Louisa Pick-Up Store Model

Business Proposal

Prepared for

路易莎咖啡 Louisa Coffee

Prepared by

Uranchimeg Munkh-Erdene
anyamunkh@gmail.com
+886 909361667

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Executive Summary

By looking at 17 years of Louisa's expansion and dominance in coffee retailing market, the company has put so much effort into keeping the main focus of business which is to provide customers with comfortable environment and specialty coffee at very affordable price.
But I hope that it is also the main concern of stakeholders if the current business strategy is sustainable enough to support Louisa's future expansion and brand development.

After considerately studying the company's financial statements, there has been indicative patterns of company's low profit margin and chances of running on high leverage.
Presumably, this can be caused by high rent and maintenance costs all related to extensive in-store seating decorations, and the profit from products and services might be struggling to cover them all.

This business proposal of "Louisa Pick-Up Store" is a business model which suggests Louisa's pick-up stores will be located in high foot traffic locations such as school campus and office buildings without any in-store seating design, mainly focusing on express service.
Essentially, this model proposes a solution for operating in high profit margin by drastically lowering operating expenses for Louisa, while drawing more sales by locating strategically. Gradually, this will allow for the opening of smaller but more cost-efficient stores.

It is my main goal and purpose to being able to part of innovative business processes and developments which also allows me to grow as an individual.
Additionally, as a data-analysis enthusiast, it is my intention to bring and suggest you the optimal data-driven solutions to facilitate you on making crucial business decisions.
With the help of data analysis, Louisa can benefit hugely from predicting customer purchase pattern, effective inventory management as well as product selection strategy based on customer's historical purchase data.

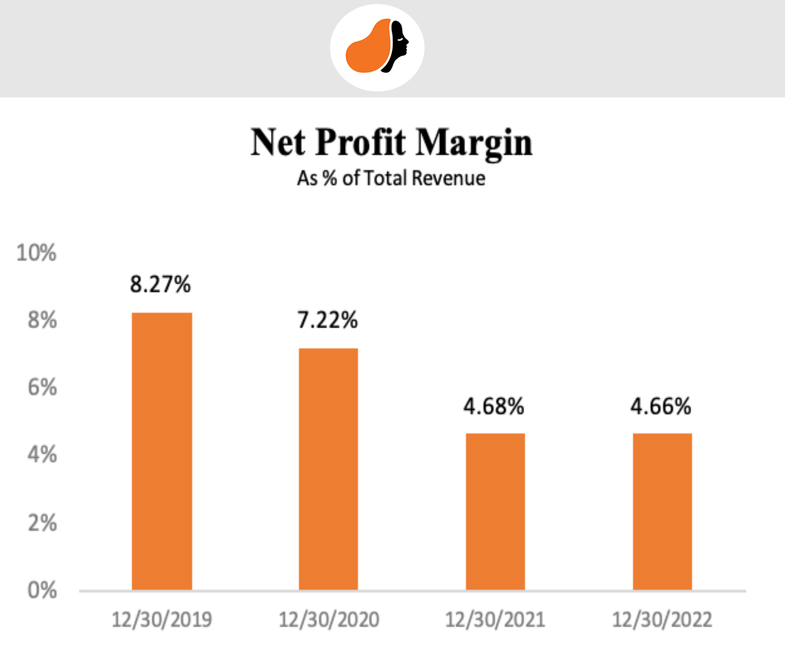


Chart 1.

In the past four years since the company's initial public offering, there has been noticeable modest growth in the total revenue, yet the net profit margin has experienced a consistent decline. This phenomenon can be directly linked to the company's increased operation expenses, liabilities, and long-term obligations.

Problem Statement

It Is the main psychology of the company to provide coffee-lovers with their needs at affordable price in comfortable environment, but as a business it is important to keep the profit high for long-term efficiency.

For the last consecutive years, more than 45% of the total revenue has been going into operating expenses such as rent, equipment, in-store maintenance and utility, and the number has been growing as the revenue grows as little. Chart 2

"The potential challenge the company might be facing is that the average bill size is relatively low. Despite this, Louisa is still left to cover all the operating expenses to maintain the in-store café model, leading to constrained net profit margin"

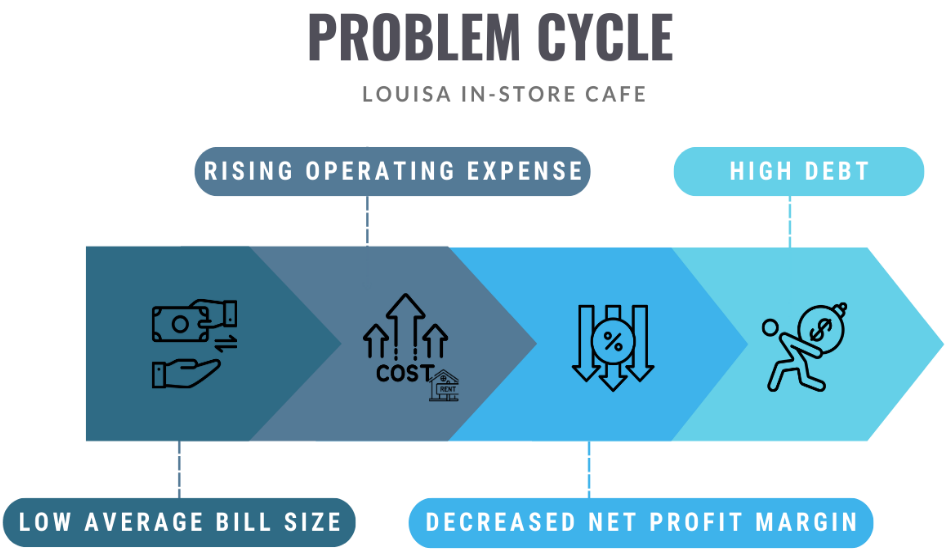
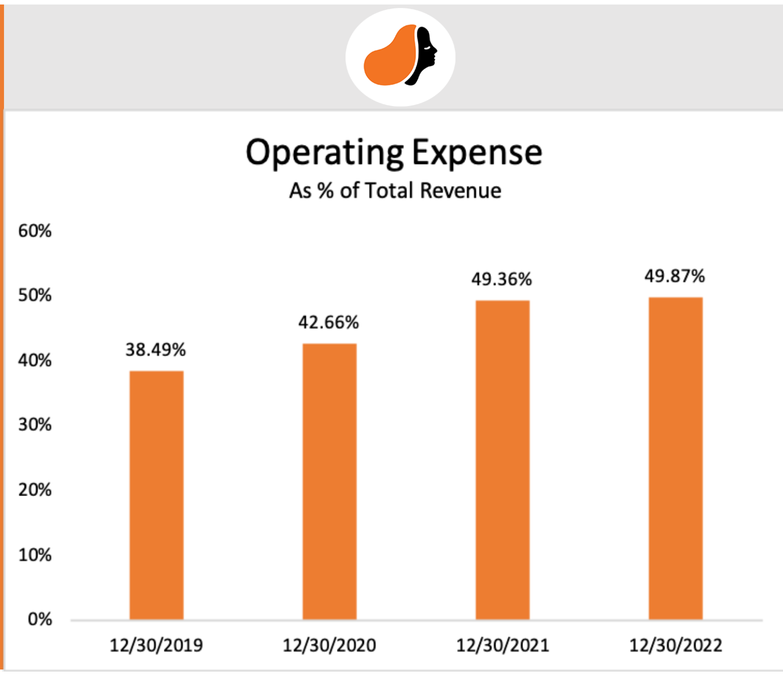


Chart 2.



Problem Statement Cont.,

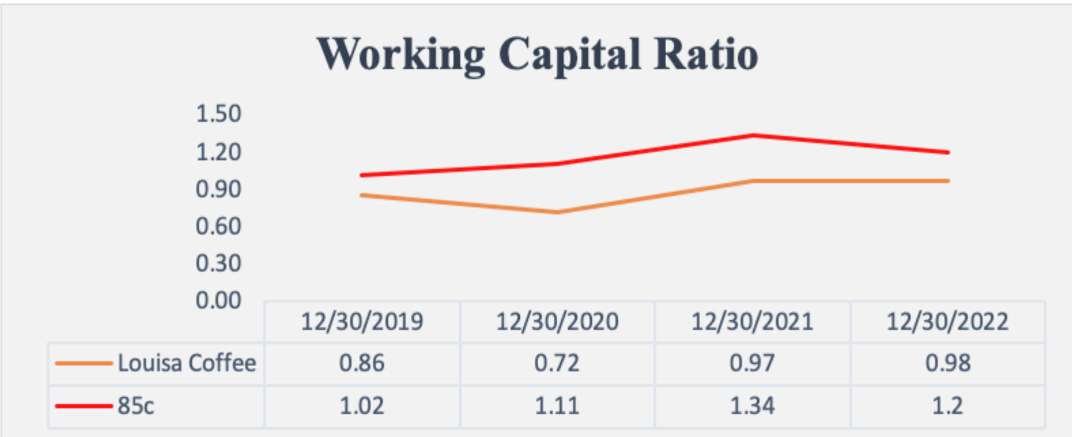
As shown below, two of the main financial ratios are illustrated in comparison of one of the main industry competitors, 85°C (Gourmet Master)

Chart 3. The working capital ratio is the indication of operational efficiency, short-term financial health, and company's ability to turn assets into cash to pay short-term obligations. As investors state, working capital ratio of 1 or lower can imply that a company may have liquidity troubles.

Chart 4. As the Debt-to Equity ratio is a measure of the degree to which a company is financing its operations with debt rather than its own shareholders equity. Simply, it's an indication of how much of the current operation is financed by debt.
The ideal debt-to-equity ratio varies depending on the industry. Though, generally good debt-to-equity ratio is around 1-1.5.

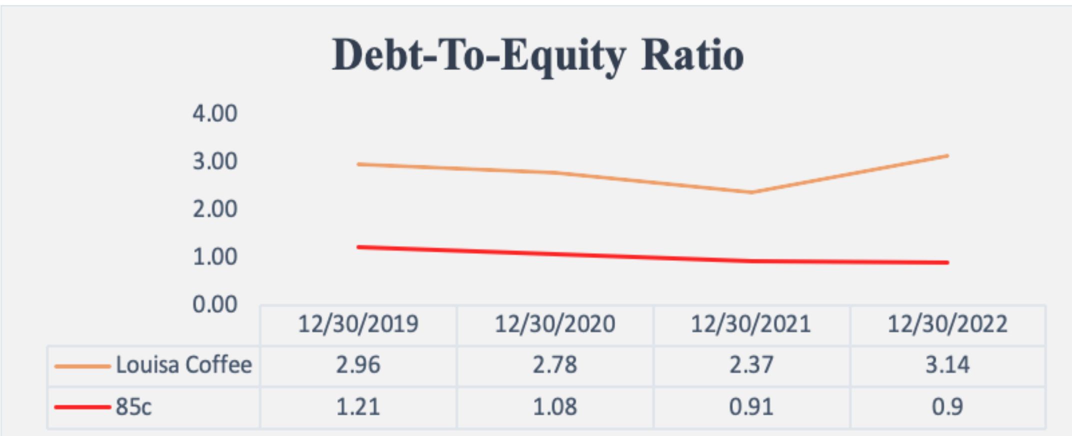
Detrimental long-term risks of running on debt:
-Difficulty of funding its current operations and invest in future activities and growth
-Development of new products
-Company's further expansion, technology upgrade and long-term prospects
-Lack of marketing campaign
-Supplier and creditor relationships
-Reputational risk

Chart 3.



	12/30/2019	12/30/2020	12/30/2021	12/30/2022
Louisa Coffee	0.86	0.72	0.97	0.98
85c	1.02	1.11	1.34	1.2

Chart 4.



	12/30/2019	12/30/2020	12/30/2021	12/30/2022
Louisa Coffee	2.96	2.78	2.37	3.14
85c	1.21	1.08	0.91	0.9

Proposed Solution

This business model of **Louisa Pick-Up Store**, strategically located in high-foot traffic areas, proposes an innovative business model that addresses the demand for specialty coffee and nutrition-dense food among target audiences at a remarkably low cost and high efficiency.

"Customers no longer need to get out of their way to grab their coffee, and Louisa will be part of their everyday life while keeping the operation cost lower than traditional in-store café"

This approach not only resonates with company's core concept of commitment to customer convenience but also serves as a key component of enhancing company's overall profitability. Gradually it will enable the company to build backbone strategy of gaining more net profit which will allow the company to invest in future growth, brand development and expansion into foreign market in the near future.

Mission:

The main mission of this model heavily focuses on lowering operational costs by adapting to pick-up stores while also having same flow of customers throughout the day. And gradually expanding the profit for company's sustainable future growth.
There is a full potential that this model can outperform Louisa in-store branches located in low-tier locations.

The costs that will be eliminated drastically:

-Rent and lease expenses
-Utilities and maintenance cost
-Equipment maintenance and repair
-General administrative expenses
-Reduced staffing requirement

Louisa's strengths on this business model:

Deliverables

The products and service that will be available at Louisa-Pick Up Store:

Products:

-All kinds of beverages

-Baked Pastry /Bagel, Cake/

-New Breakfast Option

Service:

-Enable receiving order through Line App.

Top-Tier Locations:

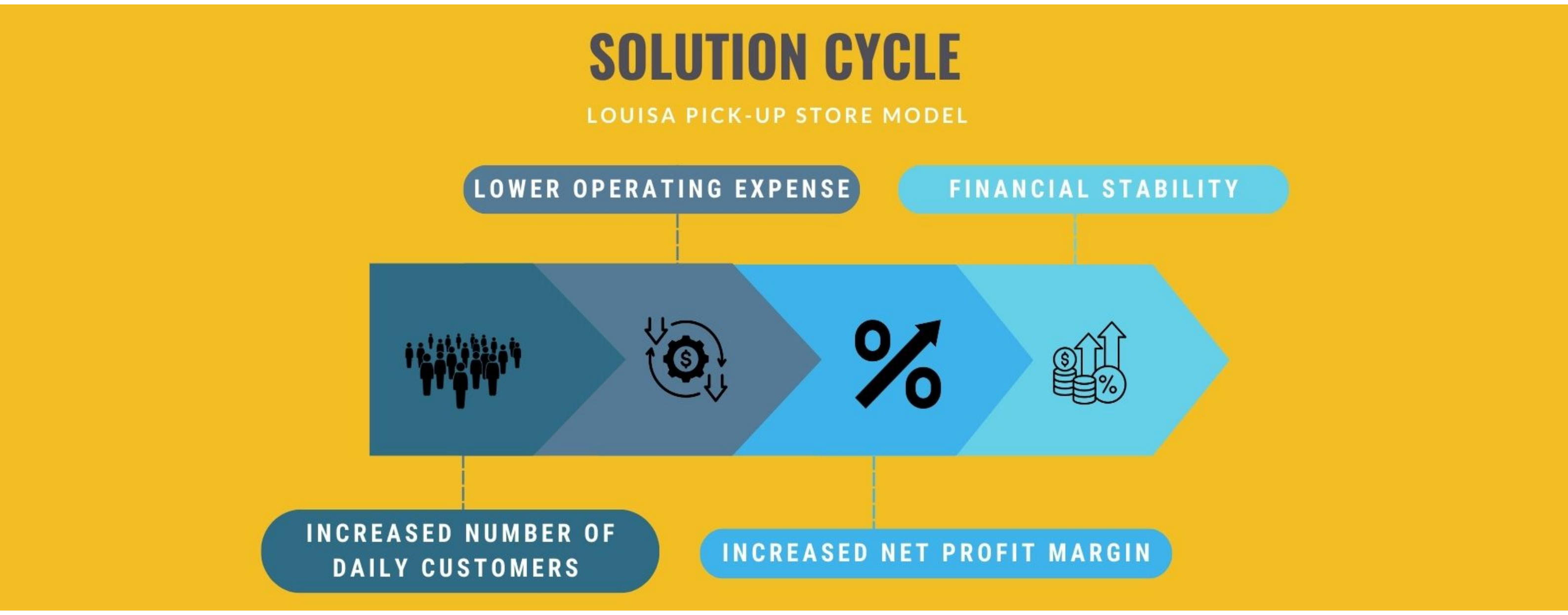
-University Campus

-Office Buildings

-Big Malls

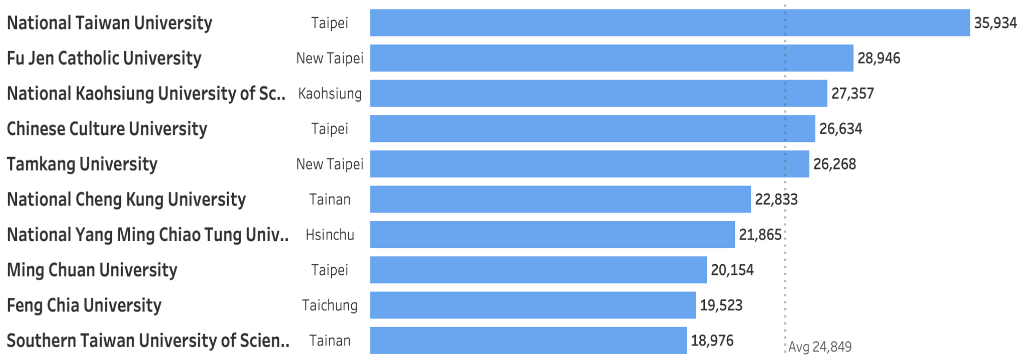
-Around MRT stations /Where big crowd of pedestrians pass by/

Example models of how Louisa Pick-Up stores can look like:



Supporting Data

Top 10 Universities by number of enrolled students as of 2023



If we expect only 2% of average number of total students.

496

Transactions per day

Average bill size at

NT$95

Chart 5.

*All the charts and graphs in this report are made by myself and the raw data resourced from Google.

References

Chart 1-4. Yahoo Finance
https://finance.yahoo.com/quote/2758.TWO/financials/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAEdm28sdynK1FSobae1Ua44jOFosB7v-jbLZ-GYowklvakg-dG7i6psPx3g69skn-UBowm3hFS1ApzBYTcEITn3Er1Cbb3YT5dwJYEH846CaSxaS4opQdx5nld23m4cZWTHj3ywKs74prRld1sGS-F5J26Y6_cEIE6Ads7fLJvHx

Chart 5. Study in Taiwan
https://www.studyintaiwan.org/#