

Limited Edition Retail

From three-day brand events to seasonal stores, pop-ups are flourishing

By Connie Robbins Gentry

features

There is no escaping the pop-up or temporary store phenomena — and with retail vacancy still high in some markets, it's not likely to go away anytime soon. What's more, consumers seem to love them.

While a few critics are grumbling that the proliferation of pop-ups has taken away from their impact, they are in the minority. Most experts agree that, as a retail platform, the temporary format has real staying power.

"I don't believe that pop-up stores have run their course — on the contrary, I think they're in their infancy. Pop-ups offer great opportunity for innovation and will continue to progress and become a regular part of a brand's format options," said Scott Jeffrey, chief creative officer, Interbrand Design Forum, Dayton, Ohio.

There is a great deal of variation within the temporary-store space. Some pop-ups exist mostly to generate brand buzz (Target has mastered this strategy) and connect with customers, others to test new markets or new products. Pop-ups with extremely limited life spans are typically birthed and executed by the retailer's marketing department.

"Pop-up stores [of this type] tend to respond to a marketing need or product launch; the primary objective is to create market awareness and build the brand. In many ways, pop-ups are 3-D marketing," said Ken Nisch, chairman, JGA, Southfield, Mich.

Conversely, pop-ups of the seasonal variety, such as a Halloween store, are more about the merchandise and the moment. Such stores are created primarily to sell product and maximize holiday sales. They also allow retailers to test new formats or locations.

The lines blur, however, when seasonal retail embraces the speed and marketing panache of the more dramatic, event-oriented pop-up concept. In fact, many retailers define their stores as both seasonal and pop-up.

Burlington Coat Factory, Burlington, N.J., fits into this category, with the 20 "seasonal pop-up coat stores" that it opened in 12 states last year. The stores, branded Burlington Coat Factory

Select, ranged from 5,000 sq. ft. to 10,000 sq. ft. with assortment limited to coats and outerwear, opened in early to mid-November and closed at the end of the winter season. The company plans to repeat the pop-ups this season, but has not announced specific locations.

Toys "R" Us also has a recurring seasonal pop-up concept. The chain opened approximately 90 Toys "R" Us Express stores for the 2009 holiday season and 600 Express stores in 2010 in malls, outlet centers, street locations, strip centers and outdoor lifestyle centers nationwide. Toys "R" Us uses the seasonal platform to test different real estate formats.

"We were particularly pleased with the foot traffic at our Express stores in outlet centers [during the 2010 holiday season] and determined they presented a viable year-round business opportunity for the company," said Katie Reczek, spokeswoman, Toys "R" Us, Wayne, N.J. "We have opened 12 [permanent] Toys "R" Us Outlet stores nationwide, with additional locations scheduled to open later this year."

Weighing in sales performance, space availability and other factors, the Express stores also give the company a good indication of whether a more permanent location is warranted. Of the 600 holiday stores Toys "R" Us opened in 2010, 68 have remained open.

Real estate rules: Location always matters, but the real estate strategy for a pop-up store is quite different than for a seasonal store — the latter concept is typically governed by opportunistic real estate decisions dictated by availability and lowest cost. Pop-ups, on the other hand, tend to go for high-profile settings.

"You won't see pop-ups in second-tier real estate, only in prime locations that generate maximum traffic," Nisch said.

Christina Norsig, CEO of PopUpInsider, an online exchange that connects retailers with landlords seeking to lease space on a short-term basis, is both a pop-up consultant and retailer. Each year, as the founder and CEO of eTableTop, an online seller of decorative accessories, Norsig



ONLINE:
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searches out vacant spaces in Manhattan to turn into holiday pop-up showcases for her brand. For Norsig, the right real estate positioning has enabled eTableTop to better connect with its customers. (Norsig is the author of the recently published “PopUp Retail: How You Can Master this Global Marketing Phenomenon.”)

The list of those who want to open a pop-up store run the gamut from exclusive European manufacturers to mom-and-pop entrepreneurs. But Norsig added a cautionary note.

“The best candidates to open a successful pop-up store are experienced retailers who know how to run a business,” she said. “Just because it’s temporary, doesn’t mean it can be less professional.”

Success with pop-ups hinges on selecting the optimum site and making the most of the space.

“The most successful pop-up stores leverage existing architecture — start with an interesting skeleton space and build on the bones to showcase your brand,” said Interbrand’s Jeffrey. “It helps to choose a space that will serve the brand and has inherent interest in and of itself.”

Most pop-up stores rely heavily on graphics and signage, according to Jeffrey.

“You actually don’t want the space to look permanent because you want to communicate a sense of urgency,” he added.

In terms of execution and design, a pop-up has to be able to open and close even more quickly than a seasonal store. Toys “R” Us typically spends a week opening each of its holiday Express stores and another week to close each location.

By contrast, brand- or event-oriented pop-ups can sometimes open and close in a matter of hours, as was the case with a Smart Car pop-up. Created by Interbrand Design Firm, the entire store, which included three Smart Car coupes, traveled in a single trailer that quickly converted into a pop-up at road shows around the country.

When it comes to investments, budgets for pop-ups are typically less restrained than for seasonal stores, which tend to focus on modularity and logistical simplicity, JGA’s Nisch said.

“Fixtures are often stored and reused the following year for seasonal stores, but pop-ups may rent theatrical lighting or media equipment because the store won’t be repeated in the same location,” he added.

Similar to marketing or public relations campaigns, Nisch said, “pop-ups are measured in terms of cost per impression versus seasonal stores that measure costs as a percentage of sales.”

Indeed, it’s not uncommon for a pop-up to drop >

Popping Up the Toys “R” Us Way

At press time, Toys “R” Us had not yet revealed how many temporary Toys “R” Us Express locations it would operate this holiday season. The company said it would be more than the 90 it opened in 2009, but fewer than the 600 it opened last year.

“We’re taking a more disciplined approach this season,” Toys “R” Us chairman and CEO Jerry Storch said at a holiday press preview. “This year, our focus is on getting better results from fewer stores.”

Storch added the chain will operate a “significant” number of Express stores in Canada this year, and is also testing the format in other countries.

Toys “R” Us has its temporary store formula down pat. And by all accounts, it’s a very efficient one.



“This is a very capital-efficient initiative. The leases for the Express stores are short term, and we do not have to make significant investments in items such as fixtures, distribution and staffing,” said spokeswoman Katie Reczek.

Here are some other details:

- The Express stores are essentially the same in terms of design. However, the footprint of each store varies depending on space available.
- The fixtures and other hardware used in the locations are stored and used again. Any remaining inventory from the Express stores is transferred to the company’s permanent stores after Christmas.
- Due to the difference in size and temporary nature of the Express stores, the fixtures are unique to the seasonal locations. The designs are quick to assemble and allow for the best usage of available space.
- In most instances, the temporary stores are located near Toys “R” Us locations, allowing employees to work collaboratively on operational and customer fulfillment issues.
- The company generally hires 10 to 12 employees per location.

\$10,000 to \$15,000 to finesse a tiny space for a 10-day run.

“Everyone wants the perfect little 1,500-sq.-ft. clean vanilla box with [immaculate] walls, lighting and HVAC, but those are few and far between,” Norsig said. “Realistically, you have to consider difficult spaces in prime locations — and then think creatively.”

Future: Looking ahead, Norsig believes pop-ups will come and go even faster than they do today — think Flash Mob translated into Flash Marketing via pop-ups that exist for mere hours.

Interbrand Design Forum’s Jeffrey envisions “great opportunities for the Amazons of the world” to open seasonal pop-up showrooms in vacant shops. Similar to Norsig’s strategy with eTableTop, online retailers might utilize pop-ups as an opportunity to connect with customers while maintaining their fundamental business model of displaying product to be ordered and shipped rather than running inventory through the store.

JGA’s Nisch suggested that the next opportunity to leverage real estate value might be for premium malls to dedicate two or three vanilla spaces as permanent pop-up venues, leasing them for brief periods to a diverse mix of tenants that would create buzz and excitement in an ever-changing rotation of retail.

Pop-up stores are also moving online. Flash sales site Fab.com is launching online pop-up stores with a series of themed retail “shops” inside its site. Fab is working with Fast Company on its first pop-up shop, called U.S. Design, which will showcase the work of some 76 American designers featured in Fast Company’s iPad app.

The shop, curated by Fast Company and hosted by Fab will stay open a month and will feature about 150 items. But that’s just the beginning. Fab hopes to launch about five online pop-up stores by year-end.

Connie Robbins Gentry is a contributing editor for Chain Store Age.

Tricks ‘n Treats of Seasonal Pop-Ups

Halloween Adventure is no newcomer to the seasonal pop-up market: It has been opening temporary stores for Halloween for 27 years. The retailer, with three permanent locations — an iconic store in New York City and two in Pennsylvania — opens an additional 50 to 60 stores each fall in markets from New England to Northern Virginia.

Four years ago, the company introduced a seasonal concept for the December holidays under the Smart Toys banner. The holiday brand “pops-up” in key malls on Nov. 1 when the company converts its Halloween stores to Smart Toys. Indeed, the holiday format has been so successful that it has remained as a permanent tenant in 18 locations. (For the most part, the permanent Smart Toys shops transition back to Halloween Adventure September and October.) This year, the company will “pop-up” 27 Smart Toys locations.

“If you want to be successful with pop-ups, the primary challenges are timing, execution and cost controls,” said Bob Schank, president of Masquerade, the Garnet Valley, Pa.-based parent company of Halloween Adventure and Smart Toys.

The company has mastered timing and execution, storing and reusing fixtures, furniture and equipment from one year to the next, and adjusting inventory each season to fit individual markets and demographics.

As for cost reductions, Schank said: “The No. 1

controllable expense is payroll.” Last year, Masquerade outsourced the recruiting and management of its seasonal staff to Headway Workforce Solutions, Raleigh, N.C.

“It worked very well to have Headway serve as Employer of Record for all our seasonal staff — reducing costs and also reducing turnover,” Schank said. “If there was turnover, it was basically transparent because Headway had back-up people available so the replacement process was seamless.”

An Employer of Record assumes responsibility for employee payroll, including withholding and payment of state and federal unemployment taxes, as well as all HR matters, including Workers Compensation Insurance, administration and claims. While each of these areas is quite costly, particularly spread over hundreds or thousands of seasonal workers, many states have dramatically increased their State Unemployment Tax Act

(SUTA) rates since 2008. For instance, from 2008 to 2010 the maximum SUTA rates increased from 9.98% to 13.55% in Pennsylvania and from 7.5% to 13.5% in Maryland.

Employers of seasonal workers are impacted because SUTA rates are applied to wages up to a defined threshold, and rarely do employees working at minimum wage or slightly above exceed the threshold during a temporary seasonal job. By outsourcing staffing to an Employer of Record, Masquerade reduced payroll costs and made the hiring process more efficient.

