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CASE STUDY **URBAN OUTFITTERS CORPORATE CAMPUS**

LOCATION: PHILADELPHIA, PA. 2008 REVENUE: **\$1.835 BILLION** CHAIRMAN: **RICHARD HAYNE**

Urban Outfitters' Edgy Adventure

After relocating to an abandoned naval yard, the retro-chic retailer sees revenue skyrocket—and once skeptical employees have embraced the gritty, but inspiring space.

BUSINESS BENEFITS:

- PRODUCTIVITY
- RECRUITING/RETENTION
- BRANDING
- SUSTAINABILITY

By Jenna M. McKnight and Sebastian Howard

Philadelphia—Richard Hayne, chairman and president of Urban Outfitters, met stiff resistance when he initially announced plans to move his company's headquarters from traditional high-rise offices to five dilapidated buildings in the decommissioned Philadelphia Navy Yard. "I wouldn't say it was a mutiny," Hayne says, recalling his colleagues' reactions. "But there were definitely some blank stares and 'are you kiddings?'"

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Photo © Lara Swimmer Photography

Richard Hayne, chairman of Urban Outfitters, says his \$100 million investment in his company's new headquarters was well worth it. "I'd do it again," he says. "It's obviously successful—people want to come to work. What better thing can you have?"

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2008 revenue
increased 22%
to a record **\$1.8**
billion

Employee
turnover **down**
11%

The retailing giant, which sold nearly \$2 billion worth of its clothing and apartment wares in 2008, for many years had been spread among six buildings in downtown Philadelphia. This physical separation was "horrible," Hayne says, because each department was "unsure about what the other was doing."

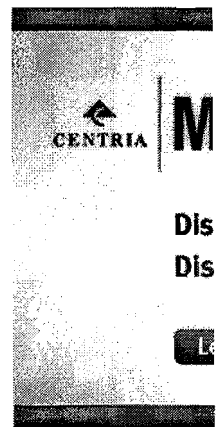
Increasingly, Hayne realized that to maximize performance his company needed a unified campus—and a generic office park was out of the question given the spirit and reputation of Urban Outfitters.

Founded in 1970, the retailer offers hip merchandise with a vintage twist aimed at trendy, young buyers. Most of its retail brands, which include Urban Outfitters, Anthropologie, and Free People, are housed in renovated old buildings with double-height ceilings and exposed brick, concrete and timber.

So Hayne began looking for a setting for his new corporate home that would mirror the aesthetic sensibility of his stores, and in 2004, he found what he judged to be a near-perfect spot: the naval shipyard, which the Defense Department shuttered in 1995.

He was confident enough in his decision that he purchased four buildings outright and leased a fifth—a buying decision greatly abetted by the \$1-per-building sales price and a 20 percent federal tax credit that would help offset the roughly \$100 million it would cost to renovate the structures.

Next, Hayne hired Meyer, Scherer & Rockcastle, a Minneapolis-based firm that specializes in historic renovations, to transform the industrial brick structures into an inspiring environment for Hayne's roughly 600



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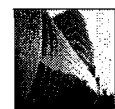
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Recruitment time for senior managers **down 41%**

Buildings purchased for \$1/each and renovation costs eligible for **20% federal tax credit**

employees.

Gritty, Pretty

The architects had several guiding principles for the 285,000-square-foot project. First, they wanted to create an environment that embodied the essence of Urban Outfitters and its retro-chic merchandise. So rather than stripping the shipyard buildings clean, they decided to preserve the scars, which the Navy had inflicted through a century of improvised modifications and expansions. "It's all about revealing the palimpsest of history, rather than sanitizing it back to one moment in time," explains

firm principal Jeffrey Scherer.

Old paint remained on the walls and ample material was reused—stairs were fashioned from wooden beams, for instance, and windows were removed, re-glazed, and reinstalled. Scherer remembers instructing contractors to sandblast the steel beams in one of the buildings, then allowing the metal to rust until it turned a perfect shade of orange.

In other words, the architects meticulously cultivated a gritty, lived-in aesthetic—a look far more in sympathy with the design sense of its customer demographic than the company's old offices, which featured dropped ceilings and wall-to-wall carpeting.

Innovation Incubator

When profits depend on employees' ability to create cutting-edge designs, a business simply can't survive unless its workplace is an incubator for innovation: Urban Outfitters "lives and dies in creativity," according to Hayne.

Mindful of this, the architects wanted to ensure that every office and studio had a design that allows the imagination to flourish. In all five buildings, employees work in light-filled interiors with open layouts; very few staff members have an enclosed office. Most of the furnishings are custom-made and contain recycled material (tabletops crafted from salvaged wood, for instance).

"We didn't want it to feel like an office building. We wanted it to feel like a workshop," explains Scherer. "It's all about discussion, talking about trends, critiquing each other's work. The spaces are all designed to facilitate collaboration."

Amenities such as a gym, yoga studio, dog park, and farmers' market further add to the lively and informal atmosphere. The exterior landscaping was designed by Julie Bargmann's D.I.R.T. studio, known for turning derelict industrial sites into vibrant public spaces. For the Urban Outfitters campus, pathways took their cue from old rail lines on the site. A large plaza features "Barney rubble"—Bargmann's term for old concrete that was broken up via a jackhammer and artfully repositioned.

Employee Morale

All of these gestures to what Hayne calls "a quality of life thing" help Urban Outfitters boost employee satisfaction. Since moving into the new headquarters, employee turnover has dropped to 11 percent, and fewer sick days are being used. "The people who are here at the campus are more relaxed and happier than they were when we were spread out in various buildings," says Hayne. "They feel more linked to the community and culture of the company."

In addition to staff satisfaction, the campus has improved his company's ability to attract new talent. For instance, recruitment time for senior managers has decreased 41 percent. And the informal atmosphere is alluring to Millennial-aged employees, who tend to value open, flexible work arrangements more than previous generations of workers.

Haynes says campus visitors often are awestruck. When the president of one of the country's top design schools recently visited the corporate campus, the academic confided to Hayne that touring the site had convinced him to apply for a position at Urban Outfitters after he leaves his post at the college.

"We get this reaction often, even among people who aren't looking for a job," Hayne adds. "People say, 'Oh my god, I'd love to work here!'" With facilities this attractive, he says, "75 percent of a recruiter's job is done" before an applicant even has an interview.

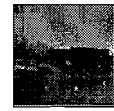
Bottom Line

By all accounts, the \$100 million was money well spent. While Hayne concedes that the transition did briefly put a dent in the company's earnings, he takes it in stride. An undertaking of this scale, he says, "usually creates a brief down period, but as people become accustomed to their new environment, there's a burst of energy and productivity."

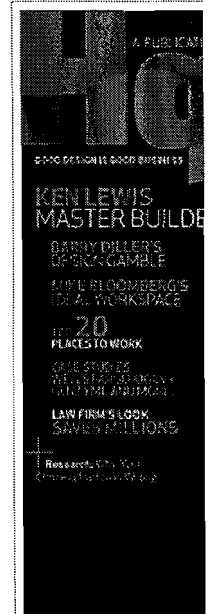
He adds that having a central campus has paid dividends. In the new facility, departments now work closely together—in some cases, employees from different divisions literally sit next to each other. "The campus has improved creative collaboration," Hayne says, "which ultimately impacts our bottom line."

The numbers support his sanguine assessment of the value of the design. The company's revenue in 2008 increased 22 percent over 2007, to a record \$1.8 billion, and the retailer opened 49 new stores (it now has nearly 300), including its first garden center, Terrain, near Philadelphia.

Five years after his idea was greeted with skeptical eye-rolls and head-shakes, Hayne concludes that investing in his company's new headquarters was well worth it. "I'd do it again," he says. "It's obviously successful—people want to come to work. What better thing can you have?"



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