ken Wong, 2017

Pop-up retailers should understand that social media is not a press release. It is not merely about reaching a bigger network of people on the Internet. Instead, it is about engaging customers actively and pulling them into a conversation. For pop-ups that are having a joint promotion with other brands, they should consider distributing their pre-crafted advertising message across their strategic partners' social media channels as well, and not just their own.

### Tips for Microblogging

Microblogging, or sharing small pieces of content such as tweets or status updates, can be a cost-effective way for pop-up shops to engage their customers.

- Regular tweeting is key to brand success. 74% of brands tweeted at least three times per day (including Retweets and @replies).<sup>45</sup>
- Tweeting out links is becoming the social standard. The number of links tweeted by brands increased 72% from Q4 2013 to Q4 2014.<sup>46</sup>
- Brands are interacting more with individual users, especially in the restaurant industry. @Replies made up 68% of all brand tweets.<sup>47</sup>
- The opportunity to connect with consumers is ripe on Twitter. Engagement with brand tweets was up 105% year over year.<sup>48</sup>
- Visual content works. Photos inspired 57% of all engagement with brand tweets—a 6% increase from just the previous quarter.<sup>49</sup>

### 3. Developing an Effective Multi-Faceted Marketing Campaign

#### 3.1 Campaign Management

Earlier in this chapter, you explored the Marketing Mix (4Ps) and learned about the growing importance of social media marketing for pop-ups. Now, let us see how an effective multi-faceted marketing campaign should be developed. Just like any business project, a marketing campaign must be well designed, implemented and evaluated. Pop-up operators need to consider the following aspects when planning their marketing campaigns:

1. Goals: What are the goals of this marketing campaign?
2. Audience: Who needs to respond? What response?
3. Motivators: What motivates this audience?
4. Messages and messengers: What must you say to get the desired response? And who must say it?
5. Media and moments: Through what media and when should you engage your audience?
6. Execution: What specifically will you do and when?
7. Metrics: How will you measure progress towards success?

##### 3.1.1 Goals

The first step in campaign management is to understand the goals of such a marketing campaign. Is the campaign designed to stimulate sales, generate brand awareness or both? Are there relevant organizational, departmental and/or communications goals that must be achieved through the delivery of this marketing campaign? No matter what the goals are, they must be time-specific, easy to understand and measurable.

##### 3.1.2 Target Audience, Motivators and Key Messages

The next step in campaign management is to identify the target audience. Sometimes, pop-up retailers may have

more than one group whom they want to target. The needs of these primary and secondary target audience may be different. Before developing the key messages, retailers need to first understand what motivates this audience to consider the brand. The advertising contents developed should set the pop-up shop apart from the competition, sound authentic, have a current angle and probably answer a target audience's dream, desire, problem or fear.

Pop-up shops also need to understand what type of messengers their target audience trust, the type of media they consume the most, and the moments when they will be most receptive to such messages. All of these can be summarized in a strategy statement which encapsulate the retailer's overall approach to messaging, messengers, media and moments.

### 3.1.4 Tactics and Metrics in a Campaign Calendar

A campaign calendar should be developed to show what tactics and metrics will be used at a particular time. It is not uncommon to see pop-up shops having different business objectives throughout the campaign. For example, a shop may want to maximize its brand awareness in week one but focus on sales in week two. In this case, the metrics will be foot traffic and sales revenue, respectively. No matter whether the calendar is displayed in weekly, monthly or even quarterly format, it is all about understanding the business goals and how the proposed online and offline marketing activities can help achieve these goals.

### 3.1.5 Budget

Successful campaigns are always backed by a reasonable budget. When working out the numbers, some marketers make the mistake of ignoring certain cost elements, such as travel (meals, flights, car rental, hotels) and training (internal and external). Try to think of all incremental costs that you may need to shoulder in addition to the Integrated Marketing Communications expenses when running the marketing campaign for your pop-up shop.

Budget should never be set in stone, as market reaction to your campaign can be difficult to predict. For example, say your marketing campaign is to give out free toys for brand promotion purposes. What if it becomes a great success and all the toys are gone only two days into your week-long marketing campaign? You need the extra budget to source additional toys and have them shipped to your pop-up shop in an expedited manner, to avoid disappointed potential customers.

#### Key Takeaways

In this chapter, you learned:

- about the importance of social media as an advertising platform for pop-up retailers to get the word out in viral marketing
- that pop-up retailers can get consumers' attention by running a short lifespan pop-up shop, locating in a unique design infrastructure and providing an unforgettable experience at the pop-up shop



- how pop-up retailers can partner with other stakeholders such as key opinion leaders, shopping malls and other pop-up retailers to create a win-win situation
- what social currency is and how pop-ups can use it creatively for promotional purposes

Key Terms:

- Key Opinion Leader
- Hashtag
- Crossover Branding
- Social Currency
- Tweet Shop

Mini Case Study



The Swedish furniture retailer, IKEA, has been active in setting up pop-up shops to promote its brand in recent years. In May 2016, it set up the #StartFooding pop-up shop in downtown Toronto to provide the local residents with a unique culinary experience. IKEA offered 50 food-related products for purchase in the pop-up, ranging from recipe books, green displays and

inexpensive Swedish dishes.<sup>50</sup> After the initial success, IKEA established another pop-up in the same neighbourhood the next year. This time, the #IKEAplaycafe combined shopping, playing and eating in the almost 8,000 square foot pop-up space. It offered IKEA's signature frozen yogurt, Swedish meatballs, chicken balls and veggie balls. Visitors could be creative and try different sauces and waffles, fried onions, chips, pickles or biscuits. There are also games that visitors could play while they shopped. IKEA also selected 50 houseware items, from pillows and artificial plants to teacups and cutting boards, to be sold in this pop-up shop.<sup>51</sup>

**Consider the following questions:**

1. IKEA is a furniture company, but its two IKEA pop-up shops in Toronto are food-related. The products presented in the pop-up shop are geared towards cooking, eating, entertaining and serving. Let's assume that IKEA would like to establish a pop-up shop next year in the same neighbourhood, should it continue to promote food products, switch to promote furniture or do a combination of both?
2. How can IKEA leverage the concept of social currency to promote this pop-up shop?
3. Should IKEA set up similar pop-up shops in other parts of the city? If so, how many, how often and for how long? Currently, IKEA's pop-up shop is located in downtown Toronto and is only available over the summer every year for about 12 days each time.

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# Part 4: Practices and Strategies for Pop-Up Retailing - Support Activities

This part of the book will outline the additional support activities required by a pop-up operation including budget considerations, legal matters, human resources, technology and the role of innovation in creating a great experience.

# Chapter 12: Budget and Finance

## Chapter Overview

Pop-up retailing is a form of temporal business operation that is embraced by many, from global luxury brands and multinational big box retailers to internet pure-players to micro main street mom-and-pop shops. While some pop-up shops are part of big budget campaigns for brands, others are leveraged as gateways to new business ventures. Regardless of the business size, financial planning, as part of a comprehensive business plan, is one of the most important steps for successful business operations. This chapter will cover topics related to budget and finance for pop-up retail operations.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Identify the costs and expenses involved in the set-up, operation and take-down of a pop-up shop.
- Choose financing options that are best suited for a pop-up retail operation.
- Discuss how a pop-up shop can be a low cost/ low risk venture for retailers.
- Develop strategies for using a pop-up as a targeted big budget campaign for brands.

### Setting the Context

#### **VIDEO**

The following video helps to offer some context to basic budget planning and considerations for running a series of pop-up shops.

In this scenario, a sportswear manufacturer and wholesaler is planning to run its own retail operations in shopping malls. Before launching permanent operations, they are interested in testing the water by running a series of pop-ups in collaboration with some sports event

organizers, as well as running a standalone pop-up in a shopping mall that happens to have a short-term lease available.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=96>

## 1. Budget Planning for a Pop-up Shop

### 1.1 What Should You Budget For?

Regardless of business size, budget planning is an essential component for success. A budget is comprised of sales and spending for a given time period. The budget should be used as a tool for assessing how the business is doing by comparing the actual figures for sales and expenditures with the forecast figures by day, by week and by month (if applicable).<sup>1</sup> For pop-up retailers, a budget could be developed based on the length of the pop-up operation, from a few days to a few months. If there are substantial differences between the actual and budgeted figures, further steps must be taken to identify the contributing factors. For example, if sales did not meet the target, the pop-up operator may need to reconsider the marketing strategies. In contrast, if the sales are much higher than forecast, the pop-up retail manager may need to adjust the staffing level and the merchandising plan (discussed in Chapter 10) to ensure adequate customer service and inventory levels to cope with the demand for the entire pop-up operation period. If the expenditure is too high, cost-cutting mechanisms must be implemented.

The sales budget is estimated using the method explained in Chapter 10. It includes factors such as number of classifications, number of units, the price of each unit (markup %) and location (i.e., demand, stock-to-sale ratio). The expenditure budget can be divided into costs of goods sold, operating expenses (such as rents and salaries) and capital expenditures (such as point-of-sale systems or store fixtures).

### 1.2 Costs and Expenses Involved in the Set-up, Operation and Take-Down of a Pop-Up Shop

The pop-up shops run by established national or international brands or retail chains can be supported as part of their overall marketing budgets. These pop-up shops often serve as a vehicle for marketing and brand communications and provide experiential shopping experiences to engage customers. No sales targets are established or enforced. In contrast, the entrepreneurs who plan and operate pop-up shops to test the market, liquidate inventory, or launch new venture startups usually set clear sale and profit targets.

In this section, we discuss the cost structure of a pop-up shop.

1. **Cost of Goods Sold (COGS):** refers to the cost of purchasing merchandise from vendors/suppliers for resale.<sup>2</sup> Oftentimes, freight and delivery charges as well as workroom costs (to prepare the merchandise to be floor-read) are included in the COGS.
2. **Operating Expenses:** refers to the costs required to operate a business. Operating expenses can be divided into two categories: fixed expenses and variable expenses. Fix expenses are those do not change with the business volume. Examples include: rent, insurances, licenses/permits, depreciation of equipment, and staff salaries. Variable expenses are those change with the amount of business. Examples include: advertising and promotional costs, utilities, telephone, internet, and professional consulting fees.
3. **Capital Expenditure:** refers to the expenditure to purchase capital equipment, such as point of sale system (POS) and/or store fixtures. Most pop-up retailers opt for renting the capital equipment unless the pop-up shop is positioned to transition into a long-term store operation.

**Cost of Goods Sold (COGS):** the cost of purchasing merchandise from vendors/suppliers for resale.<sup>2</sup>

**Operating Expenses:** the costs required to operate a business.

**Capital Expenditure:** the expenditure to purchase capital equipment.

#### Example

The following table shows an example of a pop-up shop budget.

Pop-Up Shop Budget: Rahi's Cheesecake Tart Emporium													
Start-Up Phase				Notes									
<b>Starting Capital</b>	<b>Planned</b>	<b>Actual</b>		Note 1	Write Notes to regarding start-up capital, expenses, etc. here								
Beginning Capital (your own money)	\$ 6,500.00	\$ 6,000.00		Note 2	You can also write Notes regarding Operating Revenues and Expenses!								
Love Money (from friends and family)	\$ 1,200.00	\$ 1,000.00		Note 3	This is also the place to write notes about particular events in certain months, such as better or worse than expected sales, costs, etc.								
Corporate or Other Sponsorship(s)	\$ 500.00	\$ -		Note 4									
Community or Government Bursaries	\$ 1,800.00	\$ 1,000.00		Note 5									
<b>Total Start-Up Capital</b>	<b>\$ 10,000.00</b>	<b>\$ 8,000.00</b>	Your total start-up capital should be <b>more</b> than your total start-up expenses so that you have extra funds for miscellaneous and unexpected costs when operating your pop-up shop.	Note 6									
<b>Starting Expenses</b>	<b>Planned</b>	<b>Actual</b>		Note 7									
Rent	\$ 750.00	\$ 1,000.00		Note 8									
Inventory	\$ 2,000.00	\$ 2,500.00		Note 9									
Store Preparation Costs	\$ 1,500.00	\$ 2,000.00											
Advertising / Marketing	\$ 1,000.00	\$ 1,050.00											
Staff	\$ 500.00	\$ 750.00											
Point of Sale System	\$ 500.00	\$ -											
Petty Cash	\$ 500.00	\$ 500.00											
<b>Total Start-Up Expenses</b>	<b>\$ 6,750.00</b>	<b>\$ 7,800.00</b>											
<b>Net Start-Up Funds</b>	<b>\$ (3,250.00)</b>	<b>\$ (200.00)</b>	This should be a Positive Number!										
Operations													
<b>Operating Revenue</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>Totals</b>
Sales	\$ 2,500.00	\$ 2,875.00	\$ 3,306.25	\$ 3,802.19	\$ 4,372.52	\$ 5,028.39	\$ 5,782.65	\$ 6,650.05	\$ 7,647.56	\$ 8,794.69	\$ 10,113.89	\$ 11,630.98	\$ 72,504.17
Service (if applicable)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Revenue</b>	<b>\$ 2,500.00</b>	<b>\$ 2,875.00</b>	<b>\$ 3,306.25</b>	<b>\$ 3,802.19</b>	<b>\$ 4,372.52</b>	<b>\$ 5,028.39</b>	<b>\$ 5,782.65</b>	<b>\$ 6,650.05</b>	<b>\$ 7,647.56</b>	<b>\$ 8,794.69</b>	<b>\$ 10,113.89</b>	<b>\$ 11,630.98</b>	<b>\$ 72,504.17</b>
<b>Operating Expenses</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>Totals</b>
Rent	\$ -	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 5,000.00
Utilities	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 3,000.00
Insurance (commercial, tenant, etc.)	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 3,000.00
Point of Sale (if it's a recurring expense)	\$ 75.00	\$ 86.25	\$ 99.19	\$ 114.07	\$ 131.18	\$ 150.85	\$ 173.48	\$ 199.50	\$ 229.43	\$ 263.84	\$ 303.42	\$ 348.93	\$ 2,175.13
Merchandising (beyond start-up)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	\$ 625.00	\$ 718.75	\$ 826.56	\$ 950.55	\$ 1,093.13	\$ 1,257.10	\$ 1,445.66	\$ 1,662.51	\$ 1,911.89	\$ 2,198.67	\$ 2,528.47	\$ 2,907.74	\$ 18,126.04
Marketing (beyond the start-up expenses)	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 1,200.00
Legal Expenses	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 600.00
Accounting Services	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 600.00
Banking Fees	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 600.00
Employee Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment / Furniture (beyond start-up)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Website (if applicable)	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 600.00
Miscellaneous	\$ 150.00	\$ 150.00	\$ 100.00	\$ 50.00	\$ 75.00	\$ 100.00	\$ 125.00	\$ 125.00	\$ 50.00	\$ 125.00	\$ 25.00	\$ 50.00	\$ 1,125.00
<b>Total Operating Expenses</b>	<b>\$ 1,650.00</b>	<b>\$ 2,255.00</b>	<b>\$ 2,325.75</b>	<b>\$ 2,414.61</b>	<b>\$ 2,599.30</b>	<b>\$ 2,807.95</b>	<b>\$ 3,044.14</b>	<b>\$ 3,287.01</b>	<b>\$ 3,491.32</b>	<b>\$ 3,887.51</b>	<b>\$ 4,156.89</b>	<b>\$ 4,106.67</b>	<b>\$ 36,026.17</b>
<b>Net Income (Revenue - Expenses)</b>	<b>\$ 850.00</b>	<b>\$ 620.00</b>	<b>\$ 980.50</b>	<b>\$ 1,387.58</b>	<b>\$ 1,773.21</b>	<b>\$ 2,220.44</b>	<b>\$ 2,738.51</b>	<b>\$ 3,363.04</b>	<b>\$ 4,156.24</b>	<b>\$ 4,907.18</b>	<b>\$ 5,957.00</b>	<b>\$ 7,524.30</b>	<b>\$ 36,478.00</b>
<b>Change in Net Income</b>	<b>\$ (230.00)</b>	<b>\$ 360.50</b>	<b>\$ 407.08</b>	<b>\$ 385.64</b>	<b>\$ 447.23</b>	<b>\$ 518.07</b>	<b>\$ 624.53</b>	<b>\$ 793.21</b>	<b>\$ 750.94</b>	<b>\$ 1,049.83</b>	<b>\$ 1,567.30</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Income (as a Percentage)</b>	<b>-27%</b>	<b>58%</b>	<b>42%</b>	<b>28%</b>	<b>25%</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>	<b>18%</b>	<b>21%</b>	<b>26%</b>	<b>-</b>	<b>-</b>



Source: [www.pop-upshops.ca](http://www.pop-upshops.ca)  
 Click to download original in Excel Format (XLS)

### 1.3 Evaluating Financial Performance

Evaluating financial performance is an important way to measure the effectiveness of strategy implementation. Among many basic financial statements, a Profit and Loss Statement (also known as a P&L or an Income Statement) provides a clear overview of a retail business operation. Table 12.1 below shows a Profit and Loss Statement in its basic form.

**P&L (or Income) Statement:** a summary of the performance of a retail business after a given time period. A basic P&L (or Income) Statement includes Net Sales, Cost of Goods Sold, Gross

Margin, Expenses, and Profit.

Table 12.1 Sample Profit and Loss Statement (Basic)

	Dollars	Percent	Description
<b>Net Sales</b>	\$168,000.00	100.0%	The total amount received from customers. This figure does not include
<b>Cost of Goods Sold (COGS)</b>	\$84,200.00	50.1%	The total amount a retailer pays to buy the merchandise that is sold to c
<b>Gross Margin</b>	\$83,800.00	49.9%	Net Sales – Cost of Goods Sold. This is the amount of money to cover c
<b>Expenses</b>	\$64,900.00	38.6%	The sum of fixed and variable operating expenses.
<b>Profit</b>	\$18,900.00	11.3%	Gross Margin – Profit. If the number is positive, then the business has m

It's worth noting that the Profit and Loss Statement is usually a summary of the performance of a retail business after a given time period. For pop-up shops, it could be after a pop-up operation has been completed. However, many entrepreneurs also prepare a *pro forma* Profit and Loss Statement in advance of opening their business. It requires much research and many educated estimates, but it works well as a planning tool.<sup>3</sup> For example, to come up with planned sales, one must ask the following questions.

- What will the average sale in the pop-up shop be?
- How many customers are expected in a day?
- How many days will the pop-up shop be open?

Assuming an average sale of \$45 per each of 50 customers, the amount of sales each day would be  $\$45 \times 50 = \$2250$ . If the pop-up shop operates for 10 days, then the total planned sales would be \$22,500.

With the planned sales, one can move on to estimate planned COGS. Using keystone markup, if an item retails at \$45, then the COGS = \$22.5 (50%). The Gross Margin would be \$11,250 which should cover all operating expenses plus yield a profit.

By carefully controlling the operating expense items, a pop-up retail operator can estimate the profit. If the *pro forma* Profit and Loss Statement shows a negative profit, then the pop-up retailer should go back and play with different scenarios to adjust planned sales, COGS and/or expenses. This is a great exercise for the pop-up retailer to determine whether their planned operation is a viable business idea and how to best approach a profit target.



## 2. Financing Options for a Pop-Up Retail Operation

### 2.1 Formulating a Proposal to Pitch for Financing

Pop-up shops may require funding support depending on the location, duration and scale of the operation. In his book, *Pop-up Republic*, Baras provides an example of the expense report for a 30-day pop-up shop in New York City, the most expensive commercial leasing location in the US.<sup>4</sup>

- Rent: \$10,000 (a 2,500-square-foot space in Manhattan – or approximately 232 square-metres)
- Insurance: \$500
- Permits/Licenses: \$250
- Staffing: \$7,200.00 (for 8 hours x 10 dollars/day x 30 days x 3 employees)
- Furniture/Fixtures: \$2,500 (includes basic POS system, shelving, desks and other operating expenses)
- Promotion: \$3,000 (includes grand opening expenses)
- Signs: \$500
- Advertising: \$500

The expenses may be covered by the marketing budget of a big corporation, but small business entrepreneurs may have to turn to different sources for financing. Regardless of the financing models, the first step of planning a pop-up shop is to develop a simplified version of a business plan that can be presented to the key stakeholders of funding sources, such as the director of marketing, family and friends or small business loan officers at local banks.

Although approaches to financial and business planning may be different for pop-up shops, the core elements of a business plan remain the same. The Business Model Canvas proposed by Osterwalder and Pigneur (2010) provides a useful strategic template for building business plans.<sup>5</sup> It enables both new startups and leading global businesses to integrate strategic, operational and marketing aspects into the plan for a profitable company.

There are nine building blocks in the Business Plan Canvas:

1. Key Partners
2. Key Activities
3. Key Resources
4. Value Propositions
5. Customer Relationships
6. Distribution Channels
7. Customer Segments
8. Cost Structure
9. Revenue Stream

The Business Plan Canvas helps entrepreneurs to build and grow a business idea into a clear plan, while large corporations can use it as a roadmap to examine their business vision and areas of operations and then further articulate or adjust their strategies. Pop-up retail operators can use the Business Plan Canvas as a framework to formulate their proposal to pitch for financing internally and/or externally.

### Example

This brief video explains the Business Model Canvas.

## 2.2 Financing Options for a Pop-Up Shop

### 2.2.1 Personal Sources of Funding, Loan Finance, Equity Finance and Trade Credit

Research shows that it is common for nascent entrepreneurs to use money from personal savings and credit cards almost exclusively when they first conceive a business idea, and that it is usually not until after the new venture grows, that they will acquire debt and equity capitals.<sup>6</sup> Hence, depending on how mature the pop-up retail operation is, an entrepreneur can decide on their financing approach.

**Loan finance** is “money borrowed from a finance company, such as a bank, and repaid over a period of time at either fixed or variable rates of interests”.<sup>1</sup> The lender usually requires some forms of securities against personal or business assets. Few entrepreneurs have adequate personal funds to sustain the operation of a pop-up shop, so they must rely on some form of financing to support the business on a long-term basis. Loan finance allow the entrepreneurs to to keep full ownership of their business but the debt capital must be carried as a liability on the balance sheet as the borrowed principal and interest must be paid back based on the set schedule.<sup>7</sup>

**Loan Finance:** money borrowed from a finance company, such as a bank, and repaid over a period of time at either fixed or variable rates of interest.<sup>1</sup>

**Equity finance** is the personal investment in a business by the owners. The most common source of equity capital is the entrepreneur’s own savings and credit cards since they’re the least expensive sources of funds and many entrepreneurs see the benefits of being self-sufficient. In addition, investors and lenders expect entrepreneurs to contribute start-up funds to their business to show that they are willing to take the risk and not borrow excessively in the beginning, which puts greater pressure on cash flow.<sup>7</sup> Some experts suggest that, generally speaking, an entrepreneur should be prepared to contribute 10%-25% of the required cash before looking for outside financing.<sup>8</sup> Bringing in outside funds in the form of equity capital means that a certain percentage of the business ownership will be surrendered. Entrepreneurs often turn to their family members and friends as a second source of funds before trying to attract investments from private investors or venture capital companies.

**Equity Finance:** the personal investment in a business by the owners.

Business angels are those individuals who are prepared to invest money in a business.<sup>1</sup> The differences between business angels and venture capital companies involve the size of the investment and risk averse tendency. Business angels usually provide a smaller amount of funding, but are more willing to risk a new business adventure.

**Trade credit** is a deferred payment term (also called supply-side financing) negotiated with suppliers. It can help offset the cost of the merchandise during the start-up period by paying the vendors in 30, 60 or 90 days, interest free.<sup>2</sup>

**Trade Credit:** a seller's short-term loan to the buyer, allowing the buyer to delay payment of an invoice.<sup>9</sup>

### 2.2.2 Applying to Government Programs

Accessing external funding resources is critical for the growth of small businesses, but it's challenging to obtain them. As a result, many governmental programs have been developed and implemented to facilitate access to financing and they usually take the form of a guarantee or loss-sharing program.<sup>10</sup>

One such program is the Canada Small Business Financing Program (CSBFP) which was launched in 1999 with the objective to improve access to financing for small and medium size enterprises (SMEs). In addition, the Canada Business Network has wealth of information regarding grants, contributions, subsidies and loan guarantees provided by government departments and agencies as well as other financing sources, such as private sector financing, financing from non-government organizations and crowdfunding sources.

Each program and funding source typically has its unique structure and funding model. Hence, entrepreneurs interested in obtaining financing should review the program information before approaching the funding program or seek assistance from a small business consultant for guidance.

## 3. Pop-Up Shops as a Low Cost/Low Risk Venture for Retailers

### 3.1 Pop-Up Retailing Trend

“Pop-up retail, once a novelty, is now the norm”.<sup>11</sup> This is because the pop-up retail format uniquely appeals to different stakeholders: customers, retailers, landlords, local authorities and community leaders.

According to Baras (2016), “consumers are now favouring locally made products, both for environmental reasons and because of desire to know more about the merchandise they buy – where, how and by whom a product was made. They want an antidote to the homogenization of choices that are offered by chain stores and chain restaurants and while e-commerce offers convenience it does that by eliminating the shopping experience that many shoppers feel is just as integral to the buying process as the items that are for sale”.<sup>4</sup>

For retailers, while bricks-and-mortar stores add pop-up shops as an omni-channel addition, internet pure players also enlist pop-up retailing as a means to add human touch to what is lacking in e-commerce. Furthermore, pop-up shops have provided new ways for artisans to sell their products, property managers to lease their spaces,

established brands to launch their new products and celebrities to engage with their fan bases<sup>4</sup>, and all the new opportunities are made available with a relatively low cost and low risk pop-up option with no long-term commitment, by design.

From a landlord's perspective, pop-up retail operations have helped to reduce vacancy rates, bring in increased foot traffic and create a refreshed feel to a well-established traditional tenant mix in an area or a shopping mall. For local authorities and community leaders, pop-up shops contribute to elevated commerce activities, increased interest in “shopping local” and sustained efforts to build vibrant communities.

Experts project that pop-up retailing is poised to become a permanent element in the broad retail economy. It's a “universal” retail format that's adaptable to a wide range of products and services, from luxury brands to fresh local produce at a farmer's market, from tax service available in a kiosk to wine-tasting offered at a pop-up bar. Although Millennials are the main target customer segment for pop-up retailers, Baby Boomers share equal enthusiasm, as some of them envision their entrepreneurial spirits being channeled through pop-up retail operations after retirement.<sup>4</sup>

### *3.2 Pop-Up Shops as a Channel for International Market Entry*

Pop-up shops also play a role in the retail internationalization process when retailers/brand manufacturers utilize them to enter non-domestic markets.<sup>12</sup> For example, Canadian phone maker BlackBerry has opened a pop-up shop in Manhattan's Brookfield Place to sell unlocked models of its most recent product lines, in an attempt to make BlackBerry products more accessible and to reassure the market that the company is still committed to reinventing the headset business despite of rumours of demise.<sup>13</sup>

Although emerging and established brands may have different motives for choosing pop-up shops as a channel for international market entry, they generally fall into three categories:

1. Testing and adapting the brand and the retailer's concept with foreign consumers who are unfamiliar with it.
2. Raising and sustaining the international profile of a retail brand.
3. Developing relationship networks with stakeholders in foreign markets.<sup>12</sup>

The key advantage of pop-up shops as a foreign operation mode is cost-effectiveness. In addition, many companies use pop-up shops in combination with other retail formats (i.e., company-owned stores) to further strengthen foreign retail expansion.<sup>12</sup> By doing so, pop-up shops contribute to the company's revenue stream and help accelerate the company's expansion in the foreign markets.

## **4. Pop-Up Shops as a Branding Strategy**

### *4.1 Pop-Up Shops and Brand Experiences*

Flexibility is an inherent characteristic of pop-up shops that has driven the increasingly wide adoption of the retail format. On the one hand, it provides up-and-coming entrepreneurs with “no frills” opportunities to access a market

and test the waters for an eventual permanent venture, while on the other hand, established retail corporations flock to adopt the new retail format to achieve their own unique objectives.

Research that explores the luxury market shows that pop-up shops effectively strike a cord with the market segment eager to engage in new purchase experiences.<sup>14</sup> Not only do pop-up shops complement their luxury parent houses while adding new dimensions (such as informality, friendliness and accessibility), but they also contribute to the enhanced mythical aspect of the luxury brands.

Pop-up shops have been embraced by many luxury brands as a way to renew and re-energize their customer base and provide novel brand experience to new and existing customers. The pop-up luxury stores are usually designed with big budgets and the primary focus is to promote superior brand experiences through interactive store designs, media stations and games.<sup>15</sup> The metric for measuring success is usually not the traditional sales figure, but more the amount of word-of-mouth communications triggered.

#### *4.2 Pop-Up Shops as an Event Marketing Tool*

Pop-up shops have also been implemented as an event marketing tool to build brand reputation and brand community. In this case, pop-up retail is usually a part of a big ticket campaign for the brand. Pop-up shops, as a form of event marketing, can create a temporary branded environment and serve as a vehicle for non-conventional communication.

#### Example

In celebration of National Chocolate Day in July 2017, Hershey's ran a 10-day Chipits Bake Bar pop-up in Toronto, where people could design their own free cookies with dough and toppings of their choice. To add a social cause to the celebration, Chipits donated a meal to the Daily Bread Food Bank for every pack of cookies distributed.<sup>16</sup>

In general, event marketing is implemented by companies to achieve multi-faceted objectives.

- Corporate objectives: help to increase public awareness, enhance corporate image and promote community involvement
- Marketing objectives: help to reach out to target markets, communicate brand positioning and increase sales
- Media objectives: help to generate visibility and publicity, counter negative publicity and reinforce ad campaigns
- Personal objectives: help to fulfill management interest<sup>17</sup>

Research suggests that people's event attendance positively affects their perceived brand equity.<sup>17</sup> In the case of pop-up shops, brand experience is stronger among all forms of event marketing tested (including sponsored events, trade shows, street events and pop-up shops), and brand experience mediates the relationship between

pre-event and post-event brand equity. In other words, after visiting pop-up shops, the post-event brand equity is higher than it was pre-event.

### Key Takeaways

In this chapter, you learned:

- about the costs and expenses involved in the set-up, operation and take-down of a pop-up shop
- what to budget for a pop-up retail operation and the financing options for pop-up shops
- how to formulate a proposal to pitch for financing for a pop-up shop
- how pop-up shops can be a low-cost/low-risk venture for retailers
- how pop-up shops serve as a tool for event marketing and contribute to a big-ticket brand campaign

Key Terms:

- Cost of Goods Sold (COGS)
- Operating Expenses
- Capital Expenditure
- Loan Finance
- Equity Finance
- Trade Credit

### Mini Case Study

#### **Sports Apparel Inc. (SAI)**

Budgeting and managing spending are a critical component of running a successful pop-up shop. Part of being a great manager is to minimize or control as many of the costs as possible – be they overhead (fixed) or sales-related (variable). Sports Apparel Inc. (SAI) is a small pop-up shop that moves from location to location every season. Moving so often comes with the added complexities of 3-4 rental negotiations, interior decorating and preparations, moving and storing inventory, advertising and signage, etc. In order to minimize these added complexities and their associated costs, SAI utilizes various entrepreneurial tactics to a high degree of success.

#### **The SAI Approach:**

By looking at the overall situation from the point of view of major stakeholders, SAI has been able to craft a lasting, value-added and palatable strategy:

1. Landlords: are looking for a new source of income, a credible and reliable tenant, improved visibility of their location, improved condition of the location (e.g., renovating or painting and signage), and the higher chance that a permanent tenant will be found.
2. Local Businesses: can be seen as competition, or colleagues. Nearby businesses don't want a new pop-up to take business away from them; they are looking for ways to send and receive referrals and increase the foot traffic in their vicinity.
3. Suppliers: want a reliable, consistent and reasonable way to get rid of overstocked, undersold, and out of season apparel, and are often at a disadvantage in negotiating the sale of said items. They want to sell their wares without being taken advantage of.

SAI crafted the following strategy based on their stakeholders' wants and needs:

1. By catering their inventory to the local population, SAI has garnered a small army of followers that are always on the lookout for their new location. This group of followers is a major asset in negotiating with landlords in that it brings with it major credibility, foot traffic and awareness (of the location). Additionally, when catering to dedicated followers, a retailer must meet their expectations in terms of signage, décor, displays, etc., all of which will help a landlord find a permanent tenant as they necessarily help make the location look more presentable. SAI actively looks for a permanent tenant for each location they occupy, often working out commission deals with the landlord in the process. They have a 100% success rate of finding permanent tenants at their locations, which itself is a very powerful negotiating tool when discussing commissions and rent.
2. SAI's owner visited nearby businesses and discussed her goal to collaborate with them rather than compete with them. She looked for innovative ways to send her own customers to these neighbouring businesses, and even helped people find the products and services her neighbours were selling. She earned their respect and goodwill, and soon people were visiting her after hearing good things from her neighbours.
3. SAI's owner had years of negotiating experience in a very competitive industry before moving to the retail fashion industry. She used that experience to negotiate with suppliers and acquire all her inventory on consignment. The case she made to her suppliers was simple, effective and logical: there are only so many customers that she can expect each day, limiting the number of items she can purchase or store, the tastes of customers are dynamic, she doesn't have the cash flows to purchase any inventory outright, and the suppliers want both sales and exposure of their apparel. Thus, the only logical path to take was to offer their wares on consignment to her, allowing her to better choose items representative of her customers' desires (at the time), and not bottlenecking her operations with heavy inventory costs.

**Results:**

Sports Apparel Inc. has now been moving from location to location, successfully, for over three and a half years. Each time, their model has been validated, and has served to add to the customer base, fan base, credibility, number of businesses and landlords that are willing to vouch for the owner, and the exposure she needs to make opening each new location a success.

**Consider the following questions:**

1. How did Sports Apparel Inc. make the budgeting of each new location easier than if it were their first pop-up?
2. SAI's purchase of inventory on consignment is extremely rare. Explain why that is, and why you should not expect suppliers to do the same with other pop-ups.
3. What forms of financing could the owner of SAI have used in opening up her latest pop-up shop? What are the consequences (good or bad) of each?

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# Chapter 13: Legal Considerations of a Pop-Up Operation

## Chapter Overview

Pop-up shops are by definition a lower risk enterprise than opening a permanent retail store. Their temporary nature provides retailers with a tremendous opportunity for experimentation. Popping up in a temporary space will nevertheless entail some legal considerations, such as negotiating terms for use of the space with the landlord, obtaining adequate insurance coverage and any necessary municipal permits.

Temporary pop-up businesses thrive on being nimble and acting quickly to secure an empty location. With advance planning, a pop-up business will arrive well prepared to meet landlords and have a good grasp of what to seek in a short term rental agreement.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Distinguish types of pop-up insurance and rental agreements.
- Assess what materials to bring when pitching a pop-up to a landlord.
- Define characteristics of risk management for pop-ups.

### *Setting the Context*

#### **VIDEO**

The following scenario helps to set the context for considering some of the risks and legal issues for retailers and landlords in relation to operating a pop-up shop within a vacant building.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=98>



Figure 13.1 Yoga studios and other activity-based businesses need a specific type of business insurance policy

## 1. Types of Insurance Required

There are many different types of insurance available to small businesses. Liability insurance is a must for pop-up shops intending to sign rental agreements to occupy vacant retail space, as property owners generally require commercial tenants, including temporary pop-up tenants, to provide proof of this type insurance prior to opening.<sup>1</sup> This chapter will also examine other types of insurance available for consideration, depending on a pop-up shop owner's budget and tolerance for risk.

How should pop-up shop owners determine which other types of insurance to consider? This decision is best made by balancing the needs, risk tolerance and budget of the individual pop-up business owner or corporation, in consultation with an insurance broker. There are many business protection insurance options such as contents, business interruption, product and employer liability insurance.<sup>2</sup>

A pop-up shop business will have budget constraints, so the challenge is in balancing the bottom line and the owner's comfort level with risk tolerance. For example, an independent sole proprietor entrepreneur testing a new business will need to decide how much insurance is reasonable and feasible. Their priorities will likely include keeping costs and insurance to the minimum; whereas for a large corporate retailer, a pop-up shop may be a sizeable investment and procuring fulsome insurance coverage will be vital to defray possible risks.

If the pop-up shop is held outdoors, the insurance needs may be different.

Table 13.1 Types of insurance required to operate a pop-up shop

Type	Required	Optional
Commercial General Liability Insurance	√	
Contents Insurance		√
Business Interruption Insurance		√
Product and Employer Liability		√
Building Property Insurance		√
Tenants Legal Liability		√

### 1.1 Commercial General Liability Insurance

Commercial general liability insurance protects a pop-up tenant if a customer is injured on the business premises and/or if a customer's personal property is damaged. Liability insurance policies protect business owners if they are sued for damages by a customer who slips and falls. Slipping and falling is one of the most common injuries and this type of accident may occur either inside the store, or outside on the sidewalk. It's very important for business and property owners to be protected against these types of accidents. As both the property owner and the pop-up business owner may be sued, both will need to have liability insurance policies.<sup>3</sup>

**Commercial General Liability Insurance:** a type of insurance to protect business owners should a customer be injured on the business premises and/or if a customer's personal property is

damaged. This insurance protects business owners if they are sued for damages by a customer who is injured on the business premises.

Pop-up tenants signing a rental agreement for a storefront space will need to obtain a commercial general liability insurance policy to cover claims up to a certain dollar value amount (e.g., \$1M, \$2M, \$5M). Proof of this type of policy will nearly always be required by the landlord, prior to opening.

If the pop-up event is happening outside, in an open-air market or festival, pop-up business owners should check with the event organizers/hosts to confirm that they have obtained sufficient liability insurance and find out if the coverage includes participating businesses. Pop-ups can also arrange event insurance for a particular event. The event may be one time only, every weekend or over several days. Event insurance includes commercial general liability coverage and may include other types of insurance, such as for alcohol liability or live entertainment coverage.

### Example

It's often easier to grasp a concept when you "see" an event happen. Simple incidents can sometimes lead to public liability claims. Watch these two videos, created by insurance companies in the U.K.



What's public liability insurance?



## What is Public Liability Insurance?

### 1.2 Contents Insurance

Contents insurance protects the merchandise, fixtures and equipment within the premises, in case of damage, fire or theft.<sup>4</sup> This type of insurance is worth considering to protect the loss of your investment. Contents insurance protects merchandise and fixtures in case of fire and/or theft and is not generally required by a landlord because loss of product affects the business owner, not the property owner. The property owner will have their own building insurance to protect for loss or damage due to fire.

**Contents Insurance:** a type of insurance to protect the merchandise, fixtures and equipment within the premises, in case of damage, fire or theft

As a first step, pop-up shop owners may want to obtain a quote for this type of insurance. Once you know how much it will cost, you can weigh the fee for protection versus the risk of losing your merchandise. For some businesses this type of insurance will be a “must have” whereas other businesses may find the added cost of contents insurance prohibitive. By weighing the risks of loss versus the cost of replacing merchandise, fixtures and equipment, a pop-up shop retailer can make a well informed decision based on their personal circumstances.

### 1.3 Business Interruption Insurance

If you are forced to close your business temporarily because of a fire or other insured peril, a business interruption policy provides coverage against loss of profits until the business is able to reopen. As pop-up shops are already temporary businesses, many owners will skip this type of coverage deeming business interruption a lower risk. If for some reason the pop-up is unable to function (or open) during the scheduled period due to unforeseen circumstances, the pop-up business owner may seek an alternate temporary location. However, large corporate retailers with more at stake and healthy operating budgets may be more interested in this type of insurance to protect their investment.

If your pop-up shop extends for a period of months, it is very important to review your rental agreement to ensure that if there is an incident that renders your space unusable that you do not have to pay rent during the time that the repairs are carried out. The building owner should have business interruption insurance coverage to cover the rents.

### 1.4 Product and Employer Liability

There are several different types of liability insurance coverage available to protect your business if you are sued because an incident happens that hurts your customers or your employees.

Product liability insurance protects a business owner in the event that their products are defective or cause serious harm to those using them.<sup>5</sup> Many products will have liability insurance on them from the manufacturer or distributor. Given that items may be manufactured in foreign countries, any liability insurance coverage should be

worldwide, but this isn't always the case. It may be prudent for a purveyor of products to ensure product liability coverage is included in the commercial general liability policy.

Employer liability coverage protect employers if an employee suffers from work-related injuries or diseases, should the business be found negligent. According to Canadian law, retailers who employ workers are required to obtain workers' compensation insurance to protect their staff unless otherwise exempted from having to participate.<sup>6</sup> Check with your regional office to find out if a job role is exempt or not. The coverage is provided by different provincial organizations. In Ontario, Workplace Safety & Insurance Board (WSIB)<sup>7</sup> is the provider and workplace insurance means that if a work-related injury occurs, businesses generally don't need to worry about being sued by employees covered under the policy. Private insurance can be purchased as an alternative to WSIB coverage if the job role is exempted from mandatory enrolment in WSIB.



Figure 13.2 When you rent a storefront, landlords will require you to have Commercial General Liability insurance

CC-BY Gay Stephenson, 2013

### ***1.5 Building Property Insurance***

Property insurance protects the building and equipment such as furnace and air conditioner, covering the repair or replacement due to fire, or other perils. This type of policy is generally not the responsibility of the pop-up retailer. This type of insurance is generally held by the property owner.

### ***1.6 Tenants Legal Liability***

If you rent or lease space for your business or organization, you need to know who will be held liable in the case of any damages to the property. You might assume it would be the landlord, right? Actually, in a rental space, it



may be the tenant who ends up on the hook. For example, in your pop-up shop, you may have an antique lamp as part of your window display. If the old wiring in the antique lamp were to overheat one night and cause a fire, the building could be badly damaged. As the lamp was your responsibility, the landlord could come after you for payment of the damages to the building. Fire, water damage, and general property destruction are all things that you may be held liable for as a tenant. Tenants Legal Liability coverage protects against such claims.

## 2. Pitching a Pop-up to an Insurance Company



Figure 13.3 There is so much to do when opening your first pop-up shop! Take it step by step and prepare in advance by speaking to an insurance broker.



## 2.1 *Obtaining Liability Insurance*

Start the process by contacting an insurance broker. Be prepared to answer a number of questions that will provide the broker with some basic information about your business and the location. The broker will need to know:

- Name of the pop-up business
- Name of the owner of the pop-up business
- Type of business (e.g., fashion retail; vintage retail which may include jewellery, art, fashion, and small furnishings; art gallery, etc.)
- Projected earnings, experience
- Number of employees
- Address of the pop-up business
- Name of the property owner
- Type of building (brick, frame, are there other tenants?)
- Smoke, fire, burglar alarms, sprinkler system
- Duration of pop-up (opening and closing dates)

If you are renting a storefront location, obtaining insurance will be vital to opening your pop-up shop venture since liability insurance will be required by your landlord.<sup>8</sup> In Canada, short-term insurance can still be a challenge to arrange with companies preferring to sell annual insurance policies. The cost of an annual policy will be insurmountable for most temporary pop-up shop businesses. A savvy broker experienced in pop-up shop policies will seek an insurer with a low cancellation fee. It is key that the insurance company understand that your business will be open for a short term, prior to issuing the policy. That way when the policy is cancelled, a prorated amount can be refunded at the end of pop-up period.

The overall premium for such a policy may be equivalent to a three month minimum, to cover the costs for administration, etc. If you plan to open pop-up shops several times per year, you may be able to obtain an annual liability insurance policy that you can put on pause between locations. If your pop-up shop is an expansion of an existing retail operation, it will be possible to negotiate an add-on to your existing coverage, in order to extend insurance to a new temporary location.

## 2.2 *Event Insurance and Tips*

Another possibility for pop-ups is to explore insurance policies geared towards events. Could your pop-up shop be considered a one month event? Event insurance is well worth considering for very short-term pop-ups such as those that last only one weekend or one week. These are options for a pop-up business to discuss with their broker.

“Pop-up shop margins are small, so be sure to read rental agreements carefully and get a solicitor’s advice. Tell your broker honestly what your plans are so that they can be upfront with the insurer and negotiate the best price.” – Stanislav Kojokin, Partner, KASE Insurance<sup>9</sup>

As a small business owner, you may already have an existing home, condo or apartment insurance policy. It may be possible to add an extra insurance policy onto an existing one which will provide coverage for your pop-up business. Some pop-up shop owners have found this to be a less expensive option. To find out if this is feasible, discuss the option with your broker.

“It is very important to review your rental agreement to see who is responsible for providing insurance coverages. Once a claim has occurred, it is too late.” – Paul Spark, Commercial Account Executive, HUB International<sup>10</sup>

Liability insurance can be the single biggest barrier to opening a retail pop-up shop location. No insurance, no pop-up. Locating a company and broker who are able to provide temporary coverage can be difficult, but don't give up! In Canada, pop-up shops are a relatively new phenomenon and not every broker or insurance company has developed ways of dealing with the need for short-term policies. If you are having difficulty finding a broker who can help you, reach out to your networks: other pop-up shop owners whom you can contact personally or through social media to ask for contacts and referrals for insurance brokers.

### Examples

In other countries such as the U.K., there are entire organizations devoted to short-term tenancies and insurance companies who specialize in this type of insurance. If you are operating a pop-up in one of these locations, temporary insurance options have been established and are therefore easier to access.

- Popupspace.com is the U.K.'s first property consultancy to specialize in pop-ups.
- Meanwhile Space has developed resources related to filling empty spaces temporarily.

### 3. Short-Term Rental Agreements

#### 3.1 Pitching a Short-Term Rental to a Landlord



Figure 13.4 Bring your enthusiasm and a well thought out plan when pitching your pop-up to a landlord

CC-BY Gay Stephenson, 2016

It can be a challenge to find a landlord who is willing to rent their storefront on a temporary basis. There will undoubtedly be some negotiations and the pop-up tenant should prepare a compelling case. So how can pop-up shop business owners convince landlords that short-term rentals will be both worthwhile and provide them with benefits beyond the rent? Here are some tips:<sup>11</sup>

- Contact the landlord – always try to arrange an in-person meeting, at the rental location.
- Make a list of any improvements you are willing to make to the space, at your own expense, such as painting, thorough cleaning and small repairs to drywall, etc.
- Prepare to negotiate if necessary by doing some research to find out about average rents in the area.
- Make sure you have some basic knowledge about the area where the store is located so that you can convey with confidence that your customers will find you and you will be successful. Contact the local Business Improvement Association (BIA) for information about the area and to learn about any upcoming events or festivals which may complement your pop-up.

- At the meeting, convey a professional business image. Bring a folder with your resume and be ready to provide references from your suppliers. If you have a business plan, include it in your folder. Include any sample promotional materials you have as well as your website and social media links, to substantiate your small business. If you have held other pop-up shops, use past landlords as references and include photos of your past pop-ups.
- If possible, bring some photo mock-ups to show that you will create appealing and beautiful storefront window displays (i.e., when the landlords show the space to possible permanent tenants they will get a good first impression of the location and see the potential).
- Bring a credit rating. The landlord will need assurance that your finances are in order. If you are negotiating a tenancy of two months or less, be prepared to pay the full amount of rent up front, once you have a signed agreement. For longer terms, expect to pay first and last month's rent.
- The bottom line is that you want the landlord to have faith in you and have confidence in your business plans. At the same time, during these meetings, pop-up business owners need to be assessing potential landlords. You will want your landlord to be honest, trustworthy and reasonable.

Popping-up in a temporary space will entail negotiating terms for use of the space with the landlord. Written documents will solidify the agreed upon arrangements for any short-term use of space. Rental agreements can take the form of a licence to use the space, or a lease. A lease is an agreement between a landlord and a tenant that conveys an exclusive interest in a property. A licence is permission from the property owner to the "licencee" for a specific use of the space.<sup>12</sup> Both types of agreement work well for pop-up tenants.

Since pop-up tenants are filling empty spaces temporarily, landlords will often continue to seek a permanent tenant. Pop-up businesses should anticipate showings of the property during the pop-up period and expect their short-term rental agreements to include a termination clause, typically 30 days. In the event that the landlord rents the premises to a permanent tenant, the termination clause notice is served, giving the pop-up tenant the agreed upon amount of time to move out.



Figure 13.5 This pop-up shop on Danforth East was rented through a licence agreement with the property owner

CC-BY Gay Stephenson, 2013

### 3.2 Licence Agreements

A licence agreement grants permission from the property owner to the “licencee” for a specific use of the space. These types of agreements are typically used in neighbourhood revitalization projects and work well when there is a central administering organization. Licence agreements allow the administering organization to negotiate a licence agreement with the property owner and then legally make the space available to pop-up shop entrepreneurs, through use of a participation agreement.

To illustrate the licensing of space concept, Renew Newcastle (Australia) uses the analogy that a licence agreement asks for similar terms to those used when someone puts up a mobile phone tower or a billboard on a building – the right to access a space for a particular purpose on agreed terms.<sup>13</sup>

**Licence Agreement:** an agreement that grants permission from the property owner to the *licencee* for a specific use of the space. The agreement grants the licencee the right to access the space for a particular purpose on agreed terms.

In Toronto, Ontario (Canada), the Danforth East Community Association worked closely with a lawyer to draft licence agreements for their pop-up shop project. The pop-up shop project on Danforth East hosted 32 pop-

up shops over four years and helped to lower the commercial storefront vacancy rate from 17% to 6%. The licence agreements from this project are available for other organizations to use or adapt, free of charge as part of this Toolkit (p.12) developed in partnership with WoodGreen Community Services.<sup>14</sup>

### 3.3 Leases

A lease is an agreement between a landlord and a tenant that conveys an exclusive interest in a property. A lease typically sets out the obligations of commercial landlords and tenants such as rent, operating costs such as utilities, maintenance and other leasehold improvements. Leases are legal documents normally prepared and reviewed by solicitors because they set out the terms and conditions governing the relationship between the commercial landlord and tenant.

**Lease:** an agreement between a landlord and a tenant that conveys an exclusive interest in a property, for a specified period. The agreement sets out the obligations of both the landlord and tenant such as rent, operating costs such as utilities, maintenance and leasehold improvements.

Commercial tenancies and leases **do not** have the same protections as residential tenancies and the Ontario Residential Landlord Tenant Act **does not** apply to commercial tenants. In Ontario, there is a Commercial Tenancies Act but it is important to understand that a signed lease agreement may take precedence over the Commercial Tenancies Act.<sup>15</sup> When an individual or business signs a lease, they must be certain that they understand what they are committing to do and that “who is responsible for what” is clearly defined. There are no standard government commercial lease agreements; the lease terms are up to the landlord and tenant to negotiate and tenants and landlords may need to seek legal advice.

In Ontario, HST (Harmonized Sales Tax) of 13% is likely to be added to the rent and is lawfully payable even if this clause is not included in your lease. Sales tax rates vary across Canada.

#### Example

Commercial tenants are not protected in the same ways as residential tenants because the Ontario Residential Landlord Tenant Act does not apply to commercial leases and rental agreements. For example, when a commercial lease ends, you may have to leave. Learn more about the challenges in negotiating commercial rental agreements by reading the Frequently Asked Questions about leases, evictions, rents and deposits on Ontario’s Commercial Tenancies Act website.



### 3.3 Rental Agreements: What to Include



Figure 13.6 This property owner was delighted when his pop-up tenants negotiated a permanent lease after their 3 month temporary pop-up

Source: WoodGreen Community Services

The rental agreement sets out the rights and obligations for both property owners and tenants. At a minimum, the contract should include:<sup>16</sup>

- The names of the landlord and tenant
- Address of the premises
- Amount of rent plus HST and when payments are due
- What is included or not included in the rent (e.g., electricity, gas, heat, water, TMI taxes, maintenance, insurance)
- Duration of time the space will be used
- How the space will be used (e.g., retail fashion store)
- What will be done to the space (e.g., paint, attach shelves to walls)
- Exterior signage (e.g., will the new business be installing signs?)
- Hours/days of the week that the business will be operating
- What will be required at the end of the agreement (e.g., to return the premises in original condition or better; to fill all holes in the walls and touch up paint)

It is up to the pop-up tenant to ensure that the planned pop-up use is allowable in the zoning of the property. Depending on the type of business, additional permits may be required by the municipality, prior to opening, even if the zoning allows for the particular use (e.g., coffee shop, restaurant).

Rental agreements are legal contracts and whether using a licence agreement or lease, it is advisable to seek assistance from a solicitor. Realtors and property managers will have a set of pre-written forms and clauses to include in the agreement, but regardless of who puts the document together, legal contracts are complex and it is vital that both parties have a clear understanding of what they are committing to do.

Pop-up tenants should expect that their leases or licence agreements will state that the property is to be taken in “as is” condition. The pop-up tenant should verify that the heating and air conditioning systems are in working order prior to signing the agreement.<sup>17</sup> If the pop-up space has been vacant for a long time, some repairs may need to be made prior to opening to bring the space up to standards.

Some pop-up businesses hope to transition into a permanent shop, if the location proves successful. In this case, a tenant may want to include a provision in the agreement for renewal or extension of the term.<sup>17</sup>

### Example

My Perfect Pop-Up Shop is a U.K.-based organization bringing pop-up shop entrepreneurs together and providing resources to share knowledge. They have developed several short “how to” videos.

- Watch this insightful clip for some great tips for dealing with pop-up shop landlords.

## 4. Permits

### 4.1 Permitted Uses

Municipalities have zoning by-laws which dictate the allowable uses within areas. A Main Street retail storefront will be zoned to allow many retail uses however, a licence or permit may also be required by the municipality under certain circumstances. For instance, any business selling coffee, tea or food will likely require a licence/permit prior to opening. An inspection and approval of the commercial kitchen will be part of the process, if food is being made on the premises.

The regulations and zoning requirements in most municipalities do not differentiate between temporary and permanent businesses.<sup>18</sup> This means that pop-up businesses should seek a commercial space that is zoned to allow the particular type of business they plan to open (for example retail, restaurant, pub, or coffee shop, etc.) and expect to obtain any necessary licences or permits, prior to opening.

It’s important to have a good understanding about any permits that may be required by a potential pop-up shop business; there will be financial implications (i.e., costs) and often a waiting period for the permit to be approved.

**Municipal Licence or Permit:** an official document issued by a municipality giving authorization to do something. Fees are charged for issuing licences and permits.





Figure 13.7 This pop-up shop required a City of Toronto licence to sell food from a retail store (Food prep was off the premises in a licenced commercial kitchen)

CC-BY Gay Stephenson, 2013

For general information about possible business permits and licences that may be needed to operate a business in Canada, a free online tool is available: BizPal. This tool can be useful to get a sense of what permits *may* be required,<sup>19</sup> although the list is designed to cover every possibility and may be a bit overwhelming. The most direct route for information and advice is by going directly to the municipality in which you will be setting up business.

If the pop-up event is happening outside, in an open-air market or festival, a different set of regulations will apply. Check with the event organizers to confirm that they have obtained all the required temporary permits and/or licences and sufficient liability insurance for all those participating.

## Examples

Entrepreneurs looking to open a business in one of these three major Canadian cities – Toronto, Vancouver, Montreal – will find clear online information about permits and licences that may be required within their municipality. The next prudent step is to contact city staff by telephone to ensure a thorough understanding of the application process, timelines and requirements.

- City of Toronto – Licences and Permits Section provides clear information and links.
- City of Vancouver – Permits you might need to conduct business in Vancouver are outlined by type.
- City of Montreal – Permits needed to operate a business are sorted by borough (local area). Select the borough, then search for type of permits needed.

### 4.2 Temporary Signage



Figure 13.8 This style of sidewalk sign is a popular, eye-catching tool for pop-up shop promotion

CC-BY Gay Stephenson, 2014

Pop-up shops often rely on temporary signs such as “A frame” sandwich board signs that are placed outside the shop on the sidewalk. Municipalities will often require permits for these types of signs.<sup>20</sup> Enforcement of sidewalk signs by-laws are often neglected as the city may have other priorities or employ a very small by-law enforcement

staff. Pop-up shops may want to check with neighbouring businesses presently using A frame signs, to enquire about their experiences, and whether or not they have obtained an official permit. Since pop-up shops may be here today and gone tomorrow, they may be able to fly under the radar.



Figure 13.9 Balloons make a great sign alternative

CC-BY Gay Stephenson, 2017

Municipalities generally require businesses to obtain a sign permit and possibly a building permit, prior to erecting signs. The reasoning behind municipal sign by-laws that regulate outdoor signs and advertising space is twofold. Cities want to:

- ensure that signs are not a safety hazard
- maintain a clean and positive image

Signs have a big visual impact on *Main Street*. They may add or detract to/from the overall aesthetic. To build/erect a sign above a store, both sign and building permits will often be required but there may be some exceptions. In the City of Toronto, signs that are affixed to windows and do not cover more than 25% of the window do not require any permits.<sup>21</sup>

Many pop-up shops use window decals which are easy to install and remove. In addition, pop-ups tend to make use of existing storefront signage which can often be inexpensively refaced/recovered. By using window decals and recycling existing signs, pop-up shops may not have to obtain a permit.

However, if the pop-up is a corporate-run endeavour, with massive promotion and exposure, be sure to secure all the necessary permits. This will require advance planning, as obtaining permits can be a long process.

Pop-up businesses should use caution in the decision making regarding signage and be sure to consult with neighbouring retailers and/or the local Business Improvement Area (BIA) to find out more about local

experiences, knowledge and by-law enforcement regarding obtaining permits. Municipalities will have signage permit information posted on their websites.

## 5. Risk Management

### 5.1 Advance Planning for Success and Failure

Every pop-up shop business needs to plan carefully to ensure success. Wise business owners may also want to develop an exit strategy in case the business fails. By identifying what could go wrong and evaluating which risks to plan for, pop-up shop owners can implement strategies to deal with any risks that may keep them awake at night. For example, earlier in this chapter, having adequate insurance was identified as an important part of risk management for pop-up businesses.<sup>22</sup>

Pop-up shops are by definition a lower risk than opening a regular permanent retail store, due to their temporary nature (no lease commitment and no permanent contracts with suppliers). Pop-up shops provide entrepreneurs with a tremendous opportunity to experiment and even a failed pop-up may lead to a successful future business plan. Since temporary businesses are not entirely risk-free, carefully assessing the approach to risk management will give entrepreneurs peace of mind.<sup>23</sup>

**Risk Management:** the practice of identifying potential risks, scrutinizing them and then taking steps to reduce the identified risks

One method is to make a list of everything that could go wrong and then assess the likelihood of that event occurring. Risk management planning includes thinking through strategies for potential serious issues and occurrences such as:

- Fire
- Theft
- Safety
- Illness (who would step in to fill the owner's shoes?)
- Finances (are there funds to cover all basic expenses if sales are very low?)
- Regulations (can you obtain the necessary permits for operations?)

Each identified risk will need to be assessed. Business owners can then go about developing a strategy for managing the risks they have identified. Strategies include:<sup>24</sup>

1. Accepting the risk personally after assessing the impact (e.g., any stolen merchandise will be replaced by the business owner at cost)
2. Transferring the risk (e.g., through an insurance policy)
3. Reducing the risk (e.g., by sharing with another partner, or through additional safety or security measures)



4. Eliminate the risk (e.g., no cash left on premises overnight, empty till placed by the door in full view deterring burglars looking for cash)



Figure 13.10 These savvy entrepreneurs did more than just cross their fingers to develop risk management plans

Source: WoodGreen Community Services

In a sense, risk management can be about assessing any areas of weakness in your business, so as to evaluate what is to be done or how best to address the problem/risk.<sup>25</sup> One pop-up shop owner describes the risks her accomplished business faced when expanding from an online only environment to a bricks-and-mortar location:

“We were slightly concerned about theft as our merchandise belongs to our consignors. We weren’t sure how to represent theft in a transparent way to our consignors without them losing faith in our ability to take care of their inventory. Also, if something is stolen from our store it affects our online shopping/order fulfillment. We usually don’t know if something is stolen until it is ordered online and we can’t find it in the store. Then we have to explain to the customer why it isn’t available and refund their order. We end up paying the consignor for stolen merchandise. So basically, we had to come up with protocol to deal with this as it wasn’t an issue as an online only store.” – Moxie Garrett, Merrily, merrily

Garrett and her business partner Jane McIver also assessed the financial risk before opening their pop-up shop as they were understandably nervous about not making enough money. However, the financial risk was low and one that they could accept – it was mitigated by their established online business/income as well as the fact that their commitment was limited to the pop-up period duration. Things couldn’t get that bad!

However, in the event that things go terribly wrong, it’s wise to have an exit strategy. Formulating an exit strategy is not an indication that you have no faith in your business plan. It’s a technique used by successful entrepreneurs to mitigate risk. Should your business fail, you will want to close everything down, as quickly as possible to keep losses at a minimum. For example, a reliable exit strategy could include the provision for a 30 day notice period to terminate your pop-up rental agreement, without penalties. Developing an exit strategy is a technique used by highly successful entrepreneurs to increase their sense of security in the business venture. For example a successful business owner in Toronto who launched her first escape game business as a pop-up shop says:

“Risk management was all about if I didn’t succeed. If I were left paying rent out of pocket because I didn’t have any incoming business. I had a strong exit strategy in place in case I totally failed. I made sure to keep things easily manageable. I guess it was a big risk for me because I didn’t know if this concept would ‘take off’ or not.” – Christine Hibbard, owner, Looking Glass Adventures

### Key Takeaways

In this chapter, you learned:

- about obtaining insurance and basic risk management strategies for pop-up operations
- how to pitch a pop-up to owners of vacant properties
- what to consider when negotiating a rental agreement and the reasons to seek professional advice before signing a contract

Key Terms:

- Commercial General Liability Insurance
- Contents Insurance
- Licence Agreement
- Lease
- Permit/Licence (from municipalities)
- Risk Management

### Mini Case Study

#### Fit Dads!

##### **Situation:**

Fit Dads is a membership-based online community for fathers on the move. They had a healthy user base and were influential in the sector. Vendors advertised on their site regularly and users were actively engaging with each other on a monthly or weekly basis. The site offered member discounts at participating businesses, giving them another reason to log in on a regular basis.

Fit Dads was ready to make the leap from an online community to an in-person pop-up event in which multiple vendors and members would meet in one place. Organic produce farmers, health-industry vendors, exercise equipment makers, and a host of others were ready and eager to join in on the potential event, but Fit Dads had yet to research the legal requirements for such an event.

**Solution:**

The pop-up event was meant to incorporate a combination of experiential and transactional elements, so Fit Dads wanted to make sure that it ran seamlessly and without any problems. They contacted their local government, checked online, and reached out to a lawyer to first determine what legal considerations they need to understand and where to get the permits and insurance required. Fit Dads acted as the event organizers and were granted usage rights to the space they needed by the landlord via a short-term lease agreement. Fit Dads then signed participation agreements with each vendor. Commercial public liability insurance coverage was acquired by Fit Dads for the event overall, but each vendor also had to get their own insurance for specific areas of coverage. Food safety and other regulatory concerns were reviewed each vendor and Fit Dads' own lawyer to ensure that nothing was overlooked.

**Result:**

The event was a success with each vendor recording sales above their early predictions. No major incidents occurred, and the visitors had a great time seeing all the different products and services for sale. The event helped Fit Dads' online community grow and started fostering demand for more pop-up events. Fit Dads also noted that they could tailor the mix and variety of vendors to each future pop-up location in efforts to match the interests and needs of customers in specific markets.

**Please answer the following questions:**

1. If you wanted to open a pop-up shop that sells baked goods, what legal or regulatory considerations do you think are important?
2. List three types of insurance that the vendors with shops in Fit Dads' event would not necessarily need to have and explain why.

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# Chapter 14: Human Resources Management

## Chapter Overview

Having a unique product or service with a great marketing plan and suitable location are important elements in a pop-up shop. However, the key to success, as with most retail businesses, often comes down to execution and the brand experience that your customers remember through interactions with your employees. Finding the right people and providing them with the tools to deliver on your brand promise is a critical and often overlooked step before opening a pop-up shop. A temporary operation presents additional challenges in attracting, recruiting and training staff without the promise of long-term employment or the trade-offs that may come with taking an existing employee from a permanent location to assist at the pop-up location.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Explain how to hire for a pop-up operation through in-sourcing or out-sourcing.
- Demonstrate an understanding of the hiring process for a pop-up shop.
- Summarize the differences between contract and permanent employment for a pop-up retail employee.
- Outline strategies for on-boarding pop-up shop employees.

### Setting the Context

#### **VIDEO**

The following video introduces some of the Human Resources considerations for pop-up retailers with different overall objectives and shows how to find the right talent for short-term employment.

In this scenario, the owner of a fictional boutique meets with a talent recruiter to discuss her needs, possible training and level of experience required by new staff for her pop-up shop.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=100>

## 1. Hiring for Pop-Up Retail: In-Sourcing vs. Out-Sourcing

Finding the right talent for a pop-up shop can introduce new challenges to the typical recruiting and training practices of an organization. Unless the pop-up is a way to test the viability of a new business concept that has not yet begun operations, most scenarios will present two options for hiring: **in-sourcing** or **out-sourcing**.

**In-sourcing:** identifying and selecting an existing employee from another location within the organization to split their time and temporarily move to the pop-up location.

**Out-sourcing:** contracting with another firm that specializes in providing temporary employees to meet the needs of retailers and brands to work in the set-up and operation of pop-up shops.

### 1.1 Benefits and Challenges to In-Sourcing

One of the immediate benefits of looking internally for people to work at a pop-up is that current employees will have a familiarity with the brand and culture of the company. Given that one of the primary objectives of many pop-ups is to provide a memorable and positive experience to new customers, the ability of an employee who is already immersed and invested in the values of the brand to deliver in this way may be greater than hiring someone without prior knowledge of or ties to the organization.

Bringing an existing employee onto the pop-up team may also benefit the planning stages. Since they are already on the payroll, these individuals can begin preparing well in advance of the pop-up launch date by dedicating some part-time or overtime hours to the initiative. At the earliest stages, it may be important to identify who will be involved in the pop-up to allow extra time for any new training as well as to engage people in the planning process before the work becomes enough to justify hiring additional employees.

However, despite the value of experience and mindset that current employees may bring to the pop-up, running a temporary shop is often quite different than the work that is familiar to and best suits the strengths of these individuals. To that end, Boccaccio (2011) quotes J.P. Sakey, the former head of Monster.com who says,

*“...there are times when the mission and brand goal of a pop-up location is different than that of retailer’s regular brand, and, as a result, the particular candidate skills required for the pop-up operation’s goals do not align with their more traditional candidate profile, experience, skill attributes...”<sup>1</sup>*

The following potential sources of talent may be options for staffing a pop-up, but each presents different challenges:

- **Staff members from existing store locations**

Employees or managers from existing stores could be a natural fit for staffing a pop-up with a purely transactional focus; however, if the goal is experiential, communicational or to test new products and services, the pop-up may require different skills and approaches to working with customers than traditional store employees might have.

- **E-commerce or product teams**

If the pop-up is a temporary location to promote brand awareness or test a bricks-and-mortar concept for an online pure-play retailer, it is likely that employees from the e-commerce or product teams of the business will not have the types of transferable skills desired to interact with customers.

- **Owners and entrepreneurs**

For small operations and start-ups, the owner’s involvement may be critical. Yet it is important to consider the most effective ways for that individual to spend his or her time at the pop-up before making decisions about who or how many other staff to bring along. If the pop-up location is expected to generate steady traffic, owners may be better served by taking the role of customer experience representative, greeting each customer to offer advice and tell the brand story, while employing other staff at the point-of-sale and inventory replenishment tasks.

Another potential challenge to in-sourcing for talent is the trade-off involved in having a good employee take time away from their regular role in order to focus on the pop-up. Even though the individual may have the required skills to be effective at a temporary store, their presence could be more valuable in their own department or store location. Performing a simple cost-benefit analysis to weigh the risk and reward of moving around internal employees should be an important step in making these decisions.

Apart from these factors, the reality of staffing a pop-up shop is that it takes time to find the right talent and looking internally may be a default response with the expectation that dealing with known actors carries less risk and potential time wasted than hiring and training temporary employees from scratch. It is often these time and

risk factors that serve as one of the motivations for some businesses look to out-source the staffing component when planning a new pop-up initiative.

### *1.2 Benefits and Challenges to Out-Sourcing*

Upon making the decision to launch a pop-up shop, particularly in urban regions, there are an increasing number of third-party service providers available to assist in many elements of planning and operations. Working with a firm like this to recruit, hire and train temporary staff has a number of benefits compared to keeping that responsibility internal.

At the heart of this decision will be finding a firm that has a track record of success with their process for attracting and recruiting talent for pop-ups that often differs from that of a traditional “temp agency”. The ability to find temporary employees who can become an extension of the brand with short lead times and competing priorities to manage is one of the most important aspects of a successful pop-up.

These outside firms have often developed standard service training to prepare those that they employ with an understanding of the typical objectives for brand ambassadors at pop-ups and can build on this to customize additional training to meet the needs of unique events. Gravelle (2015) suggests that employees from an event-focused staffing agency will “be able to engage with your consumers quickly, effectively and emotively, bringing your brand to life... [and must be] confident enough to go out into the nearby area and pull people in.”<sup>2</sup> Delivering great experiences requires employees who can interact with customers rather than waiting behind a cash register to complete a transaction.

Another challenge that third-party recruitment firms may help to solve involves finding replacements quickly when things don’t work out with a particular temporary worker. These firms often have a pool of ready replacements who can learn the specific needs of the pop-up quickly, in much the same way that a school board maintains a list of substitute teachers who can be called upon to fill in.

Finally, the decision to use an out-sourcing approach for staffing a pop-up has the added benefits that it avoids placing additional work on internal HR departments or trying to fit unconventional hiring and training models into a fixed structure of people and policies.

Table 14.1. Examples of staffing firms

<b>Firm Name</b>	<b>Location</b>	<b>URL</b>
R&R Staffing & Consulting	Calgary, Edmonton, Halifax, Ottawa, Montreal, Toronto, Vancouver, Winnipeg (Canada)	<a href="http://www.rnrstaffing.ca">www.rnrstaffing.ca</a>
Fervent Events	Toronto (Canada)	<a href="http://www.ferventevents.com">www.ferventevents.com</a>
PopUpsters – Concierge	San Francisco (USA)	<a href="http://www.popupsters.com">www.popupsters.com</a>
Pop Up Staff	England (UK)	<a href="http://www.popupstaff.co.uk">www.popupstaff.co.uk</a>

## 2. How to Hire for a Temporary Store

### 2.1 Needs Assessment

Once the specific objectives, timing and location for a pop-up shop have been defined, conducting a proper assessment of staffing requirements and associated costs is an important part of planning the customer experience. Small and independent operators may jump to the conclusion that they can handle things on their own, but going through an objective analysis will help to confirm this or lead to alternate staffing plans. A few of the elements to consider may include:

- What individual staffing roles are required to deliver a great customer experience? (e.g., knowledgeable associates who can provide advice and recommendations, guides to assist customers with technology such as virtual reality experiences, stationary cashiers or brand ambassadors with mobile point-of-sale devices, etc.)
- How long will the pop-up be in operation (how many days and how many hours per day)?
- What are the expected peak periods (if relevant) where multiple staff may be required to avoid service bottlenecks or manage line-ups waiting to enter?
- How many transactions or customer interactions are expected each day and what are they worth to the business in relation to the costs of extra staff?
- Who will be responsible for opening and closing the shop?
- If there is a potential theft or security issue, how will loss prevention and safety be managed?
- How will employees contribute to enhancing the atmosphere of the pop-up?

#### Example

Watch this video about a pop-up shop owner who took a novel approach to hiring employees:

- [This Ugly Christmas Sweater Store Hires Employees Based on Their Dance Moves](#)

### 2.2 Recruiting Staff

Pop-up operators must consider the best channels and timing to promote the temporary opportunities they have available. If the brand is new or not very well known yet, understanding how to position the business itself as well as the purpose of the pop-up in relation to staffing needs will be critical in attracting the right talent.

Targeted digital and social media ads as well as direct engagement with the community through local groups and Business Improvement Associations are some of the ways to create awareness of opportunities and possibly generate word-of-mouth referrals.

If an in-sourcing strategy is to be used, there will be decisions to make around whether hand-picking employees

or creating a call for volunteers is the best approach and how to back-fill the responsibilities that each individual leaves behind when moving temporarily to the pop-up. When out-sourcing, it will be important to have a clear set of requirements and priorities for the recruiting firm to consider when promoting and pre-screening candidates.

Getting the timing right is an important balancing act. With the temporary nature of the work, hiring too far in advance may increase the likelihood that candidates find other long-term employment before the pop-up starts. However, waiting too long to begin the process could leave the pop-up understaffed or the employees under-trained upon opening. Aligning the timing of promoting, recruiting and training staff will be an important element of any pop-up that requires more than an owner/operator at the location.

The supply of local talent and timing can pose a challenge particularly when there are multiple pop-ups in an area as part of an institutional or revitalization program as well as marketplace formats. Cottell (2011) cited two experienced business people who look at this challenge from different perspectives. The first noted that in a marketplace environment, “60 temporary stores means a lot of people to recruit at the same time” while the other felt that “there are many of the right type of people out there...it is the effort involved in getting those people at the right time that is the bigger challenge.”<sup>3</sup>

### *2.3 Jurisdictional Considerations*

As with any business, operators must be aware of legal requirements for the jurisdiction in which they plan to operate. Provincial or state requirements for minimum wage, length of work shifts, mandatory breaks, workplace safety and insurance considerations and more should all be identified prior to opening a pop-up. National and international brands must pay particular attention to this when planning a series of pop-ups across multiple jurisdictions and planning the costs, training and other implications for hiring temporary staff.

Table 14.2 Minimum wage by province as of January 2018<sup>4</sup>

Province	Hourly Wage
Alberta	\$13.60
B.C.	\$11.35
Manitoba	\$11.15
New Brunswick	\$11.00
Newfoundland and Labrador	\$11.00
North West Territories	\$12.50
Nova Scotia	\$10.85
Nunavut	\$13.00
Ontario	\$14.00
P.E.I.	\$11.25
Quebec	\$11.25
Saskatchewan	\$10.96
Yukon	\$11.32

### 3. Contract vs. Permanent Employees

One of the primary benefits of utilizing permanent employees for a pop-up event is the level of commitment and ownership that these individuals will have for the company. While fans of the brand may bring passion to a short-term contract role, the security of a long-term career position and level of responsibility that may be undertaken by a permanent employee sometimes cannot be understated.

As well, managers may take a different attitude about their own responsibility for supervising and coaching temporary employees that have been hired only for the pop-up, not to mention those provided by out-sourced third-party recruitment firms. With limited obvious benefits to investing time in the development of knowledge or skills among short-term staff, the quality of the customer experience could suffer as a result of less engaged management who may see temporary staff as not being their problem.<sup>5</sup>

However, while pop-up shops can be launched to test potential new products and markets, they may also serve as an opportunity to test prospective new talent or approaches to training customer associates. Without the risk of committing to permanent employees, the nature of a pop-up may provide a perfect scenario to observe the motivation and effectiveness of prospective long-term hires in a short-term context.

On the other hand, having permanent traveling staff could be beneficial for companies that have a continuing pop-up strategy and the need to move already trained employees from location to location every few weeks or months. The considerations for such an option must weigh the cost of travel, accommodations and meals against that of repeatedly recruiting and training temporary local employees who may offer varying levels of productivity and passion for the brand.

## 4. Employee On-Boarding for Pop-Ups

The on-boarding process for employees at pop-ups is important for both internal and external hires. Internal staff may be familiar with the brand, but must understand how the pop-up initiative may differ in its attempt to create a new type of experience for customers or how the expectations of shoppers in a new location and format could require re-framing an employee's approach to providing great service.

Out-sourcing firms should have established on-boarding practices for temporary employees that can incorporate new elements to ensure that all staff are able to quickly learn about a brand and its products or services. If a retail brand plans to host several pop-ups in different locations or at different times throughout the year that may require many temporary staff, the retailer should consider developing some online on-boarding resources including any relevant forms, background information and key materials that can help improve the efficiency and consistency of introducing new employees for short periods of time.

### Key Takeaways

In this chapter, you learned:

- some of the benefits and challenges of in-sourcing vs. out-sourcing the staffing needs of a pop-up shop
- how to develop questions for a needs assessment that could identify different skills and knowledge required by employees at a pop-up event vs. a traditional retail store or online business
- the pros and cons of including permanent employees or contract staff at pop-ups
- to consider the on-boarding process for pop-up employees

Key Terms:

- In-sourcing
- Out-sourcing

### Mini Case Study

#### Felina's Parisian Pop-Up

##### **Situation:**

Felina is the owner of a retail pop-up shop with a unique business model that involves running a pop-up in a certain location for a season before moving on to the next location immediately thereafter. She follows her market, and as a result, has been successful for over 5 years in a highly



competitive industry.

Felina has a reputation for providing caring, thoughtful, and customer-centric service, and providing high quality items at discount prices. That combination, along with the ephemeral nature of her store's location, have birthed a loyal and wide following. As a result, she has had to move to ever-larger locations to accommodate more sales, foot traffic, and inventory.

Recently she started hiring staff to help her during busy hours, and sometimes all-day long. Her business model revolved around providing real value to her customers, landlords, and neighbours. Until recently she had not considered opportunities relating to human resource needs. Since her inventory system was unique, her prices flexible and prone to negotiations, and her customers' expectations of high levels of service, she knew where to focus her efforts on HR opportunity spotting and execution but the growing business had begun to present new challenges.

**Solution:**

Starting with the issue of maximizing customer service levels and quality, Felina sought to hire former employees of high-end boutique houses, knowing that they were highly trained and very customer-focused. These individuals were used to working on commission, which would not be the case at Felina's pop-ups. She had to employ a different approach to motivating and empowering her staff and gave the sales staff both the responsibility and the authority to negotiate prices as they saw fit, to maximize each customer's potential lifetime value to the business, while providing top-notch service.

Next, Felina knew that in order to negotiate prices with customers, the sales staff needed to understand the relationship between cost of goods and retail prices for thousands of items. Felina devised a special format for her stock keeping unit numbers (SKU) on the back of each item's label that would discreetly identify its wholesale cost. Thus, sales staff could quickly work out an acceptable sales price, and negotiate accordingly, sometimes even giving volume discounts while still making a profit.

Lastly, Felina understood that training her staff to identify her unique inventory system would be costly and time consuming. She therefore decided to use a simplified, general SKU system which would detail the source of each item, its category, and wholesale price in a simple, easy to read letter-number combination.

**Results:**

The sales staff were overjoyed at the added authority and excitement of being able to negotiate with customers. It gave them a new and not often utilized strategy to gain customers' goodwill, loyalty, and patronage. Additionally, the pop-up shop's typical average units per transaction (UPT) increased by 25% within the first month. The staff earned more than at most of their previous jobs and were happier overall. The SKU system enabled the staff to better negotiate than ever before. Felina's innovative approach to ensuring her new staff were happiness and comfortable with their ability to succeed at work enabled her to improve her sales numbers, gain more loyal customers, improve internal efficiencies, and be able to operate larger pop-ups.

**Consider the following questions:**

1. If Felina decided to operate more than one pop-up at time, why might she choose to in-source or out-source as a hiring strategy for stores in which she is not present all

the time?

2. List and describe some of the challenges Felina may encounter in hiring sales staff as she expands.
3. How would you recommend that Felina should plan to on-board her new sales staff? Explain your answer.

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# Chapter 15: Technology and Innovations in Pop-up Retail Operations

## Chapter Overview

This chapter will introduce the role of technology and some innovative solutions for pop-up shops, examples of customer experiences that depend on new technologies to create virtual shops and a specific look at some best practices for Customer Relationship Marketing tools in the context of a temporary store.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Recognize the use of technology in a pop-up shop.
- Evaluate the effect of technology on creating a multi-sensory experience for pop-up consumers.
- Examine the best practices for CRM tools in a pop-up retail setting.

## Setting the Context

### Video

The following scenario offers some context for how a retailer might use technology in a series of pop-up events. In this example, a do-it-yourself (DIY) home renovation retailer is planning to open ten pop-up locations around the country. They want to expand their appeal to a new target customer and will use Virtual Reality technology to create a sense of fun while showing how easy it can be for a non-professional to do simple home improvements, such as painting indoor walls and more.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=102>

## 1. Technology and Innovations in Pop-up Retail Operations

One of the key ideas introduced in Chapter 2 is that pop-up shops are often at the centre of a strategy to create a sense of excitement about a brand that makes the shopping experience fun for customers<sup>1</sup>. Technology can play an important role in this regard through interactive displays, customized offerings, dynamic pricing and social media sharing, to name just a few potential solutions, each of which may be implemented at various points along the customer’s **path-to-purchase**.

**Path-to-Purchase:** “the point at which the motivation to shop first emerges through to purchase, consumption, repurchase, and recommendation”<sup>1</sup>.

### 1.1 The Role of Technology in the Path-to-Purchase

In a study conducted by the National Retail Federation (NRF) in the US and reported by Chain Store Age, while many customers say they want technology such as mobile payment to make shopping easier in stores, “more than four in 10 consumers (44%) said their experience with in store digital displays, tablet or mobile-empowered associates (43%) or messaging apps (43%) had no impact on their experience. One in 10 said it actually made their experience worse”<sup>3</sup>.

Poor implementations of a new technology or system can have a negative impact. Since getting the experience right is particularly important for a pop-up shop, introducing innovative concepts must be well-tested and planned out. However, this same NRF study noted that customers are still interested in trying new technologies in store such as augmented reality (20%), virtual reality (18%) and smart dressing rooms (13%)<sup>3</sup>.

Some technical solutions aim to enable a retailer's employees to provide better service to customers, such as providing associates with tablets to perform instant checkouts from anywhere in the shop. Other solutions like shopper-facing technologies like digital displays, smart mirrors and even customer service robots are often what come to mind when considering how to create memorable experiences in store.



Figure 15.1 Pepper – the customer service robot

**Smart Mirror:** also known as a magic mirror, it functions as a traditional mirror with the addition of technical integration such as product information, social sharing or even augmented reality (AR) features that allow customers to see themselves wearing virtual samples of different items.

Inman & Nikolova (2017) suggest that introducing new shopper-facing technology can have the benefit of:

- attracting new shoppers to the brand,
- increasing share of volume from existing shoppers by selling them more,
- extracting greater consumer surplus when price sensitivity is low,
- or decreasing costs through offloading labour to shoppers with self serve options<sup>4</sup>.

However, as with the examples above where some technologies can have a neutral or negative impact, it is important to consider how new solutions may change a shopper's perceptions of privacy, fairness, value, satisfaction, trust, loyalty and what they share with others about the brand.

For instance, there are many examples of retailers using technology in an attempt to offer personalized promotions to customers, but getting it right can prove to be a difficult balancing act. If done poorly, the use of past purchase history to provide future discount offers can appear to be intrusive and raise privacy concerns or miss the mark entirely and leave a customer with the sense that the brand doesn't really know them. Likewise, offering the same product at a different price to different customers (think of airline seat sales) can lead to a sense of unfairness.

#### Did You Know?

According to Inman & Nikolova (2017)<sup>4</sup>:

- Florsheim Shoes was first to put kiosks in their stores back in 1985, allowing customers to purchase items that were not available at their location.
- In 1974, Marsh Supermarket in Ohio introduced barcode scanners before UPC codes had become the norm and the first product scanned was a pack of chewing gum.
- Some Smart Shelf systems have digital price tags that can enable “surge pricing” or dynamic discounts just like Uber does.

As many new technologies are aimed at improving convenience to customers or cost savings to retailers, Willems et al. (2017) noted that most were utilitarian solutions and likely to be taken for granted by shoppers. The authors suggest that an area of opportunity may be the use of technology to offer hedonic benefits or enable unique and exciting customer experiences that create a competitive advantage for the retailer. Their study also found that when it came to using new technology, “the earlier stages of the path-to-purchase appear to be the most instrumented”.<sup>5</sup>

With this in mind, these researchers mapped out how and where different types of technology may be used at each stage of the path-to-purchase. Since one of the key aspects of many pop-up shops is to focus on the experience, Table 15.1 provides a snapshot of some technologies they have identified for hedonic purposes rather than cost, convenience or utilitarian functions.

Table 15.1 Path-To-Purchase Technology Options with Hedonic Benefits  
Adapted from Willems, Smolders, Brengman, Luyten, & Schöning (2017)<sup>5</sup>

Stage on Path-to-Purchase	Technology to Consider
1) Need recognition	<ul style="list-style-type: none"> <li>– Dynamic Digital Signs / Menu Boards</li> <li>– In-store LED/Product Experience Walls</li> <li>– Magic Mirror</li> <li>– Interactive Shopping Windows</li> </ul>
2) Information search	<ul style="list-style-type: none"> <li>– Interactive Digital Shopping Walls</li> <li>– RFID Smart Shelves</li> <li>– Virtual Shopping Assistant</li> </ul>
3) Evaluating alternatives	<ul style="list-style-type: none"> <li>– Smart Dressing Rooms</li> <li>– RFID Enabled Magic Mirrors</li> <li>– Augmented Reality Apps</li> </ul>
4) Purchase	<ul style="list-style-type: none"> <li>– Smart Checkout Solutions</li> <li>– 3D Printing Services</li> </ul>
5) Post-purchase	<ul style="list-style-type: none"> <li>– Social Media Sharing</li> <li>– Product Review Apps</li> </ul>

\*Note: depending on available features, many technologies can be applied in different ways at various stages of the path-to-purchase.

### 1.2 Acceptance of Technology by Customers

Mapping out plans to develop a great new experiential pop-up shop that introduces some of the latest technologies can be exhilarating for entrepreneurs and national brand marketing teams alike. However, just as considering the right target market for a product or service is critical to business success, similar factors are important when considering whether to introduce new technology into the shopping experience.

Two different tools that can help in this regard are the **Technology Readiness Indicator (TRI) 2.0** proposed by Parasuraman and Colby (2015) and the updated **Unified Theory of Acceptance and Use of Technology (UTAUT2)** by Venkatesh, Thong, and Xu (2012).

**Technology Readiness Indicator (TRI):** TRI 1.0 introduced four dimensions of technology readiness (TR) or an individual's predisposition to use new technologies. These dimensions included: Optimism, Innovativeness, Discomfort and Insecurity.

As technology evolved over nearly two decades, **TRI 2.0** offered an updated and more concise tool that could be used to assess TR levels within a population (e.g., a country, a demographic group, a profession or a market segment). This new version introduced five segments with unique demographic characteristics: Skeptics, Explorers, Avoiders, Pioneers and Hesitators.<sup>6</sup>

The Technology Readiness Indicator was originally developed with data from 1999 as a result of the growing influence of technology on consumer behaviour in service businesses<sup>6</sup>. Updated in 2012 to become TRI 2.0, this tool helps marketers to identify customer segments by their the comfort level when presented with new technologies – either as products to purchase or as part of a service and store experience.

Parasuraman and Colby suggest, for instance, that customers with a high TRI score fit into the “explorer” segment who are “interested in advanced functionality and capable of mastering new high-tech offerings with minimal help...” while at the other end of the spectrum, “low-TR customers [the “avoiders” and “hesitators”] will be more satisfied with basic functionality but will need more support and reassurance”<sup>6</sup>. As well, the explorers tend to be younger and more likely to own many high-tech products than their counterparts in the avoiders and hesitators segments.

Table 15.2 TRI 2.0 Segments and Demographics

Adapted from Parasuraman and Colby (2015)

Segment	% Female	% Aged 50+	General Characteristics
<b>Skeptics</b> (38% of consumers)	52%	50%	-detached view of technology -less extreme positive and negative beliefs
<b>Explorers</b> (18% of consumers)	44%	34%	-high degree of motivation -low degree of resistance to technology
<b>Pioneers</b> (16% of consumers)	53%	41%	-hold both strong positive and negative views about technology
<b>Hesitators</b> (13% of consumers)	48%	69%	-low degree of innovativeness
<b>Avoiders</b> (16% of consumers)	59%	79%	-high degree of resistance to technology -low degree of motivation to use it

This type of information can be helpful when looking at the demographics of a market area for a potential pop-up shop in determining the degree of shopper-facing technology to incorporate into the overall experience or the type of products and services that would be most appropriate to promote and sell in that location. It may also help to estimate how likely certain customers may be to use social media and share their pop-up experience with others.

**Extended Unified Theory of Acceptance and Use of Technology (UTAUT2):** the extended or second version of the UTAUT that incorporates a consumer context into the study of how willing individuals are with respect to accepting and using new technology. Where the original theory applied to organizations and employees, the extended theory adds three new potential drivers of technology use: hedonic motivation, price value and habit<sup>7</sup>.

The UTAUT2 proposed by Venkatesh, Thong, and Xu (2012) added a consumer context to an existing theory that aimed to identify the drivers and willingness of consumers to use new technology. One of the key additions most relevant to pop-up retailers looking to create great experiences is that of “hedonic motivation” and the idea that using new technology is seen as something fun, especially by young men<sup>7</sup>. Other additions included understanding the “price/value” calculation that consumers make when considering whether or not to use a new technology (particularly relevant to older women) and a “habit” construct where individuals are able to interact automatically with a new technology based on prior learning and expectations about an interface or intended use.

Understanding the potential for acceptance and use of a particular technology by target customers of a pop-up shop can be critical in designing each aspect of the path-to-purchase for the most effective and engaging shopping experience.

## 2. Technology-Enabled Pop-Up Shops

As identified earlier, some of the technology that customers consider intriguing and that may enable more hedonic shopping experiences include augmented reality, virtual reality and smart dressing rooms. While there may be many examples and different applications to consider integrating into a pop-up retail activation, the following list of in-store technology solutions cover a diverse range of options.



### 2.1 Mobile Scanners & QR Codes

The use of Quick Response (QR) codes for mobile-enabled and cashless transactions has been on the rise particularly in markets throughout Asia. One estimate cited by The Economist suggested the use of QR codes were responsible for \$1.65 trillion in mobile payments for 2016 as they do not require Internet access and had been integrated into platforms like WeChat and Alipay<sup>8</sup>.

In North America, providers such as Shopify make the use of QR codes – or what they term as “Shopcodes”<sup>9</sup> – an easy and effective way for pop-up shops to enable and track mobile transactions.



Figure 15.2 QR Code Example



Figure 15.3 Virtual Wall with QR Codes to scan/buy items

CC-BY Sean Sedlezky

### 2.2 Traffic Counting

There are many different ways of tracking foot traffic in stores that could be implemented for a pop-up shop. These include the use of wifi or bluetooth enabled beacons, closed circuit (security) cameras, thermal sensors, or infrared (IR) technologies among others<sup>10</sup> that can be used to generate simple counts of individuals who walk through the door to more advanced measures such as dwell time or heat maps of popular areas of the store.

Traffic counting technology is useful in assessing key metrics at a pop-up shop, such as:

- determining peak periods for scheduling staff and planning hours of operation
- tracking the number of total visitors in comparison to total purchases made
- measuring the impact of visual displays



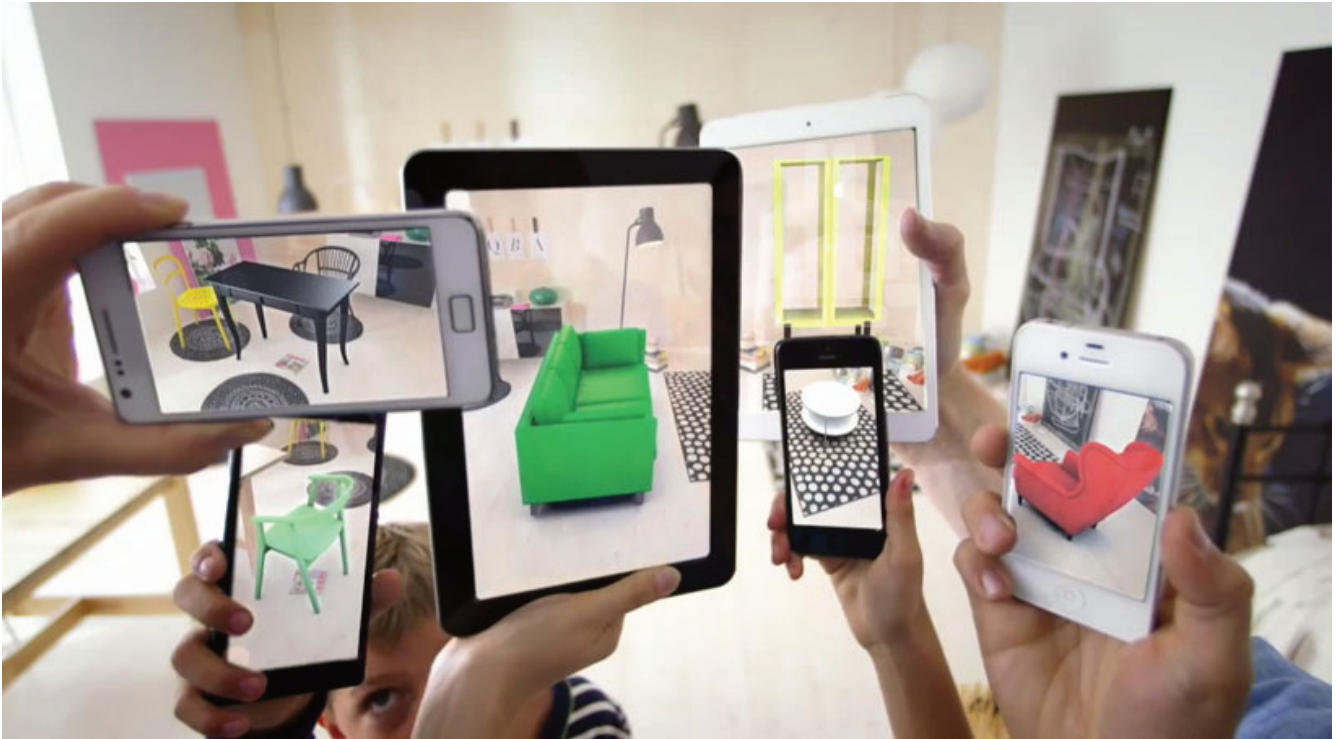


Figure 15.5 Augmented Reality (AR) App that enables users to visualize home furnishings in their own rooms. (Original photo by Oyundari Zorigtbaatar – CC4 License)

#### 2.4 Touch Screen Displays, Kiosks and Interactive Walls

Touch screen displays and kiosks may be used at multiple stages in the path-to-purchase with information search being the most prominent, along with the purchase stage itself when integrated with smart checkout solutions. These displays can be implemented across a wide variety of formats from small consumer tablets to being integrated into vending machines or wall-sized displays.

#### 2.5 Three-Dimensional (3D) Printing

The commercialization of 3D printing allows innovative retailers a chance to offer true personalization as a way to excite and delight customers in a format such as a pop-up shop. In 2017, a Vancouver-based startup called Print the Future hosted a pop-up in New York City that allowed customers to design and print their own furniture on site<sup>12</sup>. Meanwhile, Louis Vuitton went a step further and had their entire pop-up shop fixture and display 3D printed for an activation in Australia<sup>13</sup>.

#### Additional Technology Examples

- Directional audio solutions can help create an immersive experience for customers who are looking at specific products without distracting others in the store like this example of Hyper Sound technology on an end-cap promoting a new video game.
- An interactive video wall or digital touch screens can allow several customers to

browse through products, retrieve information or purchase items directly.

### 3. Customer Relationship Management

In many cases, a primary objective in running a pop-up shop is to build and strengthen customer relationships. Especially for those with an experiential focus, Lowe, Maggioni and Sands have suggested that pop-ups, “have the potential to influence long-term relationships with consumers and aim to produce demand, rather than generate revenues”<sup>14</sup>. A great experience in a temporary store can positively influence a customer’s perception of a brand and the potential for future interactions. However, it is important to remember that setting high expectations through social media or marketing campaigns may result in the opposite impact if the actual experience falls short through poor execution, out of stock items, etc. Thus, it can be important to track customers and their satisfaction or future purchase intent after visiting a pop-up shop.

The selection of a Customer Relationship Management (CRM) tool should be made based on strategic capabilities and some of the related measures that Ian Gordon (2002) suggests for best practices, including<sup>15</sup>:

- customer behaviour metrics that lead to deeper understanding of customer profitability (e.g., cost of managing customer communications, complaints, acquisition savings from customer referrals, etc.)
- customer attitudes (i.e., satisfaction and purchase intent)
- share of customer spending

#### Examples

Here are some CRM tools currently available in the marketplace.

- **Lightspeed Retail**  
Allows integration with physical and online channels to create customer profiles and notes about shoppers, VIP status, special discount and promo codes, integration with loyalty programs and more.
- **Microsoft Dynamics 365**  
Links CRM and ERP systems for larger retailers who may also run a series of pop-up shops and look to engage shoppers across channels and optimize merchandising and customer insights. Here is a video that provides an overview of retail marketing capabilities with Microsoft Dynamics CRM tool.
- **Salesforce for Retail**  
A major player in the world of CRM solutions, Salesforce offers a variety of cloud-based tools that can connect marketing insights across the touch-points of a customer journey, e-commerce and the point-of-sale in a store or pop-up shop.

- **VEND – Customer Management Software**

This cloud-based tool enables retailers with a single store, multiple locations or frequent pop-up shops to build customer profiles, issue store credits and gift cards, create VIP customer groups, link to email marketing campaigns and to the Point of Sale System.

### Key Takeaways

In this chapter, you learned:

- some of the ways technology can be used in a pop-up store
- to consider the effect of different technologies on creating a multi-sensory experience for pop-up consumers at different points in the path-to-purchase
- about the best practices for CRM tools in a pop-up retail setting

Key Terms:

- Path-to-Purchase
- Smart Mirror
- TRI 2.0
- UTAUT2

### Mini Case Study

#### **Marci Rhoads Fashion & Fun Pop-Up**

##### **Situation:**

A major retail fashion and cosmetics brand named Marci Rhoads wants to test new concepts in store design, customer experiences and technologies before spending millions of dollars to implement them across existing store locations. The retailer needs to find the best method of experimenting with different options to validate and evaluate the potential of each concept. A pop-up shop can be the perfect solution to carry out these activities.

##### **Solution:**

The executives at Marci Rhoads recognize that a pop-up store can be used to gauge the responses by customers to a host of changes, new technology, new experiences and layouts. They



decide to launch a pop-up in a major metropolitan area that is known to be a popular area for their key target market along with great foot traffic, high visibility, parking and transit options.

They implement a new layout, build a mobile app to help customers make purchases without their wallet, add smart mirrors that will help customers virtually try on items, a 3D printer to create custom lipsticks and a variety of touchscreen signs to further enhance the shopping experience.

Additionally, Marci Rhoads captures relevant, meaningful and real-time data on their customers' reactions and opinions about the new offerings.

### **Results:**

The leadership team at Marci Rhoads were able to quickly identify the pop-up format as an ideal tool to try new things and help improve their value proposition to their customers. The technologies utilized in the store were mostly well-received, with the mirrors and the payment system getting great reviews. It turned out that their chosen multi-sensory experience translated very well into the customer experience in a retail environment. The smart mirrors helped customers to feel more comfortable, in control and informed regarding their purchasing decisions, and made recommendations about matching accessories that helped to increase total sales per transaction. The company quickly made plans to roll out the smart mirrors and digital wallet solutions to all stores while investing in a new advertising campaign to promote the benefits of this new experience to attract first time customers.

### **Consider the following questions:**

1. Explain which of these technologies you believe would be most effective for the pop-up shop if their target market consisted mainly of women between the ages of 35–54.
2. Why would using a mobile wallet payment system (e.g., Apple Pay) deter some customers from purchasing at the pop-up? Why might some customer groups prefer this method? How might this decision reflect on the choice about which technologies to implement in a pop-up shop?
3. Why would collecting data about customers – through technology such as a mobile app – be considered risky for a pop-up shop owner?

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# Part 5: Measuring Success of Pop-Up Retail Operations

In this final part of the book, readers will explore key metrics and measures of success for a pop-up initiative and the role that analytics play in the pre and post stages of running such an operation.



# Chapter 16: Pop-up Analytics and Measurements

## Chapter Overview

To achieve pop-up retail success, Haas and Schmidt (2016) suggest six strategic aspects to consider: 1) lifestyle products and luxury goods; 2) Millennials as the target market segment; 3) unexpected and extravagant shopping experience; 4) scarcity marketing tactics; 5) a location that fits the target market and brand; and 6) advanced brand awareness, distinctive brand community, or innovative brand power<sup>1</sup>. These aspects provide a framework to plan and execute a pop-up retail shop and a direction for analyzing its outcomes.

Along with quantitative performance measures (such as store sales and profit) Return-on-Investment (ROI) metrics also link to relationship-building outcomes, as well as other subjective evaluations by retailers and customers. These are called non-objective performance indicators. In the context of omni-channel retailing, pop-up analytics weigh heavily on the ROI of social media impacts as pop-up shops are considered an integral retail channel that complement the bricks-and-mortar, online and other channels.

In Chapter 2, we discussed the five main objectives of pop-up shops: communicational, experiential, transactional, testing and institutional. It is worth noting that metrics for performance measures of pop-up shops with different primary objectives will vary accordingly.

### Learning Objectives

Upon completion of the chapter, readers will be able to:

- Define different types of performance measures and ROI of a pop-up shop.
- Analyze the appropriate measures based on the objective of a pop-up retail operation.
- Develop pre- and post-pop-up strategies in the omni-channel retail context.

### Video

The following video provides some context for how a retailer might measure the success of several pop-up shops with the aim to promote a new product. In this example, a Retail Consultant and the Director of Marketing for a major retailer discuss the pre- and post- strategies for the pop-ups that will run in three different locations.



A YouTube element has been excluded from this version of the text. You can view it online here: <https://pressbooks.library.ryerson.ca/popup/?p=105>

## 1. Type of Metrics and ROI of Pop-Up Retail Operations

Choosing a set of appropriate performance measures to track for a pop-up operation is not an easy task, but is critical to the retail business' ongoing success. The metrics used to compare different measures can help retailers in identifying areas of strength so they can devote sustained energy towards maintaining and enhancing the areas in their operations. On the other hand, proper metrics can also help retailers to recognize gaps in performance and steer their attention towards improving business processes to better achieve their goals and objectives. In order to develop and implement effective performance measures, a retailer must have a clear understanding of the broad dimensions of performance metrics.

For retailers, performance metrics include the use of information from objective measures and non-objective measures and performance can be measured at store level or at the organization level if the retailer is operating multiple stores and in multi-channels. For pop-up retail operations, metrics are often developed at the store level.

**Measures, Metrics, and KPIs:** the terms “measures” and “metrics” are sometimes used interchangeably; however, there is a difference between the two. A **measure** is a value that is quantified against a standard at a point in time (e.g., sales for January) while a **metric** compares two measures (e.g., actual sales vs. planned sales). From here, a retailer can identify some **key**

**performance indicators (or KPIs)** as important metrics that provide actionable information about the business.<sup>2</sup>

### 1.1 Objective Measures and Performance Indicators for Pop-Up Shops

Research shows that choice of performance metrics are often driven by data availability, which results from the more “observable” financial performance measures (such as sales, profits, ROI) being widely adopted<sup>3</sup>. Thus, these quantitative performance indicators make use of what are called “objective measures”.

Sales in this context refers to the net sales revenue which can be measured by day, by employee, by product and per square foot.

- **Sales by day** can provide insights into which days a pop-up shop achieves a high volume of sales and this information is important to plan and adjust inventory and personnel needs.
- **Sales by employee** can be used to measure productivity of sales associates.
- **Sales by product** is an essential indicator for merchandise planning and inventory management.
- **Sales per square foot**, as discussed in Chapter 10, refers to net sales divided by the total area (or square feet) of selling space. Sales per square foot is an industry standard calculation of how productively a retailer is using the selling space to generate sales.

Profit includes **operating profit** and **net profit**. Operating profit is what remains after all financial obligations related to operating the business are met and net profit before taxes refers to the figure on which the firm pays income tax.<sup>4</sup>

**Operating Profit:** what remains after all financial obligations related to operating the business are met

**Net Profit (before taxes):** the figure on which the firm pays income tax

Return on investment (ROI) is a financial analytic tool which measures the output performance benefits gained against the total costs of an initiative or a company, expressed in percentage.

**Return on Investment (ROI):** a financial analytic tool which measures the output performance benefits gained against the total costs of an initiative or a company, expressed in percentage. The formula is  $ROI = \text{net profit} / \text{total investment} * 100\%$ .

The following video from Howcast Media provides a detailed explanation on how to calculate ROI.

In addition, retailers also use KPIs such as traffic count, conversion rate and basket size to conduct detailed analysis of the effectiveness of retail strategies.

- **Traffic count** is the total number of customers who come into a store during a given time period.
- **Conversion rate** (also called traffic conversion rate) refers to the percentage of the number of transactions made divided by the number of customers coming into the store.
- **Basket size** (also called average transaction rate) measures the average dollar value per transaction during a given time period.

Traffic count, conversion rate and average transaction rate provide details on total traffic, changing traffic patterns throughout a day, how much traffic has converted into a transaction and the size of an average transaction. These KPIs help managers to better plan daily operations, such as staffing and inventory management.

### Example

This video from ShopperTrak will help you better understand how to leverage traffic counting information to increase traffic, conversion and transaction size.

## 1.2 Non-Objective Performance Indicators of Pop-Up Shops

In addition to objective metrics, retailers also examine other KPIs that are related to relationship-building and customer experience management. These metrics are primarily based on subjective performance assessment by retailers and customers. However, pop-up retailers who excel in non-objective performance measures often enjoy great success in the objective KPIs that we outlined above.

KPIs linked to relationship outcomes include relational touch-points, strategic alignment, surprise and delight and serendipity<sup>5</sup>.

- **Relational touch-points** highlight that pop-up shops provide opportunities to reach out to new customers, raise brand awareness and engage with existing customers.
- **Strategic alignment** emphasizes the importance of a pop-up shop's alignment with brand, location and context.
- **Surprise and delight** confirms the strong link between positive emotions and customer engagement with the brand through delightful and multi-sensory pop-up shopping experiences.
- **Serendipity** refers to chance, happenstance or happy accident<sup>4</sup> and is one of the factors that largely contributes to pop-up retail success.

Pop-up retailers who devise effective strategies to control happenstance, location, timing, and serendipity (i.e., seasonality) of a pop-up operation will maximize customers' perceived serendipity which strengthens their positive relationship with the brand.

Other experience metrics, such as customer satisfaction scores and customer journey/touch-point analysis, are also meaningful measures of pop-up retail performance, especially in building customer experience.

### Example

Watch this video to learn about retail expert Doug Stephens' viewpoints on how to build customer experience in retail.

A customer satisfaction score is a holistic measure of a customer's satisfaction with a retail business. This score can be obtained by customer surveys on multiple satisfaction dimensions, such as product quality, service quality, cost and timeliness<sup>6</sup>. A final global customer satisfaction score is calculated as the sum of all scores on each dimension. Analyzing a customer satisfaction score and its antecedents offers important implications for pop-up retail operators.

Mapping the customer journey can help businesses to better manage and stage the sequence of touch points that customers interact with while the customers are within the retail environment. **Customer journey** management helps to create "a customer-centered vision of the future and align the promise making and promise keeping efforts of an organization profitably"<sup>7</sup>. A pop-up retailer can conduct audits of customer journeys through participant observations and customer interviews, using the findings to gain a deeper understanding of the key objective measures and inform the future design of customer experience.

**Customer Journey:** the sequence of events that customers go through to learn about, purchase and interact with company offerings<sup>7</sup>

### Example

Watch this video by UX Mastery to learn how to create journey maps that include the following steps:

1. Define goals of your product/service
2. Gather research
3. Generate list of customer touch-points and channels
4. Create an empathy map (i.e., how the customer feels at each point in the journey)
5. Brainstorm new ideas through different lenses

6. Create an affinity diagram to organize ideas and solutions
7. Sketch the journey
8. Refine and digitize
9. Share the map (within your organization)

### 1.3 Social Media ROI in Pop-Up Retail Operations

Social media can and should be an important aspect at all stages of a pop-up shop. A good social media strategy will:

- consider how to reach potential customers and influencers prior to launching the pop-up, which will create awareness and build excitement for opening day
- engage current customers at the pop-up to share their experience in the moment
- continue to build on the connection post-visit

To develop a social media plan, the retailer must determine which platforms their target customers most frequently use and decide what actions they hope to encourage, along with the measures that will be used to track success.

In Canada, the Social Media Lab at Ryerson University reported that 84% of adults had a Facebook account, 42% were on Twitter and 37% had an Instagram account<sup>8</sup>. Most retailers will have a target customer that is more narrowly defined by a certain age, gender, geographic region or other factors that may be relevant in choosing the social media platforms that those individuals prefer and in measuring their level of engagement compared with the rest of the population. According to Statista in 2017, only 26% of Canadians aged 35–54 were active on Instagram each week, yet 54% of individuals between 18–34 reported using this platform weekly<sup>9</sup>. Understanding these differences is one of the first steps in building a measurable social media plan.

The next step is to define how these social media channels may contribute to the pop-up shop objectives. This may include driving foot traffic to the pop-up or redirecting customers to the retailer’s website, building a new online community hub, getting feedback about products and the store experience, or even making sales directly through social media platforms.

With the above goals and information, the retailer can decide what measures will matter most and the best metrics to track in determining an ROI. Karola Karlson outlines a list of 37 KPIs for digital marketing and notes that, “social media has many advantages that can’t be measured in numbers, you should evaluate your social media ROI according to your goals and advantages”<sup>10</sup>. Whether you seek numbers like actual sales or qualitative feedback from a certain number of customers, having an idea about what each is worth to the business will be key in planning how much time and money to invest in a social media plan and developing targets for an expected return.

#### Examples

##### Videos

1. This short video on Social Media ROI provides a brief overview of this topic.
2. Hootsuite is a social media management tool and offers several free resources, such as this one on setting Objectives, KPIs and Key Supporting Messages for social media plans.

## 2. Analyze Appropriate Measures by Objective for a Pop-up Shop

### 2.1 Transactional Pop-Up Shops: Understanding Objective Performance Metrics

There are several transaction-oriented metrics that may be relevant to a pop-up that sells products or services on-site. Some of the objective metrics listed above include sales per day, by product, or by employee plus traffic counts, conversion rates and basket sizes. For each of these metrics, there are multiple factors that managers must consider.

<b>Sales per day</b>	<ul style="list-style-type: none"> <li>– determine the average sales per day over the full duration of the pop-up</li> <li>– compare average sales for each day of the week (i.e., busiest vs. slowest days)</li> <li>– compare sales for the same day each week (i.e., Saturday sales vs. previous Saturday)</li> <li>– consider also time of day (i.e., hourly breakdowns, peak periods)</li> <li>– note any anomalies such as holiday weekends, weather, etc. that may impact sales</li> </ul>
<b>Sales by product</b>	<ul style="list-style-type: none"> <li>– determine average price point of all products sold</li> <li>– compare items with the highest and lowest volume sales</li> <li>– chart top ten and bottom ten selling items</li> <li>– note sales by product variants (e.g., top selling colours, sizes, etc.)</li> </ul>
<b>Sales by employee</b>	<ul style="list-style-type: none"> <li>– determine the overall average sales per employee in a given time period</li> <li>– track average hourly sales for individual employees</li> <li>– compare sales by employees working at the same time or day of the week</li> <li>– track rate of add-on sales (or up-selling) by employee</li> </ul>
<b>Traffic counts</b>	<ul style="list-style-type: none"> <li>– track total number of visitors to the pop-up</li> <li>– consider tracking average time spent per visit where possible</li> <li>– consider tracking individual vs. group shoppers</li> </ul>
<b>Conversion rate</b>	<ul style="list-style-type: none"> <li>– determine the ratio of sales transactions vs. total visitors to the pop-up</li> <li>– note: conversion rate may be impacted by shoppers in a group or family being counted as multiple visitors while combining purchases into a single transaction</li> </ul>
<b>Basket size</b>	<ul style="list-style-type: none"> <li>– determine average dollar amount per transaction</li> <li>– determine average number of items sold per transaction</li> </ul>

Note: sales by day, sales by product, conversion rate and basket size may all be compared in different ways between the pop-up location and typical online sales for retailers with existing e-commerce channels.

Social media metrics related to **conversion** can also be an important indicator and business driver during a temporary retail activation. James Mulvey suggests that conversion may be measured as “goal completion” in relation to total visits to a retailer’s social media channels, website or even the pop-up itself where a goal may be defined as the customer making a purchase, signing up for an e-newsletter, downloading a mobile app or any number of other measurable and desired customer actions<sup>11</sup>. On social media, this could include a special offer

code or downloadable coupon which may only be redeemed at the pop-up shop. In-shop redemption of this code may be tracked and measured against total visitors to the pop-up and total visitors to the social media channels to determine its effectiveness in driving traffic or influencing purchase decisions.

## 2.2 Testing-Focused Pop-Up Shops: Listening to Customer Feedback

Most social media platforms provide easy access to simple metrics such as number of likes, comments, shares or other engagements for each post. However, retailers must look deeper than this to analyze **customer sentiment** when testing new products or a new retail business through a pop-up shop. The use of relevant hashtags can help with this ability to listen for key messages from customers, as can the creation of “brand fan pages”.

**Customer Sentiment Analysis:** involves tracking and documenting the thoughts, feelings and opinions of customers to identify overall positive or negative reactions to the brand, product, service, experience or relationship between events<sup>12</sup>

In their work on how to generate different types of social media interactions, De Vries, Gensler and Leeflang (2012) report that posing a question is one of the best ways to encourage comments rather than simple likes.<sup>13</sup> They found that positive comments led to an increased number of likes and that sharing of both positive and negative comments led to increased number of total comments, which can provide an opportunity for the retailer to learn from feedback and to further engage with customers to address any concerns in a transparent way.

In addition to social media channels, some traditional methods for listening to customers and soliciting feedback may include:

- customer feedback solutions at the point-of-sale
- customer intercept surveys/interviews
- reports from observations by employees
- post-purchase customer surveys by email

### Example

#### Video

- TRU Rating point of sale solution: This is an example of a solution that integrates with POS devices such as credit card or chip-and-pin readers to ask customers to rate their experience through a single question linked with one of several key metrics.

Pop-up retailers might also consider how scarcity marketing strategies and limited available inventory at pop-ups may impact customer satisfaction. Developing marketing, communications and operational plans that set clear



expectations in the minds of customers with a strategy to help satisfy those who do miss out can go a long way to avoiding unintended negative consequences.

### *2.3 Communicational and Experiential Pop-Up Shops: Measuring Social Media Impressions*

One of the first things a pop-up retailer might ask themselves about their planned shop before launch should be “Is it Insta-worthy?” Dave Colebrook, vice-president of marketing for Cara Foods, explained that this question is something his team considers when creating new menu items in the hope that customers will be compelled to take photos of their own food and share them through social media – encouraging word of mouth marketing at no cost to the company<sup>14</sup>. Getting customers to share their experience is step one, but tracking what they are sharing, how many people they are reaching and if the same individuals are sharing repeatedly are all important things to measure from social media.

Apart from the organic nature of creating experiences that customers will share on their own, pop-up shops can further encourage customers to engage with the brand and their personal networks online by offering special discount codes for future e-commerce purchases to individuals who share their experience. Tracking how frequently shoppers use specific words to describe their experience can also help to inform future Search Engine Optimization strategies for the brand.<sup>10</sup>

In a study by Klein et al (2016) about luxury retailers, it was found that “pop-up brand stores are an exceptional opportunity for luxury brands to reach existing and new target groups alike” and that these retailers could use the pop-up experience to stimulate positive word of mouth<sup>15</sup>. With this in mind, some important metrics to track may include the number of **unique posts** that mention your brand through social media during a pop-up activation, **shares** of brand-generated content related to the pop-up experience and the **total reach** of each post.

### *2.4 Institutional Pop-Up Shop: Bringing Different Types of Analytics Together*

As discussed in Chapter 2, an institutional pop-up shop also contributes to revitalizing local communities and promoting economic redevelopment of the area, in addition to the business objectives individual pop-up entrepreneurs are working toward. These pop-up shops are often part of a community building project and supported by local shopper loyalty. Thus, an institutional pop-up is not just about transactions, testing a product or concept, or communicating to customers and providing experiences. Oftentimes organized as a pop-up program, multiple institutional pop-up shops have missions beyond business operations. Therefore, in addition to specific metrics measuring business success, such as those objective and non-objective indicators and social media ROIs, civic leaders focus on the social and economic impacts of pop-up retail operations in local communities. Examples of such measures include how vacancy rates of commercial districts in neighbourhoods have been reduced, indicators of local customers’ engagement in local economy and matters (i.e., physical and social media participation of residents on community issues and debates, foot traffic in downtown mainstreets and commercial districts, and in-shopping behaviours of local residents).

**In-Shopping:** shopping within the local trade area and from independent local retailers

### 3. Pre- and Post-Pop-Up Strategies

Pop-up experiences can vary significantly, depending on the objectives of the operations. However, pre-planning and post-planning strategies of a pop-up shop include fairly consistent elements, regardless of the format and primary objective.

#### 3.1 Pre-Planning Strategies

Pre-planning builds a blueprint of a pop-up shop within financial perimeters and a road map to achieve the desired outcomes. Pop-up retail operators should have a working model they can use as a template to guide their implementations in a logical sequence. In the pre-planning stage, the following aspects should be included:

1. Initial planning and budgeting: These initial steps help a pop-up entrepreneur to articulate why he/she plans to operate a pop-up shop and the scope of the pop-up shop. To answer the question “why” one has to consider the primary and secondary objectives for the pop-up shop. In Chapter 2, we discussed five objectives for retail pop-ups: communicational, experiential, transactional, testing and institutional. With clear objective(s) in mind, a pop-up entrepreneur can develop an effective concept for the pop-up operation and establish budget expectations based on the concept.
2. Planning the set-ups: Baras (2016) suggests that a pop-up operator should use the following checklist<sup>16</sup>.
  - a. Location: Where will the pop-up shop be located? In an empty storefront, inside a shopping mall, at a community park, in a market place or in an exhibition hall?
  - b. Permits and licences: Find out what permits and licenses are required to operate the pop-up shop. Usually the information can be obtained from the local town hall.
  - c. Landlord requirements: What is required in terms of rent, hours of operation, parking, maintenance schedule and insurance?
  - d. Hiring staff: Determine the number of staff needed and establish work shifts. Budget payroll expenses including Worker’s Compensation insurance.
  - e. Visual merchandising and pop-up space planning: Include all aspects of the pop-up retail environment such as lighting, colour, signage, shelf/fixture, display, traffic flow and crowd control.
3. Planning the operation: Establish the aspects that are directly involved in the pop-up retail operation, such as:
  - a. inventory and logistics control, financial planning to ensure cash flow and operational success
  - b. store policies with regards to hours of operation, payment methods and loyalty cards/gift cards
  - c. staff training on customer service, loss prevention and security

An important aspect to plan is how to promote the pop-up shop. While online and social media promotions are most common, attention should also be paid to drawing in passerby into the pop-up

shop. This can be achieved by various tactics, such as distinctive signage (i.e., balloons), music and swag items by the entrance.

4. Planning the evaluation: Develop a plan for dismantling all displays, fixtures, and signage, putting inventory and swag items away, and cleaning up the space. More importantly, the plan should also set KPIs and determine net profit target, as well as how to measure if the pop-up shop objectives have been met.

### 3.2 Post-Planning Strategies

In the context of omni-channel retailing, pop-up retail operations are often considered as a channel of merchandise and/or service distribution which is an integral element of the comprehensive retail business strategy. From this perspective, pop-up shops do not just provide a “once in a lifetime” experience for customers, they are part of the customers’ brand experiences before, during and after the pop-up retail operation. Thus, a pop-up entrepreneur needs to establish a clear vision for the pop-up shop beyond the operation itself. Post-planning strategies are part of the long-term vision of a retail business. Especially in the areas of fostering customer loyalty, further developing relationships with new customers acquired through pop-up retail operations, diversifying shopping and brand experiences through pop-up but creating synergy across different channels such as bricks-and-mortar, e-commerce, mobile commerce, and social commerce, and continued product and brand development based on the insights gained through pop-up retail operations.

#### Key Takeaways

In this chapter, you learned:

- about different types of metrics and ROI of a pop-up shop
- how to analyze the appropriate measures based on the objective of a pop-up retail operation
- what key aspects to consider when developing pre- and post-pop-up strategies in the omni-channel retail context

Key Terms:

- Measures, Metrics and KPIs
- Operating Profit and Net Profit
- Return on Investment (ROI)
- Customer Journey
- Customer Sentiment Analysis
- In-Shopping

### Mini Case Study

The following is a fictional teaching case based on a combination of real world and hypothetical examples.

#### **Good.net**

#### **Situation:**

Good.net is a popular online retailer with a healthy living focus that has opened a pop-up store in a busy mall in a large city. The objective for opening this physical location was to take advantage of multiple sales channels (i.e., testing an omni-channel approach) and to complement their online store by providing customers with a hands-on experience. It would also serve as pilot to test new products and strategies, aiming to better understand customers and collect new types of data to make better, more informed, strategic decisions.

Although Good.net had data about customers and transactional information from their online sales, the company was seeking additional qualitative data that could only be gained from observing and interacting with customers in a physical location. Testing new products and product combinations, obtaining on-the-spot reviews and testimonials after customers try new technologies in store (as opposed to online) and a host of other important metrics were missing from Good.net's analyses, and the pop-up location was chosen to help fill these gaps in data.

#### **Solution:**

The pop-up shop was set up to: attract new customers while drawing from an existing online customer base; gain the attention of a local/urban target market; obtain meaningful data from visitors; determine the complementary effects of adding physical stores to an established online presence; determine the effectiveness of online campaigns to drive traffic to physical stores (and vice versa); and to determine the potential for a more omni-channel oriented approach through the development of physical stores.

Interactive technology was utilized across customer touch-points and included the chance to fill out surveys for product discounts, the monitoring and measurement of shopper behaviour in the store (i.e., time spent at a given area, types of product displays that attract attention, etc.), and the opportunity to drive awareness and future traffic to the online store.

#### **Results:**

Sales figures increased on the [www.good.net](http://www.good.net) website as more people visited the physical store, confirming the potential success of an omni-channel approach. More meaningful data was collected about their customer behaviours, likes/dislikes, preferences in various categories (e.g., price per transaction, units per transaction, item combinations, product attributes, etc.) and general feedback. The company did so well at their first pop-up in the mall that they have planned on opening a second location!

#### **Consider the following questions:**

1. What are some of the metrics you would want to measure in a physical pop-up to complement your online business?

2. What are some potential risks of utilizing a physical store to obtain data about your target customers when the majority of your business is online?
3. How can a pop-up shop help a business like Good.net to develop a better online experience for customers? Which of the metrics you identified above would you use and why?

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