

Research on the Viability of the Pop Up Business Model in Metropolitan Detroit



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ABSTRACT

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1 ABSTRACT

This study investigated the viability of pop-up businesses within the city of Detroit. This study was faculty directed and student driven in nature. The study focused specifically on the history of pop-up businesses both in general and within Detroit and the challenges and advantages of this model for small business development. The study required that the students collaborate the host an event to showcase pop-up entrepreneurs within the city of Detroit. The student researchers designed a survey and collected feedback from pop-up entrepreneurs and makes recommendations on how to successfully navigate this space for prospective small business owners.

1 INTRODUCTION

To say that the city of Detroit is at a crossroad in its history is an understatement at the very least. The city infamously went into bankruptcy in June of 2013 and is the largest of only a handful of American cities that had ever needed to take such drastic financial measures (Lichterman & Woodall, 2013; Matthews, 2013). While this is a daunting fact, it is not the first time that the city has experienced significant turmoil and uncertainty. The city of Detroit has a number of distinctions that allow it to be in a position to pull itself up its proverbial bootstraps and move forward in the right direction. One of the distinctions includes a thriving and vibrant small business culture that will soon easily rival its sister cities in every way. One element of this culture is the 'pop-up' business model.

2 REVIEW OF CONCEPT

Pop-up businesses are temporary enterprises that occupy available vacant spaces within the available marketplace of a particular area. In many cases, very little or no rent is chargeable to the users of places as they merely use that opportunity to enhance the worth of what was otherwise unused places (Gibbs 2012). If a pop up entrepreneur achieves adequate recognition and investment with the right mix of business, they can enhance customer exposure and eventually proceed to either a permanent space and/or a loyal customer base.

2.1 HOW POP-UP BUSINESSES CONTRIBUTE TO THE ECONOMY

The pop-up business model plays a central role in the promotion of local economy. It promotes the development of small and medium enterprises. It also promotes overall community development and revitalization. This is due to the relatively low capital requirement for start-up owing to the reduced or eliminated cost of house rent. Pop-up businesses can contribute significantly to overall economic growth of neighborhoods and, specifically, residents of low-income neighborhood have the potential to attain economic independence and economic utilization of the spaces and sites within their vicinity. In San Francisco, CA, pop-ups promote local economic growth through sharing of rental costs and using vacant spaces (Shah, 2009).

Pop-up businesses are important prerequisites for national economic growth and development. This means that establishment of such businesses can promote national economic growth through creation of employment and livelihood for low-income individuals. However, before establishing such ventures, the proponent should adhere to carefully reviewing prerequisites before attempting to establish a pop-up business lest it become more of a loss rather than a profitable venture. This form of business also can lead to sustainability in both economic and community development and encourage healthy competition and innovation.

For pop-up businesses to continue to remain a viable economic model, the governments of each nation should seek to support these efforts by implementing legislation that promotes these forms of business. The existing legal frameworks

should not be so restrictive that they deter expansion decrease the potential utilization of local 'idle' retail space that could house emerging small businesses.

Pop-up retail entails creation of a marketing environment that is highly experiential, focused on promoting a brand or product line, available for a short time period, and generally in smaller venues that foster more face-to-face dialogue with brand representatives¹. In Michigan the idea of a pop-up is serving a different purpose. The concept is being used to revitalize distressed commercial spaces. Pop-ups have successfully been used to launch new product ideas by start-ups with little prior retail experience; and have also been used to showcase innovative local products. There is an opportunity to capitalize on this experience to benefit both property owners and entrepreneurs'. A deeper understanding of what will make a successful venture, and what activities need to occur prior to launching the pop-up is needed. From the property owner's perspective, there is now evidence that continually placing pop-ups in strategic locations can increase foot traffic and eventually lead to a permanent tenant². From a new entrepreneur perspective, the idea of testing the market is the key advantage, in the Michigan market we are seeing online merchants seeking brick and mortar locations for a short period of time and the pop-up concept is ideal for this situation.

¹ Gordon, K. T. (2004), "Give it a Go: A "Hands-on" Approach to Marketing Your Product Could Be Just the Thing to Win Customers," *Entrepreneur Magazine*, 32(9), 74-75.

² <http://thevillagesofdetroit.com/>

2.2 HISTORY OF POP-UP BUSINESSES IN DETROIT

The city of Detroit has benefited from a number of organizations that have been instrumental to the development of the pop-up business model among local residents. The list of major contributors to this scene has included D:HIVE, Hatch Detroit, Model D, FoodLab Detroit, ProsperUs, TechTown, Focus:HOPE and KIVA Detroit, to name a few. One of the biggest convener of pop-up entrepreneurial efforts is REVOLVE Detroit. REVOLVE Detroit is an offshoot of local business development effort work sponsored by the Detroit Economic Growth Corporation (DEGC). It is specifically charged with providing an environment that encourages pop-up business development in a myriad of creative ways from both business plan development to showcasing of finished product to positioning entrepreneurs to solicit funding for expansion and further capacity building. Its approach involves not only the entrepreneurs themselves but also landowners and financing entities. Many current established businesses within the city of Detroit began as pop-up business endeavors. The list includes Tashmoo Biergarten, Mossejaw, Urban Grounds, Kimodo Kitchen, Café con Leche, Somerset CityLoft, Rust Belt Market and Jacques Tacos.

3 OVERVIEW OF RESEARCH

This study required undergraduate students to develop and launch an interviewing tool, analyze the data and utilize the data to develop a pop up business event.

3.1 RESEARCH DESIGN

The research was conducted during the capstone course for the undergraduate degree in business @ Madonna University. The research was completed in 2 phases. The initial phase was a data gathering phase collecting information from previous pop up events and available literature on the topic in addition to conducting primary research via a structured interview guide inquiring on individual perspectives regarding pop up businesses. Interview data was transcribed and analyzed for emergent themes and concepts using inductive technique to develop empirically driven labels. The second phase utilized the results of the research to design and implement a pop up event for local entrepreneurs. The event occurred in Detroit and included collaborating with a Non profit organization in Detroit called the Contemporary Institute of Arts in Detroit (CAID) who currently run community events. One of the venues is typically used as an Art Gallery and the other is a Clay Studio. The pop up event was held at the Art Gallery and six local entrepreneurs participated in the event.

3.2 PARTICIPANTS

The students identified potential participants from the REVOLVE Detroit website, which showcased member organizations with pop-up businesses at various stages of development. The students identified organizations that have specifically already had pop-up business exposure. There were ten businesses that participated in the survey.

3.3 INSTRUMENTATION

The survey listed the following questions:

Name of pop-up business/ phone # or email:

Q1 What made you decide on a pop-up business rather than a traditional method?

Q2 Click to write the question text

	Very Dissatisfied (1)	Dissatisfied (2)	Neutral (3)	Satisfied (4)	Very Satisfied (5)
How well does the location accommodate your business? (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you think Detroit is a viable location for a pop-up? (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you think your business has the ability to adapt into different demographics? (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3 Are you funded by:

- Non-Profit Organization (1)
- Fund Yourself (2)
- Other (3) _____

Q4 How do you define a successful pop-up event?

Q5 What are your intentions for your pop-up business, is it a:

- One Time Event (1)
- Temporary (4 months or less) (2)
- Seasonal (what season) (3) _____
- Permanent (4)

Q6 What statistics have you gathered in your past pop-up events?

Q7 Are you prepared to host a pop-up event in the next 30 days?

- Yes (if yes, When) (1) _____
- No (2)

Q8 Do you know of any other businesses prepared to host an event in the next 30 days?
If yes what's there Name/ Number/ Email, and website.

3.4 RESEARCH PROCEDURES

The students complied with all of the requirements for Madonna University's HSRC committee regarding primary research.

3.5 DATA ANALYSIS

Statistic	How well does the location accommodate your business?	Do you think Detroit is a viable location for a pop-up?	Do you think your business has the ability to adapt into different demographics?
Min Value	3	4	4
Max Value	5	5	5
Mean	4.30	4.90	4.70
Variance	0.46	0.10	0.23
Standard Deviation	0.67	0.32	0.48
Total Responses	10	10	10

4. Are you funded by:

#	Answer	Response	%
1	Non-Profit Organization	0	0%
2	Fund Yourself	10	100%
3	Other	0	0%
	Total	10	100%

6. What are your intentions for your pop-up business, is it a:

#	Answer	Response	%
1	One Time Event	2	20%
2	Temporary (4 months or less)	0	0%
3	Seasonal (what season)	1	10%
4	Permanent	7	70%
	Total	10	100%

7. What statistics have you gathered in your past pop-up events?

Text Response

No specific statistics. New food products are tested sometimes to test customer acceptance. New locations are attempted to attract different demographic.

None as of right now. But depends on if it's her own event she is hosting

None

None

None

Some numbers based on sales and what items sold best and the ones that didn't

None

none

no, not really a data person

gathered sales records, and signed up on email list, and [facebook](#)

After reviewing the results, the students reported the following findings regarding what they needed to know before crafting a pop-up event: a successful pop-up event would entail reaching out to new customers, customer awareness of the product offerings, the ability to network with other entrepreneurs, the ability to build the product brand, the ability to market their products via social media and – of course – product sales.

4 THE POP-UP EVENT

The students showcased six pop-up establishments on June 11, 2014 at The Whitdel Arts gallery, which is located in Southwest Detroit. The participating pop-ups included Drink Green Smoothies, CID Collection, Buff's Mexi-Casian Grill Food Truck, Firebrand Candles, True Indulgence and Hometown Custom Clothing. Each of the participating pop-up businesses was contacted by one of the students and invited to

participate. The gallery space was rented along with tables and chairs, signage and financial sponsoring of each of the vendors to provide product for the event. The individuals who attended the pop-up event were both contacts of the individual businesses and local residents in the area. Each student and each pop-up entrepreneur advertised the event over the course of two weeks. Due to the nature of the pop-up business model, the best approach in marketing the event was social media and word of mouth. The event was held at 7pm in the evening and it was relatively well attended by approximately 75 people. Each of the entrepreneurs felt that the event was successful and each sold product. There was also networking among the pop-up entrepreneurs, which was another important element of success as indicated by the primary research conducted by the students.

5 CONCLUSIONS

The pop-up business model is indeed valid and thriving within Metropolitan Detroit. There are a plethora of established businesses that already adopt this model and capacity for many more. The fact that there are established businesses that were born of pop-up effort is further testimony to this fact.

Starting up a pop-up business is not as easy as one may think initially. There are key considerations that must be put in place to ensure their successes. Physical location of the business is critical as it would most likely determine the customer availability and proximity to market. Adequate staffing of competent and skilled personnel provides important input to business operations. The proponents of the pop-up business strategy must also consider all relevant legal entities as provided

for by the local authority regarding the business. Furthermore, the business must focus much on the supply chain and its associated stakeholders, as they would be the major drivers of growth and development of the business. Finally, the business proponents ought to focus on the associated business inventory. If they've had a poorly developed business plan then chances are that the pop-up would perform poorly as well (Gibbs 2012).

Ultimately, the students surmised that the following factors are most important in evaluating the pop up business model within the city of Detroit:

- ✓ Thoughtful utilization of existing space
- ✓ Deliberate use of space in order to instigate activity within a given area
- ✓ Viability of concept and/or product
- ✓ Thoughtful consideration of a plethora of marketing techniques

6 References

Gibbs, R. J. (2012). *Principles Of Urban Retail Planning and Development*. Hoboken, N.J:
John Wiley & Sons.

Shah, J. (2009). *Supply Chain Management: Text and cases*. Upper Saddle River, N.J:
Pearson Education.