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ECONOMIC EFFECTS OF STOREFRONT IMPROVEMENT

A Report Of A 1986 Study Of Wisconsin
Retail Businesses Which Had Made Facade
Improvements During The Previous Five Years

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INTRODUCTION

- * Many of the buildings occupied by Wisconsin retail enterprises were constructed in the early part of this century. As styles changed, the facades of some of these structures were modified. Building occupants also changed, and the storefronts were altered accordingly. Some stores have had regular maintenance, while others were allowed to fall into disrepair.
- * By the mid-1970s the appearance of central business districts in many communities had prompted concern that customers were being attracted elsewhere and the economic health of the retail community was at stake. Educational institutions, state agencies and some national organizations began community betterment programs which included upgrading the appearance of the central business districts.
- * Behavioral research indicates that people generally choose to spend their time in attractive surroundings, and retailers often say that they have improved storefronts in the hope of attracting more customers. There is little research, however, linking the nature and quality of downtown retail building facades to store sales. The literature on "remodeling" related to sales, such as the annual survey of Chain Store Age Executive magazine, covers only interior space effects.

At a community level, there is a reluctance on the part of merchants to make public their sales records. Given the competitiveness of local retailing and the traditional independence of downtown businesses, owner-managers at a community level tend to be suspicious of people inquiring about their sales performance.

But by 1986 the question of "What is the relationship between storefront improvement and retail sales?" had been asked so often that some effort needed to be made to identify a connection, if one existed. Hence, this study.

I. ORGANIZATION OF THE STUDY

- * This study explored a nonsystematic sample of Wisconsin retail businesses in an attempt to determine who improves storefronts, their reasons for doing so, and their feelings of satisfaction afterward. Data were collected which placed a quality evaluation upon the facade improvement and secured the business owner/manager's estimate of sales increase or decrease following the storefront modification.
- * As a starting point, Wisconsin county-based Cooperative Extension Community Resource Development agents were invited to nominate enterprises in central business districts which they knew to have made facade improvements in the past five years. From these reports a list was compiled of retail stores, service enterprises, professional offices and financial institutions in smaller communities in most parts of the state.

The design specialist member of the research team photographed the facade of each building nominated. The resulting slides were evaluated, using published design criteria (see Appendix II). These criteria include relationship to other buildings, proportions, color, texture and materials, placement of signs, windows, awnings and banners, and restoration, rehabilitation and remodeling characteristics.

Applying the design criteria, each facade treatment was classified as being of "high," "medium" or "low" quality.

The quality evaluation was made to all structures nominated, which included many which were not used as retail stores. The retail sales aspect of this study made it necessary to set aside those enterprises which were not "retail." A bank or law office, for example,

More than half (53.9%) of the 89 owner-managers interviewed said they were aware of other businesses renovating storefronts at the time, but only 29.2% indicated that they knew of concurrent municipal streetscape improvement activities such as landscaping or improved lighting. One fifth (20.2%) of the facade-improved buildings in our sample were located in communities which had a formal downtown revitalization program or "master plan" effort. About the same proportion (19.1%) were located in historic districts and 3.4% of the structures were reported listed on the National Register of Historic Places.

Twenty-one percent of the merchants had made the facade improvement in connection with general repairs which their building required or in order to bring the structure up to building code standards. The remainder had no requirement to modify their buildings. We expected that facades of buildings where improvements were required might be of lesser quality than those where owners did so voluntarily, but our findings showed no significant difference between the two groups.

B. The Nature of Exterior Improvements

Several aspects of the storefront remodeling studied here are worthy of comment.

First, the range of costs for facade-only improvements was immense -- from a low of \$15 to \$100,000. For a third of the reporting businesses, storefront improvement costs were less than \$1,300. Two thirds of the owner-managers interviewed said facade improvement expense was no more than \$7,000. The median cost of the exterior modification among all 89 enterprises in our sample was \$4,000.

Types of exterior improvement fell into seven general categories. These seven facade treatments, and the percentage of adopting each, are shown below:

New siding	67.4%
New sign	48.3
Replace windows	47.2
New awnings or trim work	39.3
New entrance	29.2
New lighting	13.5
New deck or canopy	12.4

Second, expenditure did not necessarily buy quality of appearance. The evaluation of storefront visual quality placed 20% in the high category, 47% at a medium level, and 33% were regarded as low quality under the design standards applied. There was no statistically significant pattern relating the quality categories to the amount of money spent on the facade improvement.

Third, nearly all those businesses engaged in facade improvement made interior changes at the same time. In our sample 85.4% of those improving facades simultaneously modified the interiors of their buildings. The nature of these interior changes was not explored but the median cost was \$5,000, while the median for external improvement was \$4,000. The lowest interior improvement cost reported was \$100, with the high over \$100,000.

A relatively small proportion of businesses surveyed said they had received either technical or financial assistance for their exterior improvements. The influence of private architects was acknowledged by 15.7% of the businesses. A smaller proportion (10.1%) got help through a local renovation program. Overall, 92.7% said the storefront improvement was carried out totally with their own ideas and/or funding.

F. Property Tax Consequences

Building owners are sometimes thought to shun improvements because they could result in increased real estate taxes. Nearly half of the enterprises in our sample (47.2%) recalled a property reassessment following renovation. Only sixteen of the businesses knew what specific percentage change the reassessment resulted in and three of those 16 said there was no increase in their property tax.

The 13 owner-managers who were able to estimate the assessment change reported a mean increase of 15% in assessed valuation. That figure should be viewed with caution because in most cases it also results from building expansion and interior improvements of substantial value. Our judgement is that facade improvement alone has only modest tax consequences.

III. QUALITY FACTORS IN FACADE IMPROVEMENT

Using the design criteria described earlier, each storefront was classified as of "high", "medium" or "low" quality appearance. The intent was to determine what business characteristics might be associated with the quality of storefront improvement.

Two-way tables were prepared relating the quality of the facade change to other variables in the study. Only a handful proved statistically significant. These were in two different categories: Owner-renter status; and where the building is located.

There was an obvious disparity in the quality of improvements between owned and rented quarters. Structures owned by the occupying business had a significantly greater proportion of "high" quality ratings than rented buildings.

Table One
VISUAL QUALITY RELATED TO BUILDING OWNERSHIP

Visual Quality	Owned		Rented	
	#	%	#	%
High	12	24.0	6	15.4
Medium	28	56.0	14	35.9
Low	10	20.0	19	48.7
	50	100.0	39	100.0
	(56.2%)		(43.8%)	

Chi Square = 8.22588

Significance .0164

Three factors associated with business location were found to be related to the quality of storefront improvement. All three are factors which the community controls.

First, enterprises in communities where there were general downtown renovation efforts such as improved street lighting and landscaping going on at the time were more likely to have higher quality improvements made.

It was hypothesized that retail businesses with more attractive facades (higher design quality) would generate a higher proportion of increased sales. That expectation was not confirmed. The level of design quality was not significantly related in this study to whether sales improved or not.

The design quality of the facade improvement was also matched with the following factors, with no statistically significant connection established from survey data:

- whether the improvement was voluntary or required
- the cost of the storefront improvement
- whether interior changes were made at the same time
- architectural or other assistance given
- subsequent reassessment of the property
- proximity of customers (Local/wide area/tourists)
- reported sales performance

IV. FACTORS RELATED TO SALES PERFORMANCE

A. Facade Improvement Effects

Of the 89 retail businesses in our Wisconsin community sample, 70.4% reported sales increases since the facade change was made. For the remainder, sales volume remained constant (25.4%) or had declined (4.2%) since making a facade improvement.

Most merchants in our sample felt a strong connection between their storefront change and sales. Asked, "Do you feel that improving the outside appearance of your business had anything to do with your sales performance?"; nearly two-thirds (62.9%) of the merchants answered "Yes." The remainder were negative (21.3%) or unsure (15.7%).

Most of those responding positively here showed an increase in sales after facade improvement, but some merchants indicated that the storefront change had only helped delay or retard a decline in sales. The percentage perceiving a positive effect from storefront improvement was greater among those whose sales increased than for the group of merchants whose sales remained unchanged or decreased.

Table Five
PERCEIVED STOREFRONT EFFECT UPON SALES

Perceived effect	Sales Increase		Unchanged or Decrease	
	#	%	#	%
Positive effect	38	76.0	8	38.1
No effect seen	12	24.0	13	61.9
	50	100.0	21	100.0
		(70.4%)		(29.6%)

Chi Square = 7.72658 Significance: .0054

B. Business Change Effects

The interviewer read merchants a list of nine business practice changes, asking whether one or more of these had been instituted at the time of or following the storefront improvement. Two of the nine proved significantly related to a reported increase in sales.

Merchants who reported increasing their inventory levels dominated the improved sales category.

businesses which renovated storefronts with a matched group which did not. Consequently there are no data here either to support or deny our hypothesis that sales increases will follow storefront remodeling.

It is noteworthy, however, that in a period of relatively static economic conditions in these communities, 70.4% of the merchants in our sample reported sales increases. Even among the others, a number of owner-managers expressed the belief that remodeling had delayed an inevitable decline.

Our data also show that merchants overwhelmingly believe that the facade improvements they made have resulted in a positive change at the cash register.

2. BUILDING FACADE IMPROVEMENT WILL OFTEN ACCOMPANY INTERIOR IMPROVEMENT PROJECTS AND OTHER MANAGEMENT OR MARKETING CHANGES IN THE BUSINESS.

Nearly all the businesses in our sample (85.4%) made interior changes at the same time they made improvements to their storefronts. A majority had also made substantial concurrent changes in one or more of their business practices, such as adding new product lines (58.6%), improving the display of merchandise (57.7%), increasing inventory levels (55.8%), etc. Two of these business practice changes, increasing inventory and improving display, are shown in our data to be strongly related to sales performance.

3. HIGH QUALITY STOREFRONT IMPROVEMENT WILL BE MORE POSITIVELY RELATED THAN LOW QUALITY IMPROVEMENTS TO INCREASED SALES.

We are not able to show from our data that design quality in facade improvement is a significant factor in sales performance. Any building change, for better or worse, appears to lead to greater customer attention.

4. STOREFRONT IMPROVEMENT OF BUSINESSES IN COMMUNITIES WHERE A CONCERTED REVITALIZATION EFFORT HAS TAKEN PLACE ARE MORE LIKELY TO BE "HIGH QUALITY" IMPROVEMENTS.

Our data confirm this hypothesis. Businesses located in a historic district, or where general streetscape improvement was being made, or where some general design program was in effect all tended to make higher quality facade changes.

5. PSYCHOLOGICAL AND OTHER INTANGIBLE REWARDS TO STORE OWNER/OPERATORS WILL BE IDENTIFIABLE.

Our data show that merchants and their customers are almost universally pleased with the results of storefront improvement. Storefront renewal and improvement is something customers notice and comment favorably about. Merchants generally express good feelings about their investment in storefront improvement.

TWO CAVEATS:

This limited study was not able to explore two aspects of facade renovation and business district improvement which may prove to be important. One is the proximity to one another of businesses improving storefronts; the other is the quality of any concurrent, general streetscape improvement.

APPENDIX I

QUESTION RESPONSE NUMBERS AND PERCENTAGES

1. Is your business:

#	%	
82	92.1	Locally owned and operated
1	1.1	A franchise but locally owned
6	6.7	Owned by individuals or firms from outside the area
N = 89		

2. Are you the:

#	%	
57	64.0	Owner
22	24.7	Owner Manager
10	11.2	Employed Manager
N = 89		

3. How long has the business operated in this location? 10 years (Median)
How long have you personally owned or managed this business?
7 years (Median)

4. Does the business own or rent this space?

#	%	
50	56.2	Own
39	43.8	Rent
N = 89		

5. Have any improvements been made in your storefront (or the appearance of this business) in the last five years?
89 = Yes

6. Please tell me the specific nature of the improvements you have made to the exterior of the building?

Treatment	No.	Percent
New siding, masonry or paint	60	67.4%
New sign	43	48.3
Replace windows	42	47.2
New awnings or trim work	35	39.3
New entrance	26	29.2
New lighting	12	13.5
New deck or canopy	11	12.4
(Multiple responses as a % of 89)		

7. Why did you want to improve the appearance of this business?

Reason	No.	Percent
Improve appearance	58	65.2%
Restore historically	1	1.1
General repair	17	19.1
Legally required	2	2.2
Don't know/no response	11	12.3

8. Please tell me the approximate cost of the changes you've made to the exterior of this store?

\$4,000 (Median) (Range: \$15 - \$100,000)

16. Is this building on the National Register of Historic Places?

#	%	
3	3.4	Yes
86	96.6	No
N = 89		

17. Was this property reassessed as a result of the renovation?

#	%	
42	47.2	Yes
34	38.2	No
13	14.6	Don't know/No response
N = 89		

18. In hindsight, how do you feel about the renovation that was undertaken?

#	%	
68	82.9	Very pleased
10	12.2	It was okay
4	4.9	Wish the money had been spent elsewhere
N = 92		

19. Did your customers comment favorably about the improvement?

#	%	
75	84.3	Yes - Many
10	11.2	Yes - Few
4	4.5	No or Don't know
N = 89		

20. Are most of your customers residents of the city (or village)?

#	%	
47	53.4	Yes
14	15.9	No, mostly tourists
27	30.7	No, from wide area
N = 88		

21. I'd like to ask you to think back to the time prior to the renovation and compare it to what happened after the renovation. Did your sales

#	%	
50	70.4	Improve
18	25.4	Stay the same?
3	4.2	Decline
N = 71		

(Missing are new businesses without pre-facade improvement records)

22. Do you feel that improving the outside appearance of your business had anything to do with your sales performance?

#	%	
56	62.9	Yes
19	21.3	No
14	15.7	I don't know/No response
N = 89		

APPENDIX II

DESIGN EVALUATION PROCEDURE

The analysis of building designs (building appearance) was carried out utilizing subjective observations as a basis for determining whether the building appearance is high, medium or low quality design.

Several aspects of building appearance were taken into consideration in this evaluation of storefront appearance. These aspects consisted of two primary categories of evaluation: Internal and external continuity.

Internal continuity focused upon the individual building per se and the visual unity within the vertical envelope of the building facade.

External continuity involved an evaluation of how well the appearance of an individual building relates to buildings located adjacent to the building that is being evaluated.

The overall evaluation of internal and external continuity constituted the basis for final determination of whether the building was of high, medium or low quality design.

The range of features that were considered in this evaluation of 357 slides of storefronts (including adjacent structures in most cases) consisted of design considerations that are included in a report entitled Urban Design: Guidelines for Downtown Madison (Urban Design Commission, Madison, Wisconsin-undated), to be referred to as the Report. Each of these 35-mm color slides of storefronts was projected. The analysis of storefront designs, including adjacent structures, was then conducted utilizing the categories of design considerations that were described in the Report.

The Report was developed to communicate "General Design Considerations" for storefront improvements on State Street in Madison, Wisconsin. General categories of consideration that were included in this publication include:

- Relationship to other buildings
- Proportions
- Color, texture and materials
- Choice of materials
- Placement of signs
- Window, awning and banner signs
- Awnings
- Restoration, rehabilitation and remodeling, and
- Materials.

Detailed observations that were considered in the evaluation of internal continuity included a) adherence to the architectural integrity of the building, b) degree of sensitivity with which architectural details (e.g. cornice and window details) were dealt with, c) proportions of windows and doors in the overall surface volume of the facade, d) location, size, color, lettering style and materials utilized in signage, e) appropriateness of building materials (were the original materials maintained or, if changed, were the selected materials appropriate in color, texture, scale to the age and style of the building), f) if awnings were used, is the design, color(s) and placement of the awning appropriate for the age, color and style of the building, g) are the paint colors attractive and harmonious with other design features of the building, and h) the overall visual continuity of the building.

ECONOMIC EFFECTS OF STOREFRONT IMPROVEMENT

Taken from a 1986 study conducted by the UW Extension

EXECUTIVE SUMMARY

The following findings are based upon personal interviews with a nonrepresentative sample of 89 merchants, in 20 different communities in Wisconsin, occupying buildings which had recently improved storefronts.

MERCHANT SATISFACTION

Merchants who made improvements to storefronts were generally happy with their decision. Eighty-three percent of the merchants interviewed were "very pleased" with the results. Only five percent wished they had spent the money on something else.

COST OF IMPROVEMENTS

Wisconsin storefront improvement projects have not been expensive. The median storefront improvement cost among 89 business interviewed was \$4,000.

Facade improvement often accompanies interior sales area modifications of about equal dollar investment, often carried out at the same time. With most merchants in our sample having both internal and external improvements, about half found themselves reassessed for property tax purposes. Facade improvement only, however, seems to bring about either no change or only a minimal tax increase.

DESIGN QUALITY

The "design" of storefront improvement, evaluated according to published design criteria, was variable. Twenty percent of the merchants made "high quality" facade improvements. Forty-seven percent were judged to be of medium quality, and 33% of low quality appearance.

Money did not necessarily buy quality; cost of facade work among retail businesses analyzed was not associated with the quality of the result.

Higher quality improvements were more frequent among businesses located (a) in an historic district, (b) where there was a general downtown project involving such things as improved lighting, landscaping, etc., and or (c) located in a downtown with a formal renovation program such as a master plan.

Lower quality storefront improvements occurred more frequently in buildings which merchants rented, rather than owned.

IMPACT ON SALES

Nearly two thirds (64.4%) of the merchants interviewed thought the external appearance change had an influence

upon their retail sales. Where sales had actually increased since facade remodeling, three merchants out of four gave the storefront improvement some credit for the positive change. More than a third of those whose sales had not increased indicated the storefront improvement probably helped to retard an inevitable decline.

The quality of the storefront was not associated with retail sales results. In our small sample, all levels of quality in renovation seemed to generate customer interest.

Concurrent changes in business practices, particularly increasing inventory level and improving the display of merchandise, showed a significant positive relationship to retail sales.

ECONOMIC BENEFITS OF HISTORIC PRESERVATION

Taken from the October-November issue of Preservation Patterns.

- Older structures can often be purchased for a reasonable price.
- It requires less money to rehabilitate an existing structure than to demolish it and replace it with a building of comparable quality and size.
- If an older building is put back into use the cost of demolition is eliminated.
- Rehabilitation generally takes less time than starting from scratch and can be realized in phases.
- Rehabilitation relies more heavily on labor than new materials and therefore is not as likely to be negatively impacted by the fluctuation of material costs.
- Historic designation of an area often results in major reinvestment by both private and public sectors.
- Restoration and rehabilitation initially creates new construction jobs, and then later encourages new commercial ventures to support tourism and residential needs.
- The economic climate of a neighborhood is dramatically altered as visitor as well as new resident dollars start supporting local business.
- Cities often invest heavily in areas that show strong rehabilitation potential, realizing that it could result in a good tax return.
- Property tax revenues are increased by returning a vacant or under utilized building back to the tax rolls.
- A national 20% tax credit is available for qualifying rehabilitations of historic structures.
- Older structures are generally already served by city services and therefore do not require additional costs associated with infrastructure expansion.
- In Wisconsin there is an additional 5% tax credit available for qualifying rehabilitations of historic structures.
- In residential areas, apartments in historic buildings often generate higher rents.

