



LOCAL BRU

Data Migration to the Cloud

Carrie Cox, Grace Trane, Arun Ganapathy

TABLE OF CONENTS

01

Overview

02

SBAR

03

Operational
Goals

04

OKRs

05

ROI & VOI

06

Bottom Line
Impact



01

Overview



LOCAL BRU

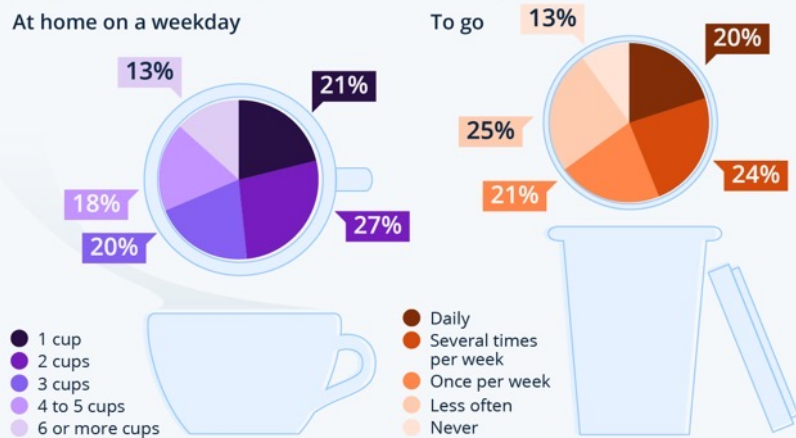
- Midwest, regional coffee shop
- Opened in 2005 – Winterset, IA
- Seen large growth recently, doubling in store count in the last three years
- Currently have 50 stores
- Partnership with Squarespace for payment system & analytics insights



COFFEE INDUSTRY

How Many Cups of Coffee Do Americans Drink Each Day?

Share of U.S. coffee drinkers
by level/frequency of coffee consumption



499-831 (daily) U.S. coffee drinkers (18-74 y/o) surveyed Nov. 5-12, 2021

Source: Statista Consumer Insights



statista

\$85 B

Annual revenue of the
US coffee market in 2022

60%

Percentage of
Americans who
consume coffee daily

38,411

Number of coffee shops
across the country in
2021

WHAT ARE THE COSTS OF A COFFEEHOUSE?

A small coffee shop owner can expect a take home between **\$60,000 - \$160,000** after expenses. The monthly expenses of operating likely total **75-85%** of monthly sales. For Local Bru to continue to improve, and beat the average, we need to have **better control of our expenses**.

Coffee industry best practices

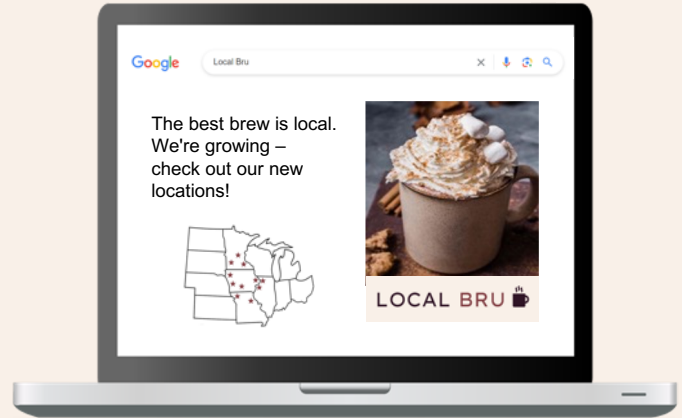
% of Sales	Typical Range	Best Practice
Cost	35-40%	30-35%
Labor	30-40%	25-30%
Rent	10-15%	< 10%

INVESTMENT OPPORTUNITY

Since the COVID-19 Pandemic, coffee shops have faced:

- Labor shortages
- High labor costs
- Increased costs of goods

Given the recent shift in the industry, the company must transition from a manual way of determining operations, to migrating entirely to the cloud and using intelligent AI forecasting and optimization to create more efficient processes.



02

SBAR

Situation, Background, Assessment, Recommendation



LOCAL BRU SBAR

LOCAL BRU 



Situation

- Improve Revenue



Background

- Manual data entry
- Lack of efficient inventory planning
- Lack of knowledge in optimizing labor
- Limited knowledge of consumer preferences



Assessment

- The introduction of a cloud-based data warehouse will provide data ownership with one source of truth



Recommendation

- Migrate to cloud-based solution
- Utilize AI to obtain better control over cost of goods, inventory, and labor



03

Operational Goals



OPERATIONAL GOALS

LOCAL BRU 



Centralized
Data



Annual Data
Governance
Re-trainings



Enhanced
Data Analytics



Annual Security
Reviews



04

Objectives & Key Results



LOCAL BRU OBJECTIVES

LOCAL BRU 



Enhance
Forecasting
Accuracy

—



Optimize
resource
allocation
and
utilization

—



Improve
on-time
delivery

—

Transforming Forecasting, Delivery and Resource Optimization for Operational Excellence

Objective	Key Result	Owner	Target
Enhance forecasting accuracy	Improve product pricing through use of AI intelligent forecasting of cost of goods, improving net profit margin from 8% to 10%	Materials Manager	End Q2 '24
	Use AI intelligent forecasting to optimally budget marketing advertisement spendings based on regional performance, increasing monthly new customer traffic from 5% to 8%	Marketing Manager	End Q2 '24
Optimize resource allocation and utilization	Improve shift scheduling by decreasing published schedule changes from 15% to 10%	Regional Store Manager	End Q4 '24
	Reduce product waste from 20% to 15%, utilize AI and optimization techniques to monitor product consumption & inventory	Materials Manager	End Q4 '24
Improve on-time delivery	Enhance order creation time by reducing average order completion time by 20% (5 minutes to 4 minutes) by developing drink creation standards/workflow	Regional Store Manager	End Q2 '24
	Optimize coffee bean product delivery to local stores (delivering too much, too often, or non-popular items) to improve retail sales from 5% to 10% of total sales	Marketing Manager	End Q4 '24

05

ROI & VOI



INITIAL INVESTMENT: \$300,000

Migrate to an Azure
Cloud platform

\$100k

Develop and integrate
AI forecasting and
optimization tools

\$200k



BENEFITS: ROI

CATEGORY	RETURN ON INVESTMENT	POSITIVE FINANCIAL EXPECTATIONS
Revenue Growth	Improve net profit margins from 8% to 10%	By using AI intelligent forecasting, we can accurately price products and increase revenue by \$125,000 annually.
Revenue Growth	Improve retail sales of coffee beans from 5% to 10%	With the ability to optimize our delivery of coffee beans to local stores, we will see an increase in annual sales of \$25,000.
Cost Control / Operational Efficiency	Decrease published schedule changes from 15% to 10%	We are expecting to decrease operational costs by \$37,500 annually due to published schedule changes.
Cost Control / Inventory Management	Reduce product waste from 20% to 15%	By utilizing our sales data and AI, we can monitor inventory turnover and reduce product waste to save \$25,000 annually.
Cloud Migration / Technology Investments	Migrate Square data to a cloud-based platform	We project cost savings of \$50,000 annually by streamlining data management and reducing on-premises infrastructure costs.

BENEFITS: VOI

LOCAL BRU 

CATEGORY	VALUE ON INVESTMENT	POSITIVE VALUE EXPECTATIONS
Revenue Growth / Marketing	Assess the effectiveness of marketing campaigns (social media, advertising, and promotions) in driving new customers and increasing sales	By achieving a more efficient allocation of resources and targeting strategies, we anticipate an annual increase in sales of \$87,500.
Revenue Growth / Customer Satisfaction	Increase monthly new customer traffic from 5% to 8%	With the ability to analyze consumer purchasing behavior in Local Brus sales data, we can increase consumer traffic and see an annual increase in sales of \$75,000.
Revenue Growth / Customer Satisfaction	Reduce average order completion time by 20% (5 to 4 minutes), increasing customer satisfaction through quality and timeliness of orders	By streamlining operations and standards to reduce labor costs and improve service speed, we will save \$62,500 in labor costs annually.

Source: Toast POS, 2022

CALCULATIONS

Return on Investment Calculations		Fiscal Year				
	2023 (Year 0)	2024	2025	2026	2027	2028 (Year 5)
Initial Investment						
Migrating all databases to the Microsoft Azure Cloud	\$ 200,000					
Developing and integrating AI tools	\$ 100,000					
Total Initial Investments	\$ 300,000					
Benefits from Artificial Intelligence - Hard Numbers						
Savings:						
Decrease published schedule changes		\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500
Monitor inventory turnover and reduce product waste		\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Streamline data management, reduce infrastructure costs with Cloud solution		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Revenues/Incentives:						
Product Price Increases driven by AI		\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Increased coffee bean revenues through optimized delivery		\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Quality & Customer Satisfaction Benefits - Soft Numbers						
Streamlining operations (reduce labor costs, improve service speed)		\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500
Marketing ROI - allocation of resources and targeting strategies		\$ 87,500	\$ 87,500	\$ 87,500	\$ 87,500	\$ 87,500
Annual new customer traffic increases		\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Annual Benefits		\$ 487,500	\$ 487,500	\$ 487,500	\$ 487,500	\$ 487,500
Expenses						
Cloud maintenance		\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Annual IT/cloud staffing expenses		\$ 200,000	\$ 200,000	\$ 300,000	\$ 300,000	\$ 300,000
Total Expenses		\$ 300,000	\$ 300,000	\$ 400,000	\$ 400,000	\$ 400,000
Net Annual Cash Flows	\$ (300,000)	\$ 187,500	\$ 187,500	\$ 87,500	\$ 87,500	\$ 87,500
ROI		-38%	25%	54%	83%	113%

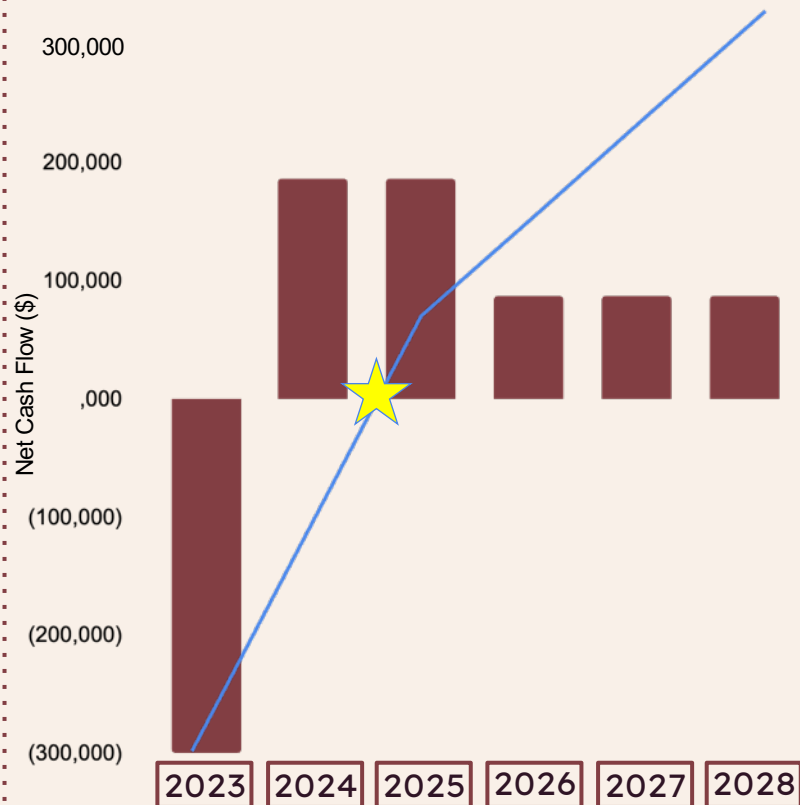
06

Bottom Line Impact



OUR BREAKING POINT

LOCAL BRU 



1.6 yrs.

PAYBACK

We expect a payback after 1.6 years

113%

5-YEAR ROI

Our initial investment is expected to pay for itself and bring a net profit of 113% of the investment made

40%

Internal Rate of Return (IRR)

Our expected increases in profitability after five years



FINAL SUMMARY



Cloud Migration and AI Forecasting & Optimization will drive growth for Local Bru



With the investment of \$300,000, Local Bru will gain better control over our expenses and expect to break-even in just 1.6 years

Questions?



Works Cited

1. Statista. "Coffee shops and cafes in the U.S. - statistics & facts." 2022, <https://www.statista.com/topics/1670/coffeehouse-chain-market/#topicOverview>.
2. Statista. "Coffee market in the U.S." 2022, <https://www.statista.com/forecasts/758662/revenue-of-the-coffee-market-worldwide-by-country>.
3. Buchholz, Katharina. "How Many Cups of Coffee Do Americans Drink Each Day?" Statista, 2023, <https://www.statista.com/chart/19524/cups-of-coffee-drunk-by-americans-per-day/>.
4. Toast POS. "How Much Do Coffee Shops Make?" 2022, <https://pos.toasttab.com/blog/on-the-line/how-much-do-coffee-shops-make>.
5. Seven Miles. "5 Ways to Improve Cafe Profit." 2018, <https://www.sevenmiles.com.au/blogs/editorial/5-ways-to-improve-cafe-profit>.
6. "Pricing Calculator". *Microsoft Azure*, <https://azure.microsoft.com/en-us/pricing/calculator/>.
7. "Cost of Ownership". *Microsoft Azure*, <https://azure.microsoft.com/en-us/pricing/tco/calculator/>.

Credits: This presentation template was created by **Slidesgo**, including icons by **Flaticon**, infographics & images by **Freepik**