

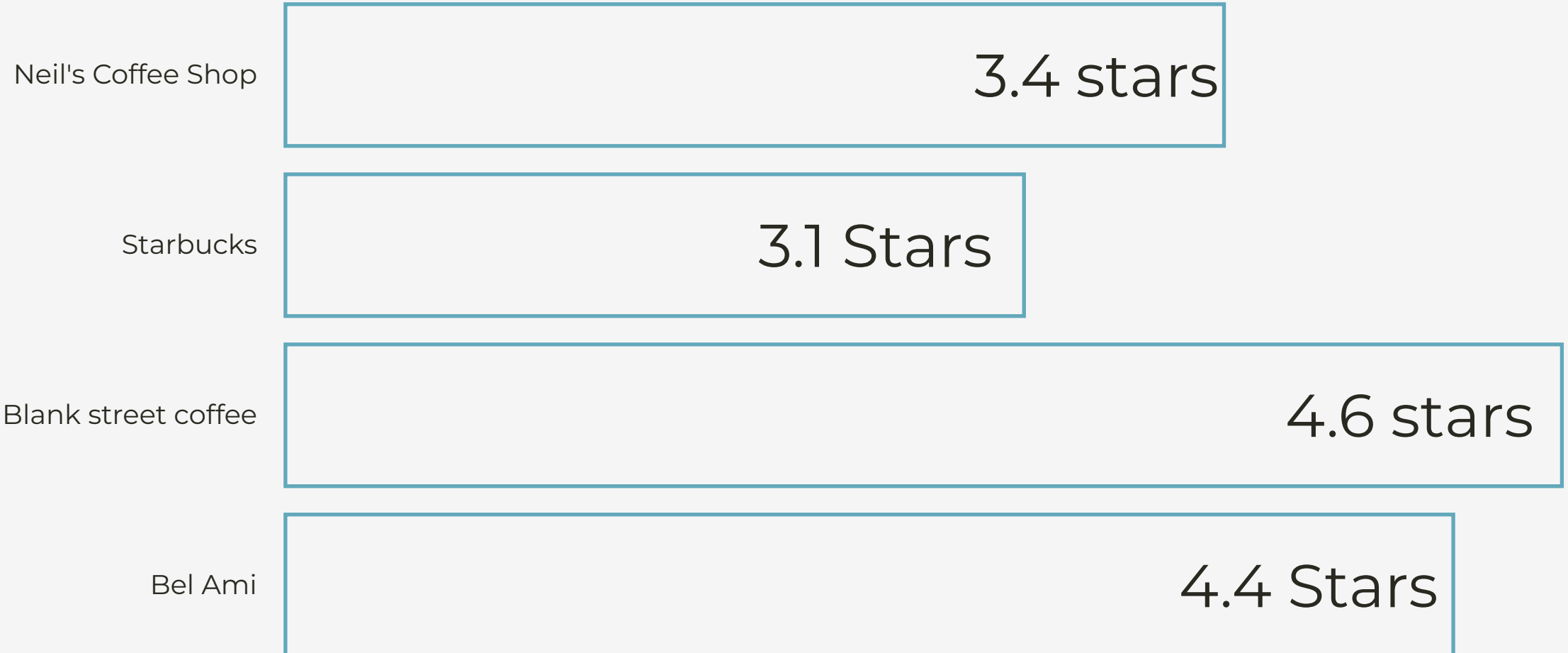
# Neil's Coffee Shop



William Arlinger

# Competitor Analysis

Average customer satisfaction ratings (out of 5 stars) - Google reviews



# Customer analysis = Business analysis:

## Demographic Segmentation:

- **Age:** Typically, young adults (ages 18-35) However, coffee appeals across a broad age range from teenagers, who might prefer sweetened coffee drinks, to seniors who may stick to traditional black coffee.
- **Income:** Middle to high-income individuals who can afford to spend on premium coffee products and experiences. This demographic is more likely to frequent coffee shops for quality beverages and a conducive environment for socializing or working.
- **Occupation:** Professionals, students from the nearby Hunter university, and freelancers who often use coffee shops as a workspace or meeting area. This includes business people looking for casual meeting places and students needing a place to study.

## Psychographic Segmentation

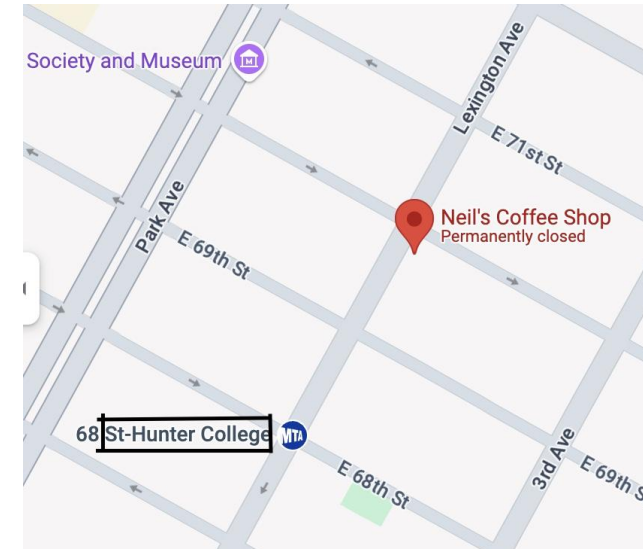
- **Lifestyles:** Customers who lead busy, urban lifestyles and value convenience are prime targets. Additionally, those who view coffee drinking as a social activity are likely to frequent coffee shops.
- **Interests and Attitudes:** Coffee enthusiasts who are interested in gourmet coffee blends, coffee origins, and brewing techniques. Environmentally conscious consumers who prefer shops offering organic or sustainably sourced coffee.

## 3. Behavioral Segmentation

- **Purchasing Behaviors:** Customers can be segmented by their buying frequency (daily, weekly, occasionally) and their loyalty to the brand. Most people have designated coffee shops and come regularly.
- **Usage Rate:** Heavy users (daily consumers), medium users (a few times a week), and light users (occasional visitors). Each group has different needs and values.

## 4. Geographic Segmentation

- **Location:** The upper east side is a more residential area of the ones in New York, meaning that ideal customer gets a cup on their way to work(earlier), in a place like New York where square footage is expensive and hard to come by(especially in this area) Neils could also serve as a supplement to a working space at home.



Target goal: **Customer retention** while increasing EBITA

STEPS:

- **Consistency of the experience:** studies have shown repeatedly that consumers prefer a product that is known to be “acceptable” rather than risks an unknown product that may be either “exceptional” or “poor”; more than anything else, a customer wants to know what to expect from a coffee shop. The anxiety generated by an inconsistent experience (product & service) may be enough by itself for a consumer to avoid a coffee shop altogether.
- **Loyalty program:** Another essential part of customer retention is creating financial incentives. A loyalty program giving points on coffee order(highest margin and most popular product), locks in your customer and makes them feel economically responsible coming back to neils. Giving discount for app downloaders is one way of achieving this + a good marketing strategy. For instance, offering a 10% discount on the next purchase through the app can increase app adoption rates and lock in customers economically, making them more likely to return.
- **Collaborative space:** Eric has informed me that there is space for 15 more seating placements under regulation law, making neils a place where surrounding students and also residents can stay and work is a tactic that starbucks employs, and works to great success. This also makes the space rentable. Neils has the legacy and fame that attracts someone who wants to throw a networking event, meeting, etc, it just needs environment to host it.

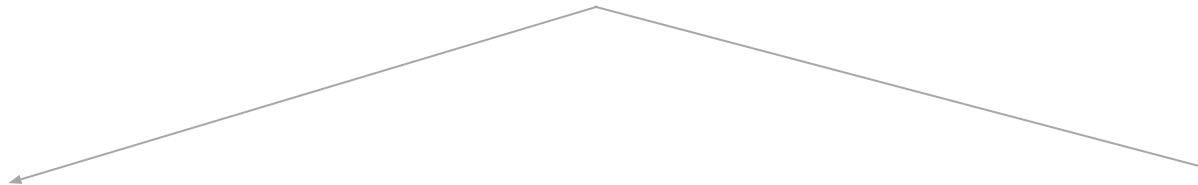
**Supply Chain Management:** Maintain a buffer stock of critical supplies (e.g., coffee beans, milk) at 10-15% above average monthly usage to handle supply fluctuations without affecting product quality.

**Pricing Strategy:** Conduct bi-annual competitive analyses to ensure pricing within a 10% range of competitors, adjusting for unique value propositions.

## Consistency of the experience:

### Staffing fluctuation:

Given your current setup at the coffee shop, which includes a team of four—two baristas, a pastry chef, and a cashier—tailoring the staffing levels to align with customer traffic patterns can significantly improve operational efficiency and financial outcomes.



**Adjustments During Non-Peak Hours:** During the quieter hours, which typically span from late morning to mid-afternoon, there is a noticeable dip in customer traffic. To better match staffing to demand, consider scaling down by having one barista instead of two, given the lower volume of coffee orders. The pastry chef and cashier might remain as is, unless data suggests otherwise. This reduction helps in managing operational costs more effectively while maintaining service quality.

**Staffing During Peak Hours:** The morning rush, particularly from opening until 10 AM, sees a substantial increase in customers, driven by commuters looking for quick service. To manage this influx, augmenting your staff with an additional barista or cashier during these hours could prove beneficial. This increase in staff will help manage the higher volume of orders efficiently, aiming to keep transaction times below 5 minutes.

## 1. Tiered Rewards System

Implement a tiered rewards system that categorizes customers based on their spending and visit frequency. This system could have three tiers: Bronze, Silver, and Gold. Each tier offers progressively better rewards and incentives.

- **Bronze Tier:** Reached after spending \$50 or 10 visits. Offers a 5% discount on all orders.
- **Silver Tier:** Reached after spending \$100 or 20 visits. Offers a 10% discount on all orders and a free pastry on the customer's birthday.
- **Gold Tier:** Reached after spending \$200 or 40 visits. Offers a 15% discount on all orders, a free pastry on the birthday, and exclusive access to new products or events.

This tiered system encourages customers to increase their frequency of visits and spending to reach higher tiers. Analysis might show a potential 20% increase in average customer lifetime value as customers strive to reach higher reward tiers.

# Loyalty program:

## 2. Point Accumulation and Redemption

Customers earn points for every dollar spent, which can be redeemed for products or discounts. This direct correlation between spending and rewards serves as a strong incentive for increased purchase volumes.

- **Earning Points:** Customers earn 1 point for every \$1 spent.
- **Redemption Options:** 100 points can be redeemed for a \$10 discount on any order, or 50 points can be redeemed for a free coffee.

By offering tangible returns on spending, you can potentially increase the average transaction size. Implementing a points-to-dollar ratio that balances reward attractiveness with business sustainability is crucial. Expect to see a 15% increase in transactions from customers participating in the points program, based on preliminary data models.

## 3. Digital Engagement Enhancements

Integrate the loyalty program with a digital app that not only tracks points and tiers but also sends personalized offers and notifications based on user preferences and purchase history.

- **App Features:** Order ahead, track points and rewards, receive personalized discounts, and notifications about special events.
- **Data Analytics:** Use data gathered from the app to understand purchasing behaviors and adjust offers accordingly. This could involve machine learning algorithms to predict customer preferences.

The digital component makes the loyalty program more accessible and engaging for customers, encouraging frequent use and increasing touchpoints. Businesses could see an up to 30% increase in customer engagement through the app, with subsequent boosts in sales during promotional periods.

Each aspect of the loyalty plan is designed to synergize with others, creating a comprehensive system that encourages more frequent visits, increases spending, and enhances overall customer engagement with your coffee shop.

## 1. Flexible Workspace Offerings

Transform part of the coffee shop into a flexible workspace that can be utilized by students and remote workers during the day, with the capability to host events or group gatherings during evenings or weekends.

- **Workspace Layout:** Designate an area with modular furniture that can be easily configured for different uses—individual work, group projects, or event settings.
- **Subscription Model:** Offer monthly subscriptions for guaranteed seating and amenities like high-speed Wi-Fi, access to power outlets, and unlimited coffee refills during workspace hours (e.g., \$100/month).

This approach can increase daytime foot traffic and ensure a steady revenue stream from subscriptions. By offering a niche service, you might see a 25% increase in overall occupancy during traditional off-peak hours.

# Collaborative space:

## 2. Event Hosting Capability

Capitalize on Neil's reputation and the additional space by offering rental options for private events, such as networking gatherings, workshops, or small conferences.

- **Rental Packages:** Create tiered rental packages that include basic (space only), standard (space plus catering), and premium (full service with A/V equipment and dedicated staff).
- **Pricing Strategy:** Price packages competitively based on local market rates and the value of included services (e.g., \$500 for basic, \$1,000 for standard, \$1,500 for premium per event).

Event hosting can diversify revenue sources and elevate the brand's community presence. Targeting just 2-3 events per month could increase monthly revenue by up to 20%, depending on the season and market demand.

## 3. Community Engagement Programs

Develop a series of programs and partnerships with local educational institutions, businesses, and community groups to regularly utilize the space for meetups, lectures, and co-working days.

- **Partnership Development:** Engage local universities, tech hubs, and professional groups to create mutually beneficial relationships.
- **Scheduled Events:** Organize weekly or monthly events, such as "Tech Tuesdays" or "Freelancer Fridays," which draw regular attendees.

Such community-focused initiatives can strengthen Neil's position as a community hub, encouraging loyalty and frequent visits. Implementing these programs might lead to a 30% increase in customer retention rates among the local student and professional population.

By integrating these strategies, Neil's can fully utilize the additional seating capacity not just as a coffee shop but as a multifunctional space that serves various community needs, enhancing both its economic viability and its role as a community landmark.

# Key Performance Indicators (KPIs)



## Web Traffic

Track the number of unique visitors to the coffee shop's website and also app downloads to see the effectiveness of the loyalty program



## Customer Satisfaction

Track the google reviews and check if they are growing to the rate of competitors.



## Revenue Growth

Monitor the monthly and year-over-year revenue growth to ensure the plan is driving increased sales and profitability.



## Repeat Customers

Analyze the percentage of returning customers to assess customer loyalty and the impact of improved product and service quality.

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