



Beanie Coffee - Brand Expansion

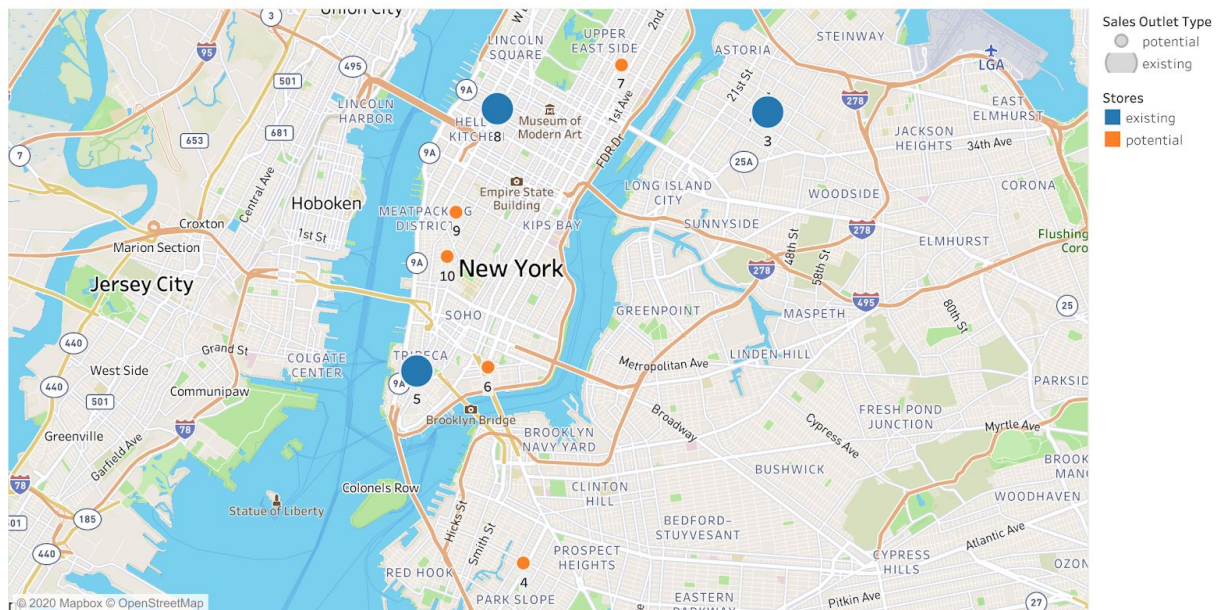
An Analysis of Customer Base and City Demographics

By Ray Ruzzo

Introduction

Beanie Coffee has three successful storefront locations operating in New York City. The shops are located in the Financial District (5), Hell's Kitchen (8), and Astoria, Queens (3). The Co-Founders are looking to expand their business. A realtor has identified six commercial properties in New York City as potential new shops.

Existing & Potential Locations



- 604 Union Street, Central Park Slope, Brooklyn (4)
- 122 E Broadway, Lower East Side, Manhattan (6)
- 224 E 57th Street, Lenox Hill, Manhattan (7)
- 175 8th Avenue, Chelsea, Manhattan (9)
- 183 W 10th Street, West Village, Manhattan (10)

Using sales, customer, and product data, this analysis will predict monthly profits at each of the potential locations. Based on those predictions, I will make a recommendation on which store location to pursue.

Business Insights

Who is Buying Beanie Coffee?

Approximately half of Beanie Coffee's revenue comes from members of the loyalty program. Loyalty Member can provide insights into the types of people who buy Beanie Coffee.

Looking at Beanie's product line, the primary revenue source is Beverages. The majority of those purchases come from members of the Customer Loyalty program. Food purchases are split evenly

between Loyalty Program members and Non-Loyalty Program members. But, non-loyalty members are more likely to buy Merchandise, Whole Beans/Tea, and add-ons to their drinks.

The one store which defies this pattern is the Hell's Kitchen location, where Non-Loyalty members spend the most money. However, it's proximity to Times Square and the Port Authority Bus Terminal likely increases purchases by tourists.

Revenue - Customer Loyalty

Product Group	Loyalty Members	Non-Loyalty Members
Add-ons	988	1,781
Beverages	91,572	89,000
Food	13,409	13,527
Merchandise	1,486	3,088
Whole Bean/Teas	6,869	11,917

Revenue - Customer Loyalty by Store

	Loyalty Members	Non-Loyalty Members
3	38,554	38,659
5	39,954	36,941
8	35,815	43,713

Purchases - Customer Loyalty - Product

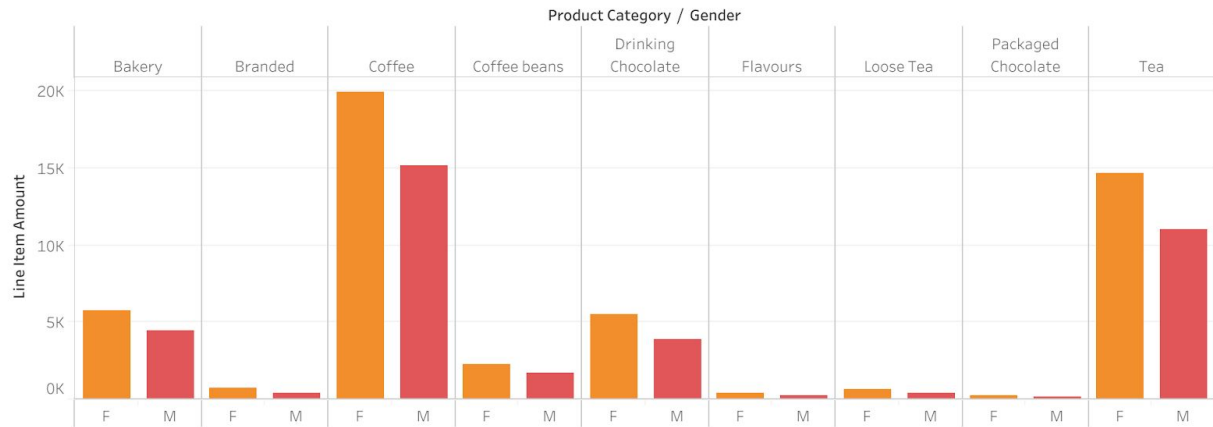
Product Group	Loyalty Members	Non-Loyalty Members
Add-ons	782	1,466
Beverages	19,777	18,869
Food	3,781	3,835
Merchandise	82	163
Whole Bean/Teas	439	700

Purchases - Customer Loyalty by Store

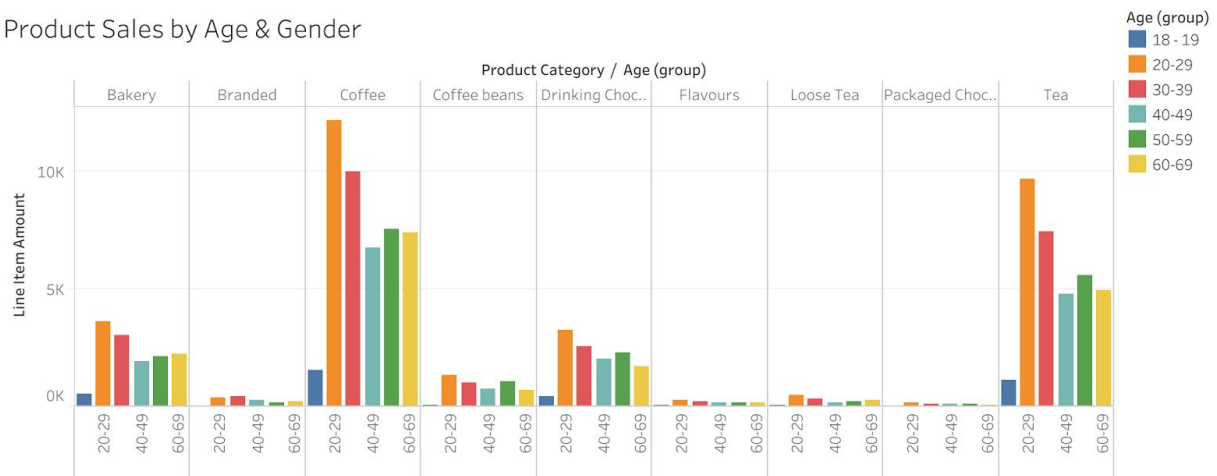
	Loyalty Members	Non-Loyalty Members
3	8,593	8,236
5	8,549	7,445
8	7,719	9,352

Who are our Loyalty Members?

Product Sales by Gender



Product Sales by Age & Gender



Based on sales to Customer Loyalty members, Beanie's Coffee purchasers tend to be women in their 20s and 30s. There is a dip in sales among customers in their 40s, which then exhibits a small increase among purchasers in their 50s.

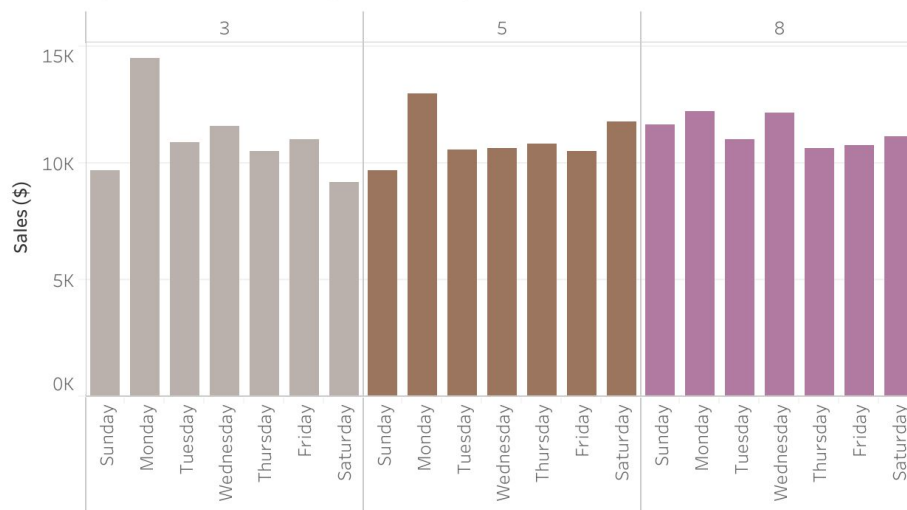
Coffee, Tea, and Drinking Chocolate make up the bulk of purchases across age groups.

When do Beanie's Coffee Customers Make Their Purchases?

Monthly Transactions by Time of Day



Monthly Transactions by Weekday



There is a marked difference in sales over the course of an average day, based on location. Both Manhattan locations see a large spike in sales between 7 am and 11 am. The afternoon sees hourly sales that are about 50% of the morning rush. The Queens location does not see as much of a morning rush, but it also does not see the same decrease as the Manhattan stores. From Noon onward, the Queens store sees more sales per hour than the Manhattan stores.

The Queens shop is located in a residential neighborhood 2 blocks from the subway, with 6 other coffee shops within a quarter mile radius. The Financial District shop is located in a major business area with 18 other coffee shops and 9 subway stations within a quarter-mile radius. The Hell's Kitchen location is more than one avenue and three blocks from the nearest subway station, but it is located in a major tourist destination, with 13 other coffee shops within a quarter-mile radius. Both the residential- and business-

based locations see large spikes in sales on Monday, with more steady sales throughout the week. The Financial District store sees slightly more activity on Saturday than the Queens store. The Hell's Kitchen location does not have as dramatic an increase on Mondays and brings in the most revenue on Sunday, Monday, and Wednesday.

Modeling Purchases

Process

Taking the April sales data from the existing locations, I used customer data to determine the number of purchases made by each demographic group.

Breaking out the sales by product, I determined the profit made at each store using wholesale and retail data. This data was compared to the demographic data of the location's local Community Board. Profits generated by each demographic were compared to the percentage of the population made up by that demographic. Sales to non-loyalty members were counted as 100% of the Community Board population.

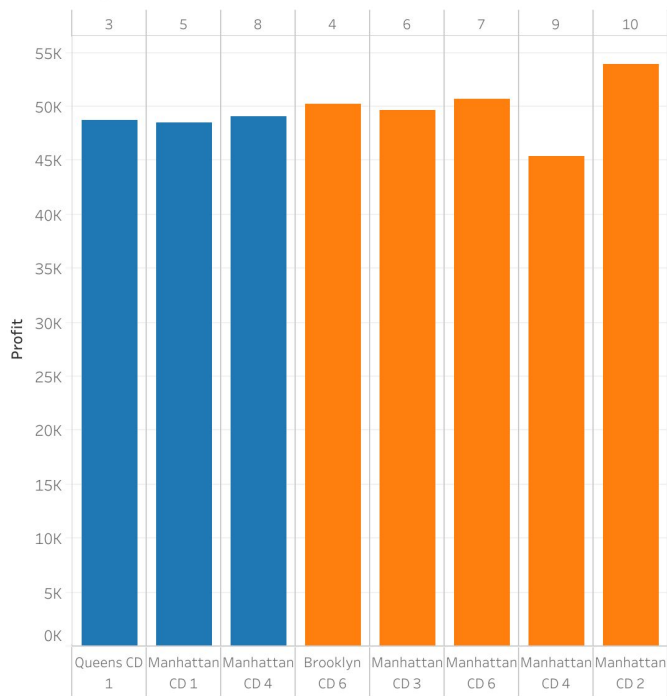
Sales by Gender Age

	Unknown Non- Loyalty ..	Gender / Age (group)											
		F						M					
		18 - 19	20-29	30-39	40-49	50-59	60-69	18 - 19	20-29	30-39	40-49	50-59	60-69
3	38,659	504	3,993	3,994	3,400	3,823	3,497	289	2,582	2,849	2,760	2,910	3,101
5	36,962	451	3,218	3,095	2,929	2,927	2,708	202	1,769	1,895	2,145	2,354	1,697
8	43,735	718	2,990	2,682	3,030	3,609	2,648	155	2,596	2,741	1,845	2,697	3,059

The results here are demonstrated with the **total sales** per store, based on the results of the model showing age as a stronger predictor than product category,

Results

Profits by Store Location



Age and Gender Profit Predictions

	0	F						M					
	Non-Loyalty Members	18-19	20s	30s	40s	50s	60s	18-19	20s	30s	40s	50s	60s
4	16,238	993	2,161	2,091	1,986	1,986	1,986	993	2,079	2,132	1,986	1,986	1,986
6	13,476	1,111	2,223	2,164	2,164	2,199	2,099	1,099	2,224	2,193	2,181	2,099	2,140
7	15,446	1,098	2,221	2,097	2,010	2,033	2,010	1,087	2,209	2,092	2,010	2,010	2,126
9	10,658	1,005	2,219	2,010	2,010	2,010	2,010	1,005	2,219	2,138	2,010	2,010	2,074
10	19,616	1,005	2,185	2,010	2,010	2,010	2,010	1,005	2,156	2,074	2,010	2,010	2,010

The random forest model predicted theoretical April profits at each of the 5 potential store locations. The two that stand out the most are Store 9, with the least profit, and Store 10 with the most. Store 9 is located in the same Community Board area as Store 8, and may siphon customers from Store 8 rather than expanding the customer base. Stores 4-7 all show profits similar to the existing locations.

Neighborhood Research

Population Breakdown

	Cd Short Title / Sales Outlet Id								Sales Outlet Type
	Queens CD 1 3	Manhat tan CD.. 5	Manhattan CD 4 8 9		Brookly n CD 6 4	Manhat tan CD.. 6	Manhat tan CD.. 7	Manhat tan CD.. 10	
Pop 2010	191,105	60,978	103,245	103,245	104,709	163,277	142,745	90,016	
Under18 Rate (Nyccdin..	15	13	8	8	21	11	9	13	
Over65 Rate	13	13	13	13	10	18	18	13	
Pct Served Parks (Nycc..	63	100	94	94	94	100	91	100	
Pct Hh Rent Burd (Nycc..	37	30	34	34	29	38	35	30	
Poverty Rate (Nyccdin..	18	9	11	11	10	19	10	9	
Crime Rate per 1k	11	7	18	18	8	15	12	15	
Public Schools	27	19	29	29	24	42	16	8	
Male 20s	10	9	10	10	5	10	11	9	
Male 30s	11	12	12	12	11	10	10	12	
Male 40s	7	7	9	9	8	6	6	7	
Male 50s	5	5	7	7	5	6	5	5	
Male 60s	4	5	6	6	4	5	5	5	
Women 20s	11	11	11	11	8	11	13	11	
Women 30s	11	11	10	10	12	7	9	11	
Women 40s	6	7	6	6	8	6	6	7	
Women 50s	6	5	5	5	5	6	6	5	
Women 60s	5	5	5	5	4	6	6	5	

This chart compares the neighborhoods Beanie Coffee is currently operating in and the neighborhoods of the potential new locations. The demographics of Store 10's neighborhood very closely resembles that of Store 5 with a greater population.

The final component to take into account is the monthly rent for the store locations, as well as accessibility and competition in the area.

- Store 4, in Brooklyn, is one block from the subway, with 9 other coffee shops in a quarter-mile radius. With median commercial rent at \$55/sf/year and a 1300 sf location, monthly rent would come to be about \$5950.
- Store 6, in the Lower East Side, is one block from the subway, with 4 other coffee shops in a quarter-mile radius. With median commercial rent at \$88/sf/year and a 1000 sf location, monthly rent would come to be about \$7300.
- Store 7, in Midtown East/Lenox Hill, is four blocks from the subway, with 13 other coffee shops in a quarter-mile radius. With median commercial rent at \$91/sf/year and a 1200 sf location, monthly rent would come to be about \$9100.
- Store 10, in the West Village, has 3 subway stops and 13 other coffee shops in a quarter-mile radius. With median commercial rent at \$72/sf/year and a 1600 sf location, monthly rent would come to be about \$9600.

Recommendations

With profits from sales and cost of rent taken into account, Stores 4 and 10 provide Beanie Coffee with the best value. Opening a store in Gowanus, Brooklyn would target a similar residential crowd as the Queens location. Rents are lower than the Manhattan location which would drastically cut operational costs.

However, even with increased rent in the West Village, the accessibility and location will lead to increased profits. The Brooklyn location is on one subway line, the West Village location is serviced by the 1, 2, 3, A, B, C, D, E, F, and M subway lines and the PATH train from New Jersey. It is within walking distance of Washington Square Park and near the Stonewall National Monument. This location will also see an influx of sales in June as the store will be located in the heart of New York City's Gay Pride celebrations.

Despite the number of competitors in this neighborhood, it is evident that there is high demand for coffee in the area. Three competing stores are Starbucks locations, which would not operate so close together if there wasn't a dense market for coffee.