

WORKSHOP

R E S I D E N C E

Operations Plan

December 13, 2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
WORKSHOP RESIDENCE BACKGROUND	2
FOUNDER'S STORY	
WORKSHOP RESIDENCE TODAY	
VALUES AND VISION	
VALUE PROPOSITION	
ORGANIZATIONAL CHART	
TIMELINE WITH KEY MILESTONES	
BUSINESS STRATEGY	8
SPOT ANALYSIS	
CORPORATE STRATEGY	
COST ANALYSIS	
FINANCIAL MODEL	
INVENTORY TRACKING SYSTEM	
IMPLEMENTATION STRATEGY	14
CUSTOMER SEGMENTS	
RETAIL PRIORITIES	
TABLE 1: INVENTORY STOCKING BY NUMBER	
MARKETING PRIORITIES	
OPERATION RECOMMENDATIONS	23
THE TEAM	25
APPENDIX	26
EXHIBIT 1: FINANCIAL MODEL	
EXHIBIT 2: INVENTORY TRACKING	
EXHIBIT 3: INVENTORY STOCKING BY NUMBER	
EXHIBIT 4: INVENTORY LIST	

EXECUTIVE SUMMARY

Workshop Residence engages the worlds of craft, art, and design, selling original work by local and national artists. Functional objects for everyday living are crafted in a space where artistry and craft is both made and showcased.

The Workshop Residence team is dedicated to furthering the exposure of local artists and craftsmen as a studio space and retail outlet, workshop host and event space. Although the team is dedicated to local artistry betterment, Workshop Residence also strives to become a thriving part of the local economy. Since its founding, Workshop Residence's altruistic nature has supported featured artists no matter the cost. Moving forward, however, necessitates the establishment of profitable business practices across all three tiers of their offering: local artist retail, workshops, and events. We believe focusing efforts toward a structured retail strategy will assist greatly in improving Workshop Residence's profit margins. Combined with a structured financial model and inventory tracking system, Workshop Residence has clear opportunity to move into profitable operation.

The DMBA student team consisting of Zoé Bezpalko, Leticia Murray, Kwan Komain, and Alida Draudt will consult on one main initiative comprised of three smaller components. The overarching initiative is to recommend an operational strategy that allows Workshop Residence to turn a profit for the first time since their founding. In order to recommend such a strategy, the DMBA student team has analyzed current and potential business models for best operational fit, align operations strategically to help Workshop Residence become profitable, and create a plan for financial streamlining and implementation in order to make the goal of profitability a reality.

WORKSHOP
theworkshopresidence.com

833

BACKGROUND

Founder's Story

Ann Hatch, a widely respected philanthropist in the San Francisco Bay Area, founded Workshop Residence in 2012. With a pedigree including trustee for organizations such as California College of the Arts, Berkeley Art Museum, Oakland Museum of California and Intersection for the Arts, as well as co-founding both the Oxbow School and the Capp Street Project, Ann brings significant expertise to her new venture. A long-term contributor to artists and artistic ventures, 1991 Mayor Art Agnos declared January 31 “Ann Hatch Day”. As a first foray into the realm of retail enterprises, Hatch was intent on creating Workshop Residence to be self-sustaining, providing for both artists as well as itself in the long run.



BACKGROUND

Business Transformation

**A FULLY SUPPORTIVE
ARTIST IN RESIDENCY
PROGRAM**



**AN ARTIST-
COLLABORATION
MODEL.**

Since its founding, Workshop Residence has been an exceptional resource for local artists. Up until August of 2015, roughly eight local artists each year were selected for residence; receiving an initial honorarium, cost of materials allotment, studio and living space. Additionally, the artists received a 50% royalty from each product sold in Workshop Residence's retail space. While artists thrived under an undeniably generous package, Workshop Residence's goal for becoming self-sustaining has yet to be met. Hatch, in an effort to maintain an established operations level, heavily invests in the venture each month. With a recent shift in management, introducing Lisa Ellsworth in place of Braden Earp, as well as a departure from the royalty and physical residence programs, Workshop Residence is primed for profitable change.

Shifting from a fully supportive artist in residency program, Workshop Residence is aiming to create an artist-collaboration model. This model will allow featured makers to be championed by Workshop Residence via website and retail space for 2 months; in which time they will have access to the studio to create unique works, as well as hold two events to engage public curiosity. The major shift in this model from the previous is that artist will now be fully responsible for their materials and fabrication costs, selling unique works exclusively to Workshop Residence at wholesale prices.

BACKGROUND

Key Activities

WORKSHOPS

Each featured maker will hold at least one workshop in order to teach their craft to a small audience hosted by Workshop Residence. The artist will be responsible for providing materials and instruction, while Workshop Residence will engage in marketing, organization, and hosting activities. With this new model, Workshop Residence aims to share equally split profits from each workshop with the featured maker.

EVENTS

As a known entity in the artistic community, with large thanks to Ann Hatch's resume of contribution, Workshop Residence hosts occasional events in their makerspace. A prime location for gatherings, Workshop Residence aims to increase its event-hosting offering significantly to both engage the community at large as well as champion their current featured maker.

FABRICATION

Workshop Residence is currently experimenting with owning fabrication and sale of four products including vinyl placemats, utility blankets, utilitarian design brackets, and utilitarian doorstops made from recycled skateboards. Currently Braden Earp is contracting with Workshop Residence in order to streamline the fabrication of the utility blankets. This venture into fabrication is being assessed real time for capacity, feasibility, and earning potential.

WORKING SPACE

Workshop Residence is currently located in San Francisco's Dogpatch neighborhood, commanding a large space including workshop, retail space, and offices. In Spring 2017 Workshop Residence will be relocating, providing an opportunity to align company goals with space and offering.

BACKGROUND

Values & Vision

“Workshop Residence engages the worlds of craft, art, and design. We sell original, inspired work by local and national makers - functional objects for everyday living.”

Workshop Residence aims to provide a space for local artists to practice their craft. By enabling the public to engage with featured artists, Workshop Residence hopes to unite and expand the artistic community in San Francisco. Enabling local artists, craftsmen, and makers is integrated into every part of Workshop Residence, offering a unique springboard for up-and-coming artists, as well as a catalyst for established ones.

Over the next twelve months Workshop Residence anticipates streamlining their internal processes and operations in order to become profitable for the first time since their founding in 2012. Aligning business goals with their established values will enable Workshop Residence to achieve the self-sustaining system sought from the outset.

Value Proposition

Support

the artists, makers and craftsmen by offering a unique opportunity to use the Workshop Residence studio space and network of fabricators to create work available for exclusive purchase in the retail store and online.

Rally

the art community in the Workshop Residence space by organizing events and workshops.

Educate

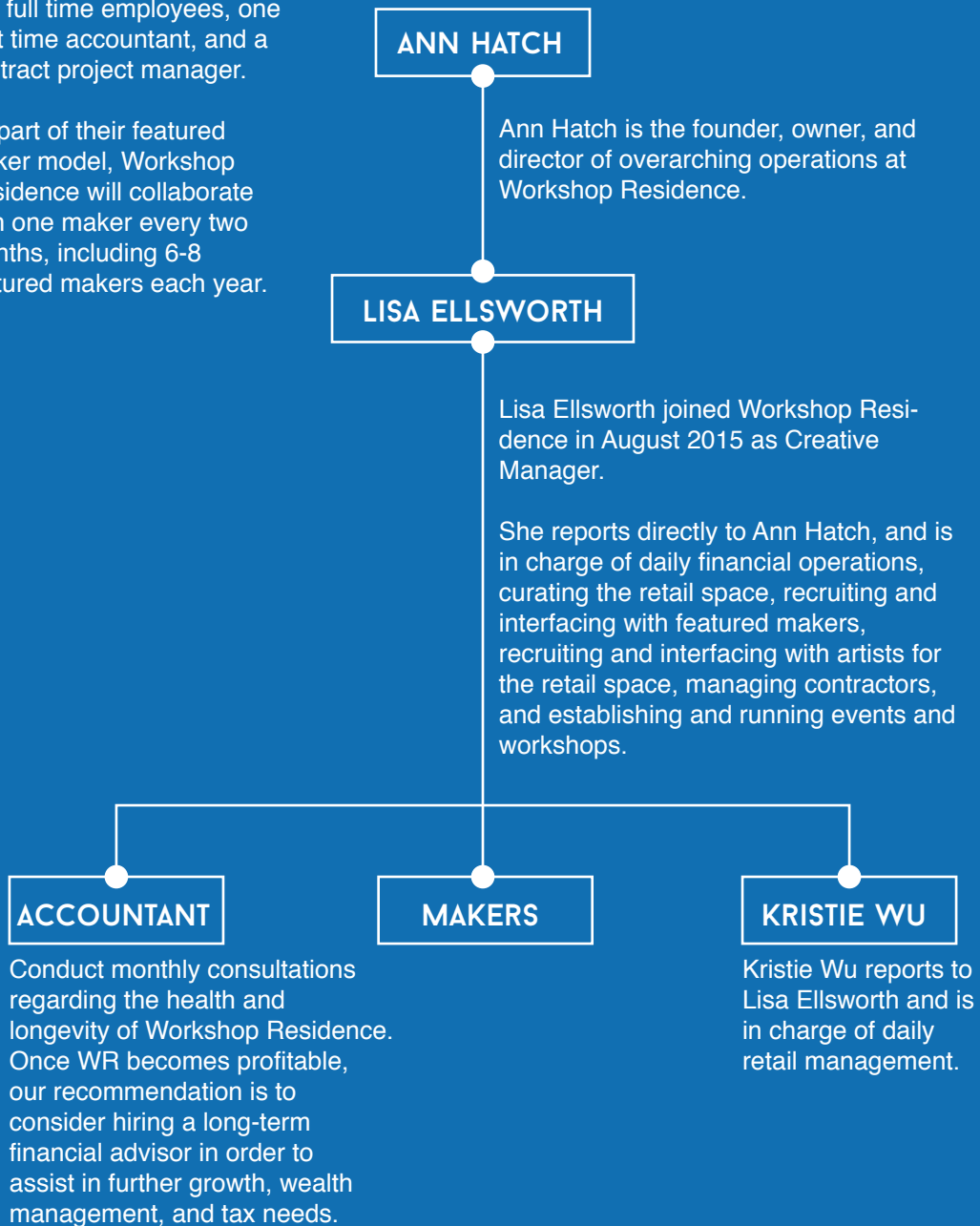
individuals via maker workshop sessions open to all, led by the featured artist and organized by Workshop Residence.

BACKGROUND

Organizational Chart

Ann Hatch currently directs workshop Residence, with two full time employees, one part time accountant, and a contract project manager.

As part of their featured maker model, Workshop Residence will collaborate with one maker every two months, including 6-8 featured makers each year.



TIMELINE WITH KEY MILESTONES

DISCOVERY PHASE

In the discovery phase we will complete a primary assessment to understand Workshop Residence's current operations, competitive marketplace, business objectives and goals. Analysis activities will consist of:

- Data Documentation Requests/ Cost Structure Analysis
- Initial Business Model Canvas
- Competitive Threat Analysis / Benchmark & Trends
- Business Goal / Expansion Goal
- Partnership / Sponsorship
- Interviews: WR staff / Customers / Artists/designers / External interview

Deliverable: Operation Overview
October 18, 2015

CONCEPTION & CO-CREATION PHASE

During this phase we will build off of the Operations Overview in order to create a revised operation plan which better meets the needs of Workshop Residence, and the shift currently underway. This phase will be highly iterative in order to quickly vet operations plan(s) for fit and effectiveness. Activities will consist of:

- Operation plan co-creation meetings with the client
- Scheduling: Dedicated meetings every other week in person at WR
- Develop business strategy (goals)
- Create prototypes of Operation Plan based on transition scenarios
- Test Operation Plan prototypes and re-prototype if necessary
- Create a marketing plan
- Develop scenarios for cost structure and revenue stream revision

Deliverables: In-progress assessment with WR will be ongoing in order to allow maximum visibility and transparency through this phase. Thus, no single deliverable will be called out as many will be discussed and created real-time.

IMPLEMENTATION PHASE

Create a cohesive package of our work and recommendations in order to best prepare for adoption and implementation.

Deliverable: Final Operational Plan Presentation
Due In Class: December 13, 2015

SEPTEMBER

OCTOBER

NOVEMBER

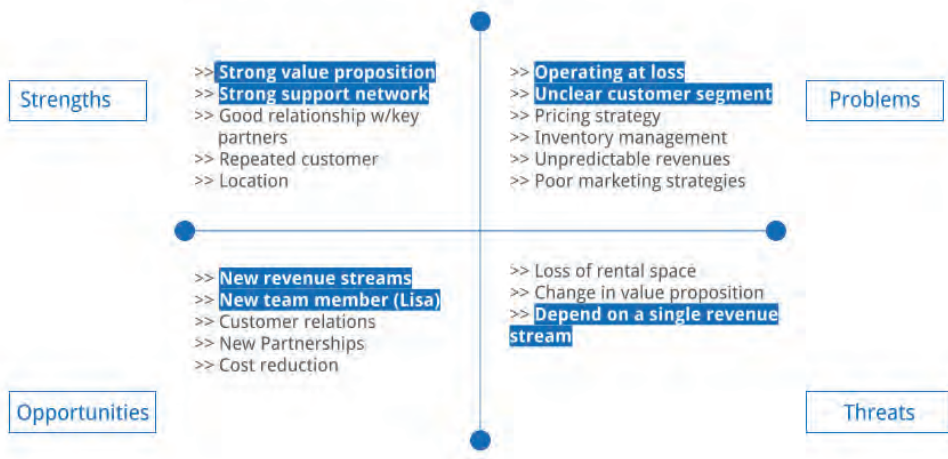
DECEMBER

BUSINESS STRATEGY

BUSINESS STRATEGY

SPOT Analysis

As an initial part of our discovery, the team conducted a SPOT analysis based on current operations plan, financial statements, learnings from Lisa and Ann, as well as several consumer interviews. The SPOT analysis below reveals several key areas for potential growth for Workshop Residence.



Corporate Strategy

Workshop Residence is organized into three (3) separate potential profit-earning offering lines: retail, workshops, and events. Given the current staffing of Workshop Residence (see Organizational Chart, above), availability of workshops and events is at an appropriate level, roughly averaging 2 workshops and 1-2 events each month. Increase of these scheduled activities will put additional responsibilities on the employees as well as the physical space in order to schedule and staff such additional events. This may be subject to change if Workshop Residence relocates in the spring of 2017, or gains additional staff members. Our recommendation for the time being, however, is to maintain the current schedule and frequency of workshops and events currently taking place. This recommendation is supported by our financial model, further discussed below and found in Exhibit 1.

The offering line with most potential for immediate and sustained growth for Workshop Residence is retail sales. Given their location within the Dogpatch neighborhood, Workshop Residence has a great growth opportunity. Focusing efforts on clear target audiences through integrated marketing and product inventories will help align current retail offerings, brand values, and consumer base. The remainder of this Operation Plan will focus on how best to align inventory, financial retail model, marketing initiatives, and consumer segments for best alignments and positive results.

BUSINESS STRATEGY

Cost Analysis

Initial analyses of Workshop Residence's financial bookkeeping revealed an unstructured and somewhat confusing series of tracking procedures. With the large variety of moving pieces operating within Workshop Residence, we feel it is of utmost importance to create a clear, structured, and easily usable cost structure - particularly for the benefit of retail sales and tracking.

Our analysis revealed two areas within the cost structure that need to be clearly articulated: Cost of Goods Sold (COGS) and Business Expenses. These play different roles within the retail model, and will be important to maintain clear separation between. COGS includes the purchasing of retail products (typically wholesale prices from the artists), fabrication costs (material and workmanship costs), and shipping of online orders. This may also consist of potential costs related to events and workshops, which are also included in the COGS section of our proposed financial model.

Business Expenses, alternatively known as fixed costs, average \$18,500 per month for Workshop Residence. Of this total, salaries and taxes make up the vast majority. These expenses are something to consider when weighing effectiveness and cost of potential changes in business hours. Our findings suggest that bringing on an additional employee for evenings and weekends would not be a sustainable option financially.

The opportunity to increase profit by reducing cost is a distinct possibility which may be reached by creating greater consistency in the filing of expenses. COGS should be analyzed through a break even analysis prior to engaging in further fabrication endeavors. In the case of fabrication, COGS will include time of Workshop Residence personnel, materials and space, any contractors or finalization work (amongst others). In addition to COGS, risks associated with fabrication should be analyzed in order to determine whether or not fabrication projects should be entered into. For example, the utility blanket recently produced for West Coast Craft unfortunately resulted in a high rate of rejected products due to misprint and ill fitting material. Potential risks such as using a new material vendor, contractor, or maker should be taken into consideration prior to engagement.

Both COGS and Business Expenses are built into the financial model, described below and found in Exhibit 1.

BUSINESS STRATEGY

Financial Model

In order to add structure to the financial side of Workshop Residence, we have created a proposed financial model (see Exhibit 1), which has two main goals:

- Forecast expected revenues for the upcoming 12 months in order to enable a longer-term view, better ensuring financial stability
- Consolidate real-time financial results on a monthly basis in order to compare monthly expected finances to actuals.

This model should be regularly updated at month end in order to align expected revenue with actual, as well as to alter the forecast for the upcoming year as needed. This model will act as a Key Performance Indicator (KPI) for the Workshop Residence business.

Through our analysis using this model, it is possible to break even (reach a balance where expenditures equal revenue) by considerably increasing retail sales to an average of \$27,000 per month which represents an increase of 70% (on average per month) over the next year. This can be done by increasing the volume of goods sold, as well as slightly increasing retail prices. Today, Workshop Residence prices retail goods at 200% wholesale price (wholesale price multiplied by 2); we recommend this increase to 250% (wholesale price multiplied by 2.5) across the board.

Inventory

Today Workshop Residence has in-stock a high inventory value (\$3,000 as of July 2015). The storage costs, damage, and obsolescence of products add up to the cost of the goods Workshop Residence is carrying. Because those costs continue to rise, tight inventory control is still one of the best investments WR can make—especially during the buying season. Inventory turn and flows would help Workshop Residence to continually offer fresh merchandise, quick rotations, and a healthy turnover rate.

Inventory turnover is the theoretical measure of how often, at the current rate of sales, Workshop Residence sells its entire inventory in one year. It is a measure of the velocity at which merchandise comes into and out of your store.

Inventory turnover varies depending on the industry: 3.5 for clothing or furniture, but only 1.7 for art dealers.¹ We recommend Workshop Residence decrease its inventory to \$1,000 (retail worth), as this will help increase the inventory ratio to 3.0, reaching a successful inventory turn of 20 to 70 days depending on the month. Successful inventory turn can be achieved by selling the current inventory, ensuring sales and focusing on the recommended marketing strategy. In the future, Workshop Residence should purchase inventory monthly in preparation for the following month's forecast.

¹ "Retail Key Ratio Benchmarks," The Retail Owners Institute, www.retailowner.com/1.7/Benchmarks.

BUSINESS STRATEGY

Increases in revenue as proposed above, along with a more structured financial and inventory tracking system will help regulate Workshop Residence's revenue streams. These tools will also help Workshop Residence analyze financial health and stability for the long term, allowing greater analysis regarding business successes, and areas for improvement.

Inventory Tracking System

In order to help track inventory and aid planning, we have created an inventory tracking system which aligns with the customer segments (1-3) and Inventory Stocking Table (Exhibit 3) described in the next section of this document. The Inventory Tracking System can be found in Exhibit 2, and is intended to provide assistance for three main Workshop Residence needs: planning, customer service, and expense control.

Planning: The proposed Inventory Tracking System will help provide information in order to better understand when items need to be reordered based on sales and category. It will also help you identify new inventory trends to make better forecasts regarding inventory turnaround and demand. As each item is tagged by overarching category (Exclusive Products, Limited Run Products, Recurring Designer Products- see Inventory Stocking Table, Exhibit 3), as well as retail category (e.g. clothing, office, jewelry, etc.) planning can be done based on several levels of analysis.

Customer Service: As information is housed in an organized and easily-accessed system, any questions posed by customers or potential customers can be answered in a timely manner.

Expense Control: Utilizing this system may help avoid overstock as quantities are easily tracked for optimal inventory numbers. The Inventory Tracking System also allows the user to calculate anticipated turnaround time for inventory, aiding future stocking and planning for Workshop Residence Retail.

Recommendation:

Leverage the tools we have created for Workshop Residence in order to best track and sell through existing inventory. Once existing inventory is sold through, Workshop Residence will have a clean slate in order to best implement inventory tracking and stocking systems moving forward.

IMPLEMENTATION STRATEGY

Over the past several months we have had the opportunity to work closely with Workshop Residence employees, as well as connect with both artists and consumers.

Throughout this process, we have identified the patterns in engagement behavior, which has allowed us to create a comprehensive strategy relating consumer base to retail, financial, and marketing strategies for Workshop Residence.

CUSTOMER SEGMENTS

Workshop Residence is engaging three main customer segments: the Patrons of the Arts, the WR Seekers, and the Maker Movement Enthusiasts. These three personas are outlined below in greater detail, each inhabiting a different sector of the WR strategy, from retail products to marketing initiatives. These three segments make up the vast majority of WR customers, and have very different ways to communicate, engage, and purchase.

PATRONS OF
THE ARTS

WR
SEEKERS

MAKER
MOVEMENT
ENTHUSIASTS

1. Patrons of the Arts



Julia
Gender: Female
Age: 55 years old
Profession: Art Investor
Urbanity: Oakland, CA

Lifestyle

Julia is an Art Investor interested in supporting the local Bay Area artists community. Her children are grown up and have their own families; leaving Julia plenty of time to enjoy the finer things in life. Through community activism she wishes to develop social contacts that will engage her in the broader social community such as joining a church choir or devoting her time to public charity. Julia's happiest moments are when she is helping others. She is usually looking for a sense of community, friendship and trust.

Needs

- » Giving back to the community : Julia is willing to invest in someone who can continue to do greater good. She strives to achieve the multiplier effect - an approach that delivers many dollars worth of impact for each dollar invested. With this approach, she heavily considers her investments and purchases regarding personal and community impact.
- » Prefers well-designed and high-quality products and services : Julia prefers to get the best quality product regardless of cost. She is not a "fad" investor, rather choosing to spend her money on quality rather than quantity.
- » Desire to support local economy : Julia wishes to build strong community by sustaining relationships with neighbors and friends. She believes that locally owned businesses will continue to create jobs, and drive growth in the local economy.

Communication Channels

This segment leverages knowledge of Ann's reputation in order to drive their interest in WR. Members or active observers of the San Francisco / Bay Area patrons of the arts and philanthropy network, these individuals gain a great deal of their knowledge and tips from like-minded individuals, through events or newsletters in their community.

Preferred products

- » Intriguing household goods and furniture
- » Thoughtful and unique gifts

CUSTOMER SEGMENTS

2. WR Seekers



Brandi

Gender: Female

Age: 32 years old

Profession: UX designer for a tech company

Urbanity: San Francisco, CA

Lifestyle

Brandi has been a UX designer for the last 5 years. She is a social individual and passionate about art and design. As part of her profession she often participates in design events and art exhibitions, and enjoys meeting new designers and artists along the way. She perceives design as part of her life, and finds delight in gaining access to exclusive, inspiring content such as design blogs or articles. On holidays, she loves going to pop-up shops or indie markets to find something new and unique.

Needs

» Uniquely designed functional objects : Brandi's life has been a choice between fit and style. She always on the hunt for carefully curated items, she feels will reflect her character as a creative individual.

» Updated informations and trends : In today's ever-changing art world, Brandi desires to keep herself up-to-date with the newest design trends in order to remain competitive.

» Networking : Brandi loves being connected with other designers in order to learn from their processes.

Communication Channels

The WR Seekers, like the Philanthropist Groupies, heavily leverage their own intellectual and personal networks to gain information. Utilizing the artist and maker networks both in San Francisco and outside of it, this segment looks to come to WR due to interest based in knowledge of the maker movement, and WR's large role within that community. Articles in well-known or widely distributed periodicals (both print and digital) aid the growing interest of this segment in WR. Targeted events within their social channels are another way that word is spread and interest heightened. The WR newsletter may be a particularly impactful way of keeping this segment apprised of events, specials, and new products in WR.

Preferred products

» Designed clothes

» Beautifully designed, considered gadgets

CUSTOMER SEGMENTS

3. Maker Movement Enthusiasts



Jane

Gender: Female

Age: 28 years old

Profession: Graduate

Student

Urbanity: Los Angeles, CA

Lifestyle

Jane has travelled from LA to SF to spend her holidays during her summer break. Since this is her third time visiting the city, she looks for new hidden places where she can acquire unique experiences. She decides to visit the Dogpatch neighborhood, looking to explore a hub of local makers, artists, designers, and entrepreneurs. Jane gets a thrill from experiencing local neighborhood gems like the Workshop Residence.

Needs

- » Local engagement : Jane desires to develop a deeper appreciation for locally-relevant and authentic experiences. She is searching for a more meaningful way to connect to local communities.
- » Opportunities for new exploration: Jane values individuality, independence, self-actualization, new experiences, growth, and change. She would love to take advantage of any opportunity that gives her the chance to explore new things and considers travelling a form of self-education.
- » Relaxation : She enjoys browsing a variety of retail shops and restaurants. She loves opportunities to see something new and spend time with herself.

Communication Channels

Maker Movement Enthusiasts, unlike the above two segments, are not necessarily clued into specific networks in order to gain information regarding Workshop Residence. They are attracted to the area for its keen interest in the maker movement. The Dogpatch neighborhood is regarded as the epicenter of the maker movement within the SF/Bay Area, many Maker Movement Enthusiasts frequent the area to stumble across new things. The customer segment makes-up a large portion of the foot traffic in the Dogpatch area; visual storefront communication bests suit this segment and could drive more visitors into the WR. Search engines (Google, Yelp, or social media) can raise awareness of WR, as will marketing through tourist information groups or guided tours of the Dogpatch area.

Preferred products

- » Light and portable products
- » Souvenirs

RETAIL PRIORITIES

Apart from consumer segmentation, we have also analyzed current, past, and expected retail earnings for Workshop Residence. Just as we have uncovered three consumer segments, we have also defined three retail priorities, which speak to these segments.

The below priorities will help re-frame how best to organize and rotate products through WR retail in order to support WR core values, as well as satisfy consumers' desire for new options. These priorities are listed in order of which should be focused on primarily, secondarily, and tertiary. While all are important, our recommendation is that degree of focus should be ordered in the below fashion in order to clarify daily activities of WR staff, as well as create a clear decision matrix regarding inventory stocking (see Table 1, below).

(Numbered priorities below connect with numbered segments in the previous section)



RETAIL PRIORITIES

1. Hero the Featured Maker (Exclusive)

Through analysis of past featured maker goods, when the featured maker is prioritized on the Workshop Residence website as well as in the store, these products tend to sell out. This is a huge opportunity to create inventory turnover and sell through. Hero-ing featured makers also serves to support Workshop Residence's core value of providing a catalyst for local artist growth. This value, we have found, speaks directly to the Patrons of the Arts segment, allowing them to support not only high quality goods, but a high quality and caring organization. The featured maker should be unmistakably heroed in-store, potentially in a designated area which best presents their products along with who they are and where they are from.

This section can also include exclusive products carried only by Workshop Residence, as well as high-end unique items.

2. Highlight Core Products and Key Fabrications (Limited Run Products)

Workshop Residence has a well-defined core set of products that are both desirable and profitable; these include the Anne Hamilton coat, Lauren DiCioccio Tote bags and OSO Flameware skillet (from January to October 2015). These products not only yield purchasing power, but are also quickly becoming staples of the Workshop Residence experience. While desirable, these products are not necessarily highlighted in strategic manner within the store environment. Limited run products, such as the Ellen Van Dusen Tote, will also achieve this desired effect. Small batch maker-movement items will command interest, and should be designated as such. Our recommendation is to highlight these products, and maintain a steady stock of designated core products to drive repeat customers. Reliability of having these products in stock will create a consistent view of WR, attracting WR seekers and Maker Movement enthusiasts, allowing a constant stream of revenue for these goods.

3. Rotate Additional Products Regularly (Recurring Designer Products Inventory)

Placing emphasis on the featured maker and core products will allow greater space for a rotation of seasonal, targeted goods to capture the attention of a rotating consumer base. These items should continually be analyzed and rotated based on popularity/sell through and profitability. By maintaining a rotating offering, the store will appear new and updated upon every visit by consumers, particularly the WR Seekers. One of our recommendations is that once a featured maker's "featured" status concludes, their goods become part of the rotating products, eventually eased out of rotation. This will allow laggards who may have heard about featured maker products to still find them at WR for a short while after a new featured maker has been brought on board.

We also believe that quick grab-and-go items such as the map, should be offered continuously in order to cover a balanced range of purchase price options. Display of these grab-and-go items should change regularly in order to keep an updated feel in the retail space.

RETAIL PRIORITIES

4. Selective Consignment

Workshop Residence does not only work with product lines, but with unique pieces from select artists as well. Given Workshop Residence's current financial status, however, upfront wholesale expenditures for one-of-a-kind high-priced items (such as the Aaron Turner boat, Ellen Van Dusen checker set and table currently on display, select Paul Discoe products, and the Phil Ross Yamanaka Collection) are a detractor from potential profit and significantly impact cash flow. While a key aspect of Workshop Residence's value proposition is to offer retail opportunity to artists, including established artists, there is also opportunity to restructure how these items are sold. Sales of high-priced unique items from established artists, or high sales-risk items should be conducted on a consignment basis. Pieces with wholesale purchasing costs of more than \$300, and items that have less than a 70% chance of selling (determined at outset by WR staff), should be brought into Workshop Residence's inventory list only under the condition of consignment; meaning that WR pays nothing upfront in order to display this item, and agrees with the artist that upon sale the artist will receive 60% of the sale price, WR keeping 40% (standard consignment arrangement). This split can be reconsidered with WR's discretion, however WR's percentage should never fall below 40%. We recommend selective consignment, as the goal is not to turn away artists who wish to display high-priced pieces, rather to restructure selective arrangements so that Workshop Residence can gain needed financial stability.

Additional Recommendation

While speaking with artists and consumers alike, we discovered that part of the intrigue of Workshop Residence is exposure to the process of making. The idea of a glimpse inside a maker's workshop was an allure for consumers, and one that we believe Workshop Residence can deliver on. By creating a small focus on the making process within the retail environment, Workshop Residence can involve the consumers conceptually in the process of making. This can even be a staged "workshop" or worktable as part of a display, which will help communicate the craft and care put into every product for sale.

Table 1: Inventory Stocking By Number

The below table (also located in Exhibit 3) depicts how Workshop Residence can organize current inventory by the priority system discussed above. A key element of this system is recognizing what category each product falls into, and utilizing another product from the same category as replacement should inventory get low. This categorization will help balance products based on customer segment and product fit within the larger ecosystem of WR.

For example: should a product from Limited Run (2) run out of inventory, instead of replacing with a product from Recurring Designer Products Inventory (3) while waiting for the next run, instead increase inventory on shelf for another product from Limited Run (2). In this way you are maintaining the balance of columns 1, 2, and 3 across the retail environment, and providing consistent access to products for each customer segment.

Category	Exclusive (1)	Limited Run (2)	Recurring (3)	Consignment
Percent of Sales	25%	50%	25%	as occurrence allows
Minimum Products On-Hand	2	10	10	as occurrence allows
Minimum Price Point	N/A	N/A	N/A	\$300 wholesale \$650 retail

** These colors and coding numbers are represented in the financial models as well for easy translation.

MARKETING PRIORITIES

One of the major asks from Workshop Residence was to help recommend marketing activities in order to drive greater interest in Workshop Residence as a whole. In order to create an actionable and connected marketing strategy, we developed a list of potential marketing initiatives that align with both the consumer segments (1-3) as well as the retail priorities (1-3). Below is a list of potential marketing initiatives, which span customer segments in order to deliver wide reach across channel while working to actively increase the customer base.

Each of the below marketing priorities can speak directly to Workshop Residence market segments utilizing a targeted writing and content tone. This tone should differ slightly from segment to segment, focusing on their key concerns and values (highlighted in the segment descriptions above). In addition, marketing initiatives should be distributed throughout the month in order to maintain a continual stream of interest across segments.

1. Targeting Patrons of the Arts Segment

- Utilize Ann's network in order to personally contact individual patrons regarding changes in featured makers, events, and workshops coming up (quarterly).
- Utilize emails and newsletters in order to highlight featured makers, workshops and events in a personal and targeted manner (bi-weekly). *Overlap with WR Seekers*
- Create a physical mailer to introduce new featured makers and the change of seasons (quarterly). *Overlap with WR Seekers*

2. Targeting WR Seekers Segment

- Highlight featured artists via a "featured artist instagram takeover" of Workshop Residence's instagram account. For the first week of every new featured maker's residence, they will utilize the WR instagram account to post images, thoughts, and inspiration (every new featured maker). This can also work across a variety of social media channels (facebook, twitter, etc.).
- Create a specific store display highlighting the current featured artist.
- Create advertisements or call-outs in artist / maker publications (San Francisco Arts Monthly, 7x7, Asterisk San Francisco, etc.). Leverage quotes and mentions in articles in order to drive interest.
- Create targeted verbiage on the WR website, highlighting craft of artists, upcoming events and workshops. Provide detail on not only the featured makers, but for all artists represented at Workshop Residence (anytime products shift, and several weeks prior to events/workshops). *Overlap with Maker Movement Enthusiasts*
- Utilize emails and newsletters in order to highlight featured makers, workshops and events in a personal and targeted manner (bi-weekly). *Overlap with Patrons of the Arts*
- Create a physical mailer to introduce new featured makers and the change of seasons (quarterly). *Overlap with Patrons of the Arts*

MARKETING PRIORITIES

3. Targeting Maker Movement Enthusiasts

- The Dogpatch is heralded as the epicenter of the Bay Area maker movement. Leverage tours by posting small ads in tourist organization brochures (Wild SF Walking Tours, Bay Area Green Tours) to increase foot traffic (monthly).
- Create outdoor visual signage in the entryway of WR in order to attract greater foot traffic. Adding visual cues as to when the store is open – and that WR is a retail outlet will help draw inside. Highlighting key products in the windows will also give cues that goods are for sale (continuous – after initial graphic installation).
- Continue creating personalized “shop” of “Workshop” via the featured artist’s chosen medium (every featured maker).
- Create and utilize a yelp page in order to help casual neighborhood visitors target WR as a place of interest (create immediately, maintain weekly).
- Consider advertising with hospitality companies such as AirBnB - who host a high population of our target customers in and around the Dogpatch neighborhood.
- Create targeted verbiage on the WR website, highlighting craft of artists, upcoming events and workshops. Provide detail on not only the featured makers, but for all artists represented at Workshop Residence (anytime products shift, and several weeks prior to events/workshops). *Overlap with WR Seekers*

The above strategy connects targeted consumer segments to retail organization, product prioritization, and marketing initiatives. By utilizing a segment-targeted strategy across these three areas, Workshop Residence can more easily organize and restock it’s retail store, directly track and analyze the impact of products to overall sell-through, and create targeted messaging to each segment. We recommend instigating this strategy immediately, particularly when entering the holiday selling season.

Additional Recommendation:

During the months of January, March, and July our recommendation is to increase the number of events and workshops held. As these months are the lowest retail months, there is an opportunity to increase profit and foot traffic by holding a greater number of events or workshops during these three months.



Patron of the Arts				Weekly	Weekly	Bi-Weekly	Annual
WR Seeker	Monthly Featured Artist Takeover	Monthly Featured Artist Takeover	Monthly Featured Artist Takeover	Weekly	Weekly	Bi-Weekly	
Maker Movement	Daily	Weekly	Weekly	Weekly	Weekly		

*Recommended social network management

OPERATION RECOMMENDATIONS

OPERATION RECOMMENDATIONS

Weekly Schedule

Looking into days of the week for operation, we have conducted preliminary analysis regarding opening Workshop Residence on Sundays as opposed to Tuesdays. Given the foot traffic in the area on Sundays (42 people in 20 minutes passing in front of the store at noon on Saturday October 31 2015) as well as the popularity of surrounding shops and restaurants to maintain business hours on Sundays, we believe that this strategy is worth further investigation. Opening on Sundays instead of Tuesday would admittedly change staff schedules, however may offer additional retail sales due to increased foot traffic, and growing popularity of the Dogpatch area for brunch and weekend activities.

Organizational Strategy

Given the business and implementation strategies proposed above, we also suggest a slight reshuffling of duties within the Workshop Residence current structure. While we recommend the Organizational Chart stay the same, we have outlined key responsibilities per person below.

Ann Hatch (Founder / Owner):

Overarching managing director, owner and CEO. Together with the Creative / Operations Manager, work to determine featured makers, unique items, and fabrications for Workshop Residence to engage with. Utilize personal and extended networks to boost featured makers, events, workshops, and promotions. High-level guidance of business strategy and ongoing operations plan.

Lisa Ellsworth (Creative / Operations Manager):

In charge of day-to-day operations management, financial health of Workshop Residence, and artist and space curation. Together with Ann Hatch, work to determine featured makers, unique items, and fabrications for Workshop Residence to engage with. Oversee all fabrication processes and large marketing initiatives across print, social media, and events. Plan and execute events and workshops. Work with the Retail / Marketing Manager to track all inventory sell-through and plan for seasonal needs.

Kristie Wu (Retail / Marketing Manager):

In charge of daily maintenance of retail space and product curation. Daily tracking and monitoring of products sold via a standardized system within Quick Books. Manage and track inventory sell-through in order to restock and order prior to inventory exhaustion, and plan for holiday sales, workshop and event needs. Conduct daily marketing initiatives including social media, storefront and newsletter maintenance and refreshes. Upkeep and maintenance of daily retail space cleanliness and register accounting practices. Meet weekly with Creative / Operations Manager to review inventory and planning needs.

Accountant:

Conduct monthly consultations regarding the health and longevity of Workshop Residence. Once WR becomes profitable, our recommendation is to consider hiring a long-term financial advisor in order to assist in further growth, wealth management, and tax needs.

THE TEAM



Alida Draudt has 7 years experience working as account director and brand strategist at design and innovation firms up and down the west coast; currently she is consulting for Capital One as a future-facing design strategist. Alida is a graduate student in CCA's MBA of Strategic Foresight program, a pattern finder and perpetual explorer.



Leticia Murray has 10 years experience working as a Commercial and Residential designer, and more recently is a Co-founder and Director of Operation for a non-profit organization dedicated to providing creative solutions for alternative models of land use and ownership. Leticia is pursuing an MBA with a focus in Strategic Foresight at CCA.



Kwan Komain is passionate about bridging marketing knowledge with her design skills to create innovative thinking which enhance people's every day life as a Hybrid Thinker. With her professional background in many areas of design such as visual design, event design and interior design, she aims to combine a power of design with marketing strategies to engage customers in a deeper level. At CCA's MBA program in Design Strategy, Kwan hopes to master the tools to make changes and move beyond profit.



Zoé Bezpalko With a master's degree in environmental engineering, Zoé worked several years in emerging countries to help local and international designers and manufacturing companies creating sustainable products and innovations. Currently studying an MBA in Design Strategy at CCA and working at the Autodesk Foundation supporting organizations using design for social and environmental impacts, she believes in the smart use of technology as a key for solving global issues.———

APPENDIX

FINANCIAL MODEL

Exhibit 1 - Financial Model

The below Financial Tracking model is intended to fulfill two goals:

Assist in monthly planning of inventory, expenses, workshop and event revenue through forecasting up to 12 months ahead.

Allow monthly comparison between expected revenue / expenses and actuals for that month. Monthly comparison of expected and actuals will further assist planning activities for the long run.

This model is intended to be used regularly as a method of tracking business activities from a financial perspective. The goal being to help Workshop Residence achieve sustainable growth and profit through a structured tracking system.

	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
12-month forecast	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16		
Revenues														
Retail														
Exclusive Goods	3,200	5,400	6,000	2,000	3,800	1,600	3,000	4,000	2,200	1,800	3,000	2,600		
Limited Runs	9,600	16,200	18,000	6,000	10,800	4,800	9,000	12,000	6,800	5,400	9,000	7,800		
Recurring Designer	3,200	5,400	6,000	2,000	3,600	1,600	3,000	4,000	2,200	1,800	3,000	2,600		
Total Retail	16,000	27,000	30,000	10,000	18,000	8,000	15,000	20,000	11,000	9,000	15,000	13,000		
Consignment														
Workshops	500	1,500	2,750	1,000	2,000	-	1,000	1,000	1,000	1,000	1,000	1,000		
Rent	-	1,000	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
Total Revenues	16,500	29,500	32,750	12,000	21,000	9,000	17,000	22,000	13,000	11,000	17,000	15,000		
Costs of Goods														
Merchandise Inventory	13,500	15,000	5,000	9,000	4,000	7,500	10,000	5,500	4,500	7,500	6,500	8,000		
Fabrication Costs														
Workshops Costs	0	0	0	0	0	0	0	0	0	0	0	0		
Events Costs	0	0	0	0	0	0	0	0	0	0	0	0		
Print, Packaging, Shipping	500	500	500	500	500	500	500	500	500	500	500	500		
Total Costs of Good Sold	14,000	15,500	5,500	9,500	4,500	8,000	10,500	6,000	5,000	8,000	7,000	8,500		
Gross Profit	2,500	14,000	27,250	2,500	16,500	1,000	6,500	16,000	8,000	3,000	10,000	6,500		
Gross Profit Percent	15.2%	47.5%	83.2%	20.8%	78.6%	11.1%	38.2%	72.7%	61.5%	27.3%	58.8%	43.3%		
Expenses														
Salaries and Wages	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3	7,022.3		
Employee Benefits	629.6	629.6	629.6	629.6	629.6	629.6	629.6	629.6	629.6	629.6	629.6	629.6		
Employer Taxes	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0	1,228.0		
Rent	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6	2,762.6		
Utilities	879.9	879.9	879.9	879.9	879.9	879.9	879.9	879.9	879.9	879.9	879.9	879.9		
Office Supplies	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0		
Due and Subscriptions	515.9	515.9	515.9	515.9	515.9	515.9	515.9	515.9	515.9	515.9	515.9	515.9		
Bank Fees	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0		
Accounting Fees	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5		
Employer Taxes	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6	2,988.6		
Sales Taxes (13.5% tax rate)	2,160.0	3,645.0	4,050.0	1,350.0	2,430.0	1,080.0	2,025.0	2,700.0	1,485.0	1,215.0	2,025.0	1,755.0		
Total Expenses	18,504.3	19,989.3	20,394.3	17,694.3	18,774.3	17,424.3	18,369.3	19,044.3	17,829.3	17,559.3	18,369.3	18,099.3		
Total COGS + Expenses	32,504.3	35,489.3	25,894.3	27,194.3	23,274.3	25,424.3	28,869.3	25,044.3	22,829.3	25,559.3	25,369.3	26,599.3		
Profit														
Total Profit	-16,004	-5,989	6,856	-15,194	-2,274	-16,424	-11,869	-3,044	-9,829	-14,559	-8,369	-11,599		
Profit Percentage	-97.0%	-20.30%	20.93%	-126.62%	-10.83%	-182.49%	-69.82%	-13.84%	-75.61%	-132.36%	-49.23%	-77.33%		
Inventory														
Inventory Ratio	14.00	15.50	5.50	9.50	4.50	8.00	10.50	8.00	5.00	8.00	7.00	8.50		
Inventory Days	26.07	23.55	66.36	38.42	81.11	45.63	34.76	60.83	73.00	45.63	52.14	42.94		

INVENTORY TRACKING SYSTEM

Exhibit 2 - Inventory Tracking System

The below table depicts an Inventory Tracking System that Workshop Residence can use to better track the amount of inventory in stock and how fast the merchandise is turning over. The multiple level of product categorization can help illustrate sales trends, from what department is moving the most merchandise, down to the specific products that are consistently selling. This information can be used to set reorder levels on best selling item, or to help identify the next featured artist. Other information such as the price and value are used in further financial reports such as Profit & Loss reports, and monthly balance sheets.

For example: the Lauren DiCioccio Tote would be entered as a product from the Retail Category (3) Recurring Designer Products, under the Accessories Department, under the Tote Bag Subcategory. From here the Product is given a name, description, the artist's name and an Item number or SKU (stock keeping unit) number to that can be used to consistently track the inventory with the point of sales system. In this example, the reorder level is set at 20, based on a hypothetical scenario that wholesale orders were never larger than say 15 units. By having 20 tote bags in stock, wholesale sales could be made and some remainder bags would remain in the sales floor. (reorder levels should be set on the observed sales trends.)

Retail Category	Department	Subcategory	Item Name	Item Description	Artist / Author	Item ID / SKU	Quantity in Stock	Reorder Level	Purchase Date	Unit Price	Retail Price	Inventory Value
	Clothing											\$0.00
	Office											\$0.00
	Kitchen_Tabletop											\$0.00
	Home_Decor											\$0.00
	Jewelry											\$0.00
	Paper_Goods											\$0.00
Recurring Designer Products	Accessories	Tote Bags	Lauren DiCioccio Tote	Thank You, Red	Lauren DiCioccio	10014	40	20		\$7.00	\$28.00	\$280.00
	Tools											\$0.00
	Gifts											\$0.00
	Shoes											\$0.00
	Furniture											\$0.00
	Household											\$0.00
												\$0.00
												\$0.00

INVENTORY STOCKING BY NUMBER

Exhibit 3 - Inventory Stocking By Number

The below table depicts how Workshop Residence can organize current inventory by the priority system discussed above. A key element of this system is recognizing what category each product falls into, and utilizing another product from the same category as replacement should inventory get low. This categorization will help balance products based on customer segment and product fit within the larger ecosystem of WR.

For example: should a product from Limited Run (2) run out of inventory, instead of replacing with a product from Recurring Designer Products Inventory (3) while waiting for the next run, instead increase inventory on shelf for another product from Limited Run (2). In this way you are maintaining the balance of columns 1, 2, and 3 across the retail environment, and providing consistent access to products for each customer segment.

Category	Exclusive (1)	Limited Run (2)	Recurring (3)	Consignment
Percent of Sales	25%	50%	25%	as occurrence allows
Minimum Products On-Hand	2	10	10	as occurrence allows
Minimum Price Point	N/A	N/A	N/A	\$300 wholesale \$650 retail

** These colors and coding numbers are represented in the financial models as well for easy translation.

INVENTORY LIST

Exhibit 4 - Inventory List

As part of the comprehensive system we have created for Workshop Residence, we have also created an updated inventory list. This updated list has been re-categorized based on the Inventory Tracking System (Exhibit 2), and color coded in order to align with the Inventory Stocking By Number chart (Exhibit 3). The updated Inventory list will allow you to track current products by category and subcategory in order to optimize restocking, retail arrangement, and best target consumer segments.

Below is a snapshot.

Retail Category	Department	Subcategory	Vendor	Artist / Author	Item Name	Item Description
3	Office	Stationary	Agelio Batle	Agelio Batle	Agelio Batle: Niche pad	
3	Office	Stationary	Agelio Batle	Agelio Batle	Agelio Batle: Niche pad	
3	Office	Stationary	Agelio Batle	Agelio Batle	Agelio Batle: Note pad	
2	Clothing	Coat	Ann Hamilton	Ann Hamilton	Ann Hamilton: Work Coat	denim
2	Clothing	Coat	Ann Hamilton	Ann Hamilton	Ann Hamilton: Work Coat	denim
2	Clothing	Coat	Ann Hamilton	Ann Hamilton	Ann Hamilton: Work Coat	linen
2	Clothing	Coat	Ann Hamilton	Ann Hamilton	Ann Hamilton: Work Coat	waxed canvas
2	Clothing	Coat	Ann Hamilton	Ann Hamilton	Ann Hamilton: Work Coat	waxed canvas
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: Chicken (and Other Critter) Plates	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: chicken plate small	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: chicken platter	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: chicken platter	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: plate	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: plate	
1	Kitchen & Tabletop	Ceramics	Ann Hatch	Ann Hatch	Ann Hatch: set of 4 tiles	
2	Kitchen & Tabletop	Ceramics	Atelier Dion	Atelier Dion	Atelier Dion	
2	Clothing	Coat	Christine Lee	Christine Lee	Barn Coat by Christine Lee & Agelio Batle	
2	Clothing	Coat	Christine Lee	Christine Lee	Barn Coat by Christine Lee & Agelio Batle	
2	Home Décor	Vase	Workshop Residence	Madeline Isakson	Bio-resin vase	
2	Home Décor	Vase	Workshop Residence	Madeline Isakson	Bio-resin vase	
2	Home Décor	Vase	Workshop Residence	Madeline Isakson	Bio-resin vase	
2	Home Décor	Vase	Workshop Residence	Madeline Isakson	Bio-resin vase	
2	Home Décor	Vase	Workshop Residence	Madeline Isakson	Bio-resin vase	
2	Jewelry	Necklace	Workshop Residence	Aurore Thibout	Black fragment necklace	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Constance M. Lewallen	Book: 500 Capp Street	
3	Office	Books	Workshop Residence	Futurefarmers	Book: A variation on powers of ten	
3	Office	Books	Workshop Residence	Futurefarmers	Book: A variation on powers of ten	
3	Office	Books	Workshop Residence	Brad Cloepfl	Book: Allied Works Architecture	
3	Office	Books	Workshop Residence	Brad Cloepfl	Book: Allied Works Architecture	

