

HOW MUCH OF A RETURN ON INVESTMENT WILL I SEE IF I REMODEL MY BUSINESS?

Here's something nobody ever wants to hear: "you look tired." It's never a compliment, and it implies that you don't look so hot.

Plus, what's worse is that when you're tired you don't perform as well as you could – and there's a broader lesson to be learned here.

Retail stores and restaurant spaces can also get tired, and when they do, it's something that should be addressed sooner rather than later. In fact, we believe it's best to start planning for a remodel or renovation before your store starts hearing, "you look tired." By then, customers will have started to really notice, and you'll be behind and playing catch-up.

So let's talk about how to know when your space should be renovated and how much of a return on your investment you can expect from remodeling and refreshing your space.

HOW OFTEN DO I NEED TO RENOVATE MY LOCATION?

There's no hard and fast rule here, but there are several things you should consider when you're thinking about whether you need to renovate your store. We've seen every 5-7 years thrown around as a [standard](#), but every location and every business is different.

And if you're a franchisee, the renovation frequency may have been decided for you by the franchisor. For example, McDonald's gave its franchisees a [deadline](#) of 2022 to remodel their restaurants, and Baskin Robbins requires a renovation every [ten](#) years.



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There's no one determination or formula that will tell you it's time to renovate, but think about the following:

COMPETITION

Are there lots of new competitors that have opened up recently near you? Or have some of your longtime competitors just finished a remodel? If so, customers might see them as being newer and fresher, and might be more drawn to them over you.

Keeping up with competitors can be a very valid reason to remodel. Customers are looking for an experience, and if your space makes them uncomfortable or even just uninterested, they won't stay long and aren't likely to come back if they have other, more attractive and modern options.

FUNCTIONALITY

In real estate there's a term called "functional obsolescence." It's when a space becomes less useful and undesirable due to an outdated design, like a house that has 4 bedrooms but only 1 bathroom.

This can happen to retail spaces too. If your business model has changed (for example, if you've been doing significantly more takeout, even before the pandemic) or if your customers' expectations have changed, your space may not fit the bill anymore.



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It's worth your time to seriously evaluate your business model, both now and into the future, and think about whether your space will help or hurt your business. If you suspect it might hurt your ability to give your customers the experience they expect, or that it'll hinder your employees as they work, then it's probably time to consider a remodel.

YOUR LEASE TERMS

If you rent your space, your landlord should have some pretty good reasons to want to keep it fresh and desirable – like keeping you as a long-term tenant and keeping the building in demand, which translates to higher rents.

Check your lease and see if you have what's called a [tenant improvement allowance](#), which may cover the cost of certain upgrades periodically. (If you don't have this, keep it in mind for the future. It's worth negotiating for next time you're renewing or signing a new lease).

ENERGY EFFICIENCY AND OTHER SUSTAINABLE FEATURES

If it's been a while since your space was renovated, chances are you can make some upgrades that will improve energy performance, save you money on utilities, make your business a healthier workplace, and make your customers happier.

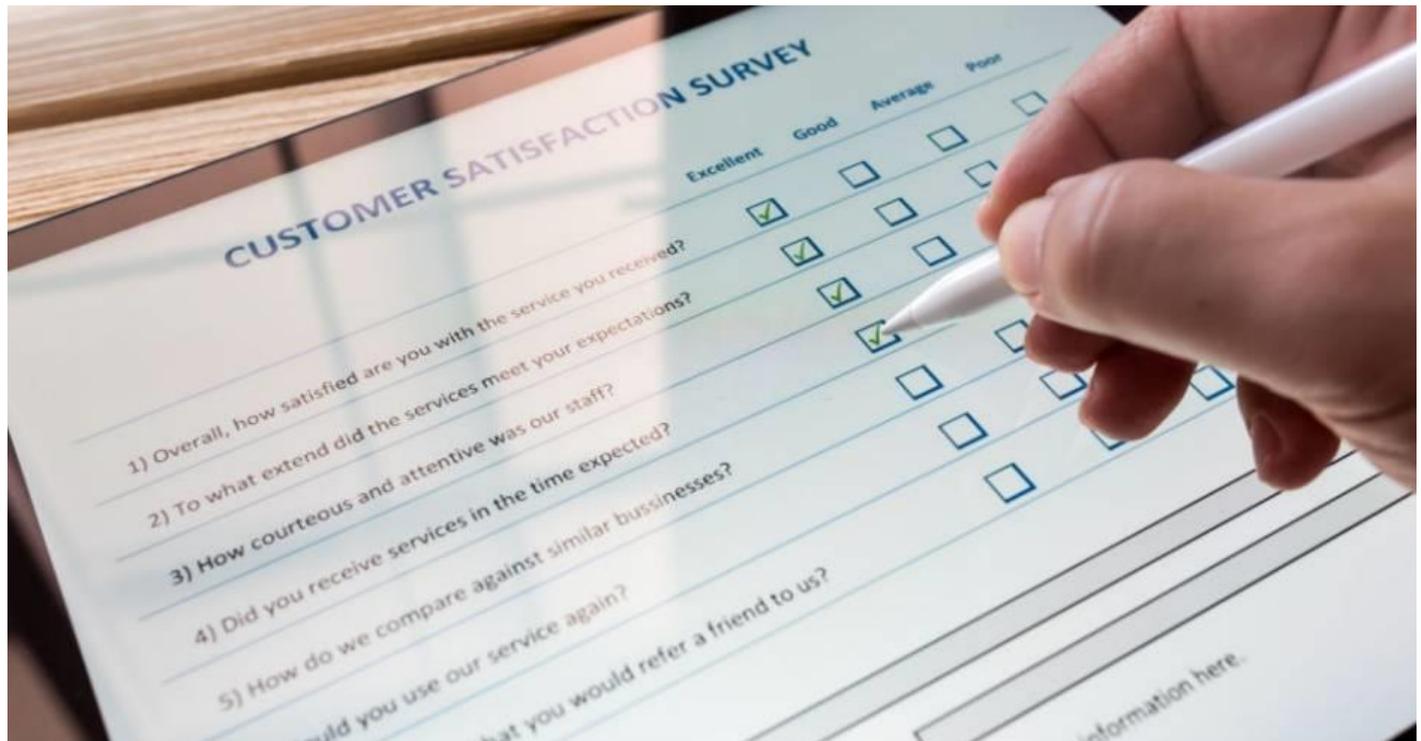
Consider something as simple as switching to LED light fixtures – they use up to 75% less electricity. When you're in a brightly lit store that's open for 12 hours a day, that can add up to a noticeable cost savings! Other possibilities are store displays made of responsibly sourced, renewable materials, air purification systems, and greener packaging materials to tell customers that you care about being a responsible citizen.

And if you're wondering whether customers care, the answer is **YES**. In a [survey](#), two-thirds of respondents said they consider sustainability when making a purchase, and younger buyers are even more aware of sustainability issues. Gen Z'ers responding to the survey said they're willing to pay 50-100% more for sustainable products!

WHAT ARE SOME SURE SIGNS THAT IT'S TIME TO RENOVATE?

CUSTOMER REVIEWS

Are your reviews going downhill and you're not sure why? Pay attention, because they might be trying to tell you something important. Obviously, a remodel can't fix service issues or inventory problems. But if you're confident that those things aren't problems – and if your customer reviews don't mention them, then maybe your space is just leaving customers underwhelmed and unimpressed.



You should regularly be checking your reviews for a whole host of reasons, but one of the things to look for are comments about your store looking dated or old. If you have a loyalty program (you do have a loyalty program, right?), you could also take a survey of some of your regular customers to see what they think of your space and what kinds of features they'd like to see.

THE SPACE NEGATIVELY AFFECTS YOUR BUSINESS OPERATIONS

Are your servers tripping over each other because there aren't enough food prep stations? Is your stock room filled to the brim, so that employees are basically playing Jenga when they try to bring items out to the floor?

These are good indicators that it's time to remodel. Your building **should not** make it more difficult for your employees to do their jobs, nor should it be a health or safety hazard. It's even worse if your customers can see things like kitchen traffic jams or boxes stacked up in your store because you don't have enough room for them elsewhere.

WHAT KIND OF ROI CAN I EXPECT?

This is what everyone wants to know! So let's look at what some industry experts have to say, as well as some specific examples:

- According to Delaget, depending on the scope of the remodel, you could see annual gains of 10-30%.
- Wendy's ambitious remodeling program seemed to pay off. Stores that were remodeled saw an increase of 10-20%, and stores that were completely rebuilt saw even bigger gains of 25-30%.
- In one study, retail stores that remodeled saw an increase in sales overall, and a

much bigger increase among new customers who were drawn in by the remodel. These new customers spent more per visit and returned more often than existing customers!

- Even a less-than-full renovation could have benefits. Restaurants that remodel their bathrooms could see a 7% increase in sales. Customers **really** care about restrooms: In one survey, 60% of respondents said they “visit specific businesses because they have nice restrooms,” and almost half said they “definitely” or “probably” would spend more at businesses with nice restrooms.

The numbers support renovating your space. And when it is time for you to remodel, you can read some of our tips on how to budget for it here.

WHAT IF I CAN'T AFFORD TO REMODEL MY WHOLE STORE?

That leads to another important question – what if a remodel isn't in the cards right now due to financial constraints?

We get it – the past year certainly has not been kind to retail establishments, and maybe you need to delay a full remodel or renovation of your space. There are still some lower-cost things you could do to refresh your space without spending a lot of money:

- Upgrade some of the lighting
- Paint (you'd be surprised at how much of a difference this alone can make!)
- Restaurants can try adding a few new and exciting menu items
- Retail stores can rearrange the displays and layout so that it flows better and feels revamped
- Add lots of plants – they look great and are also good for your air quality
- Curb appeal isn't just for houses – is there something you can do to make your exterior more inviting? Upgrade the signage? Paint the door? Customers need your space to look and feel welcoming, and that starts outside.

It's clear that customers have high expectations for retail and restaurant spaces, and successful businesses need to be able to stay on top of those expectations to keep giving customers the experience they expect.

Keeping your space fresh through a remodel or renovation is really an investment in your business and if done right, it should pay off in time.