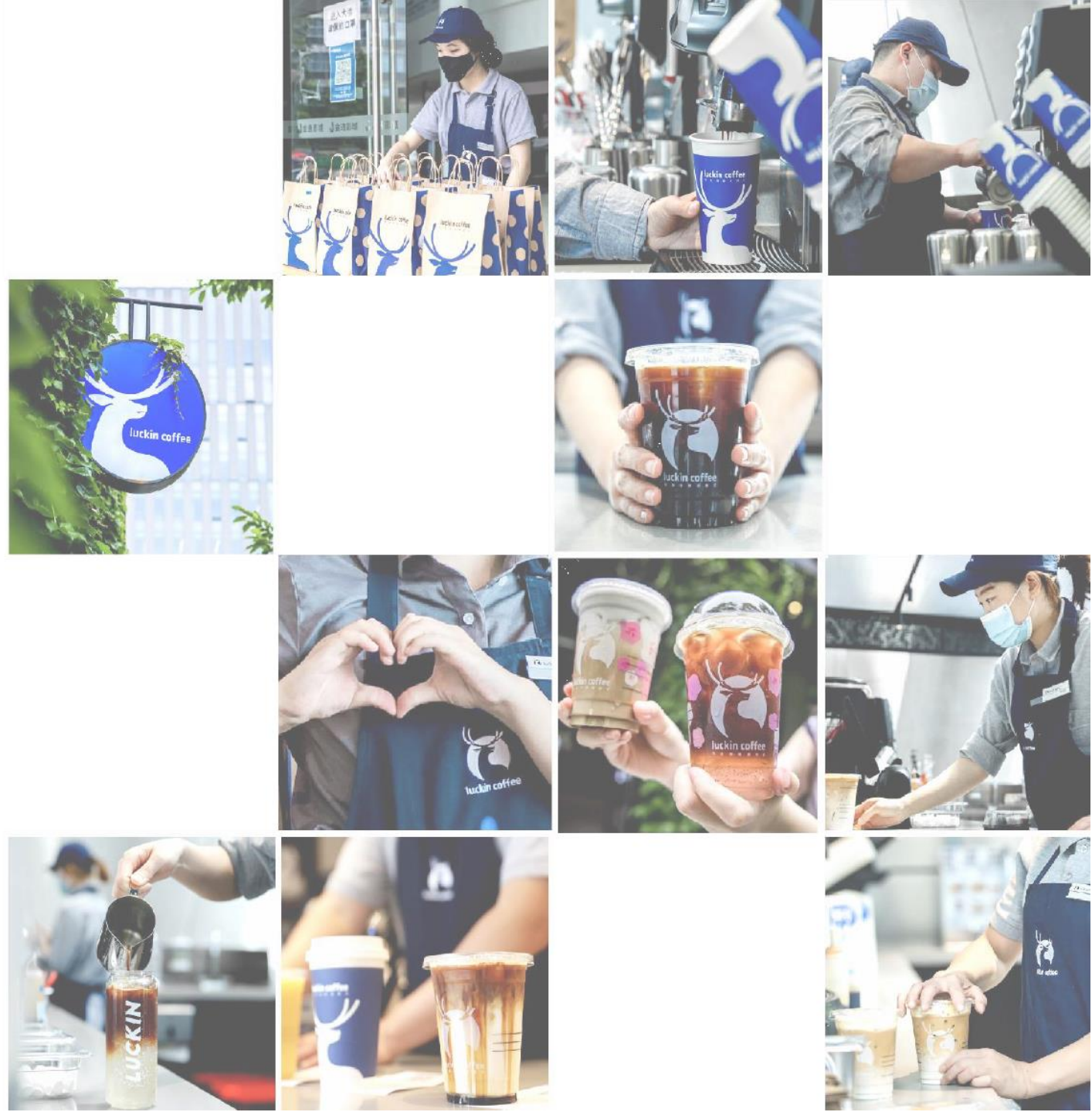# LUCKIN COFFEE
Location Selection Report

NLP Presentation

April 17, 2023

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Project Overview

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What is Luckin Coffee?

Luckin Coffee, a Chinese coffee company founded in 2017, has quickly become one of the largest coffee chain brands in China with its headquarters in Xiamen. The company aims to provide customers with high-quality, affordable, and convenient coffee, and aspires to be a part of everyone's daily life. To enhance the customer experience, improve operational efficiency, and maintain strong customer connections, Luckin Coffee has adopted an online-offline model to manage orders, creating a 100% cashier-less environment

The company's store network consists of three types in China:
- Pick-up Stores (91.3%)
  - 20-60 square meters in size with limited seating
- Relax Stores (4.6%)
  - More than 120 square meters in size
- Delivery Kitchens (4.1%)
  - Only provide delivery

Stock Quote

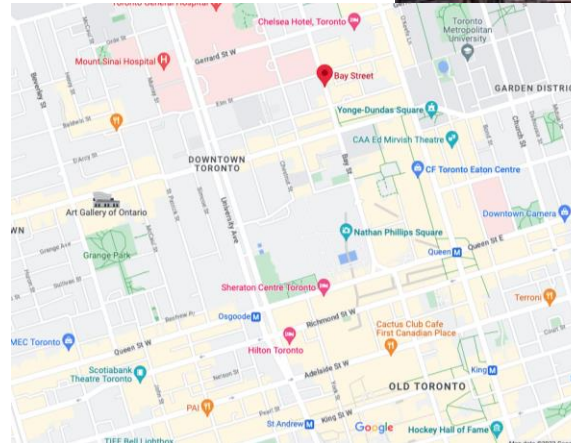|					
OTCPink: LKNCY		Change	+0.58 (+2.32%)	Today's High	$25.86
$25.58		Volume	776,632	Today's Low	$24.88
		Today's Open	$25.42	52 Week High	$32.30
Apr 14, 2023 3:59 PM EDT		Previous Close	$25.00	52 Week Low	$6.24

Stock Chart

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Problem Statement

Luckin Coffee, aims to enter the Canadian coffee market and is considering two neighborhoods in Toronto, Canada: Queen St. E and Bay St. They seek assistance from the professional data team at McGill MMA to identify suitable locations that align with the brand positioning of Luckin Coffee and provide accurate recommendations
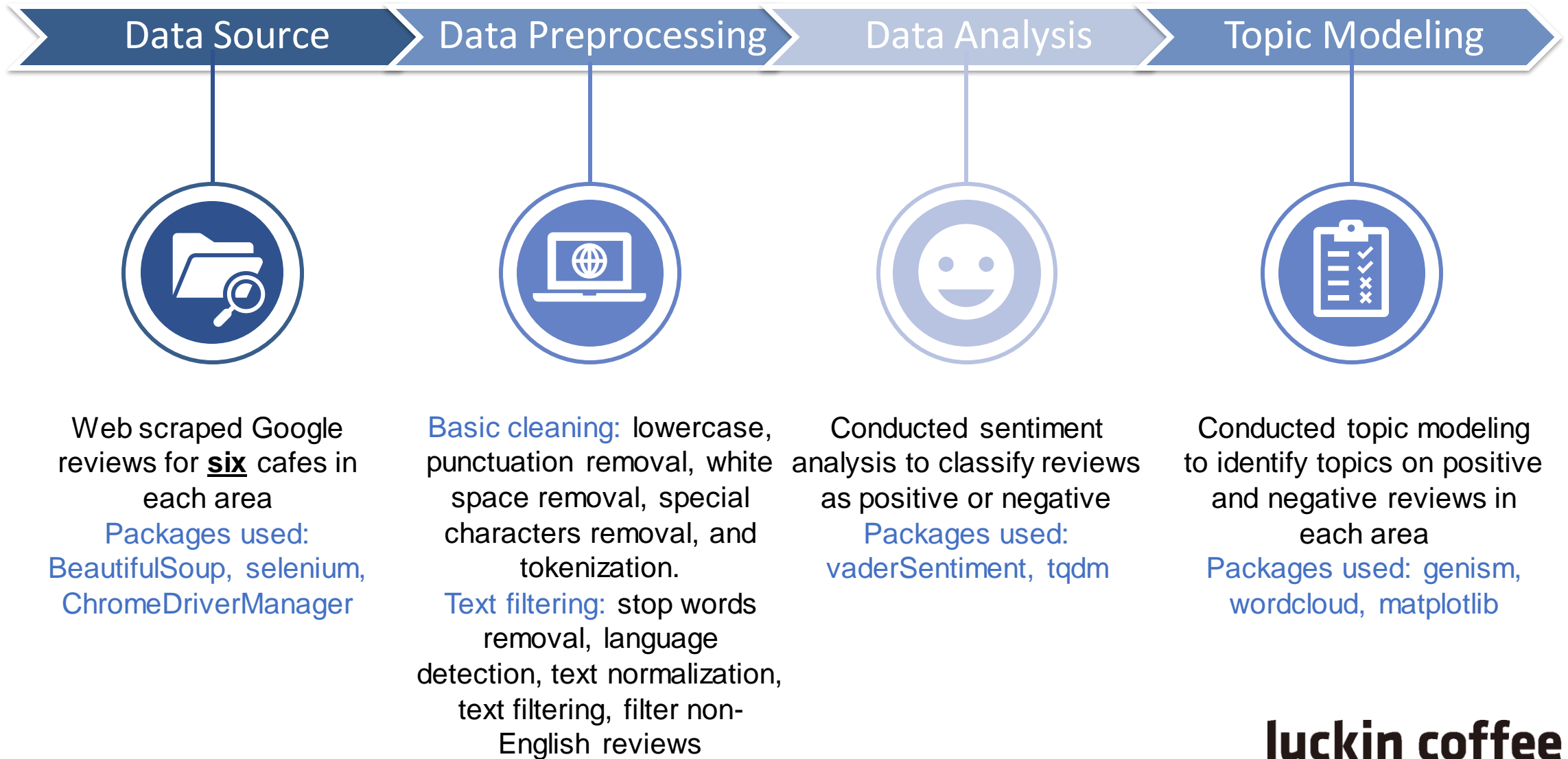

V.S.

Queen St. E

Bay St.

Data Acquirement and Modeling

| Data Source | Data Preprocessing | Data Analysis | Topic Modeling |

Data Source

Web scraped Google reviews for **six** cafes in each area
Packages used: BeautifulSoup, selenium, ChromeDriverManager

Data Preprocessing

Basic cleaning: lowercase, punctuation removal, white space removal, special characters removal, and tokenization.
Text filtering: stop words removal, language detection, text normalization, text filtering, filter non-English reviews

Data Analysis

Conducted sentiment analysis to classify reviews as positive or negative
Packages used: vaderSentiment, tqdm

Topic Modeling

Conducted topic modeling to identify topics on positive and negative reviews in each area
Packages used: genism, wordcloud, matplotlib

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Model Results and Business Insights

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Results and Insights – Queen St E.

What Customers Like (from positive reviews):

- Low carb and beach-related themes are more popular
  - Coffee store on this location better to explore and cater to customers' preferences for healthier or beach inspired menu options
- Friendly staff and pleasant atmosphere is important
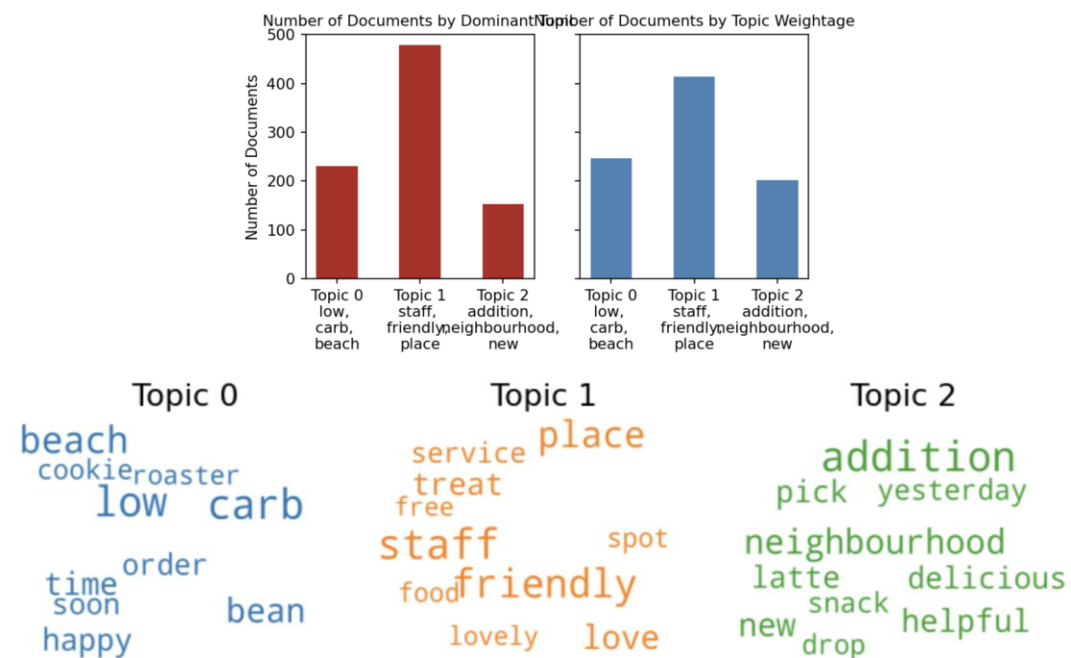- Neighborhood additions and improvement helps on getting positive reviews

What Customers Dislike (from negative reviews):

- Lay emphasis on food and drink
- Customer concern about products price
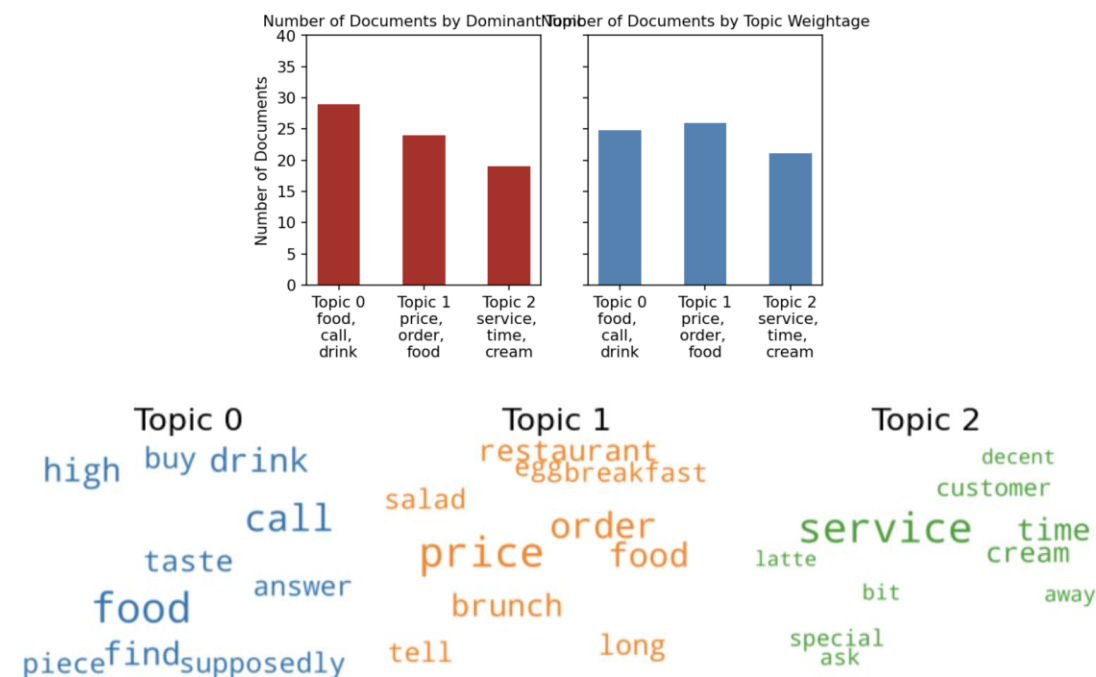- Need improvement on service and wait time management

Image 1: Positive Review Topic Model Result for Queen St. E

Image 2: Negative Review Topic Model Result for Queen St. E

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Results and Insights – Bay St.

What Customers like (from positive reviews):

- Customers satisfy on the drinks and service time
- Friendly staff and pleasant atmosphere is important
- Customers appreciate the quality of the latte offerings
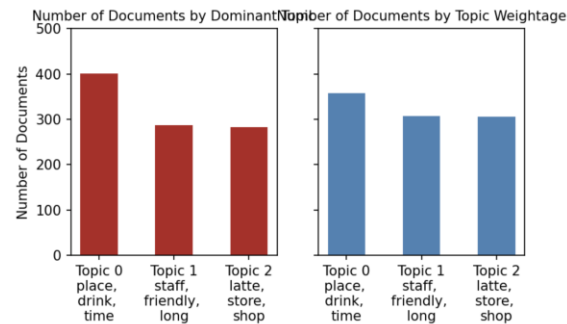 - Latte might be the most popular drinks

What Customers dislike (from negative reviews):

- The stores need to pay attention to the fruity flavors of drinks and actual customer experience
- Concerns about the size or overall ambiance of the place
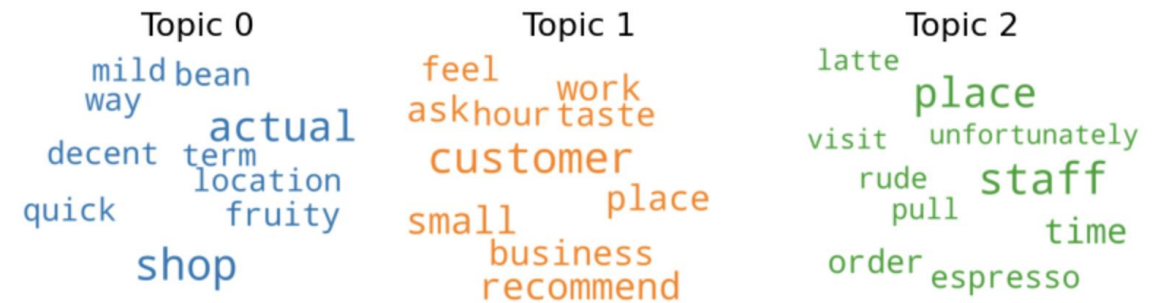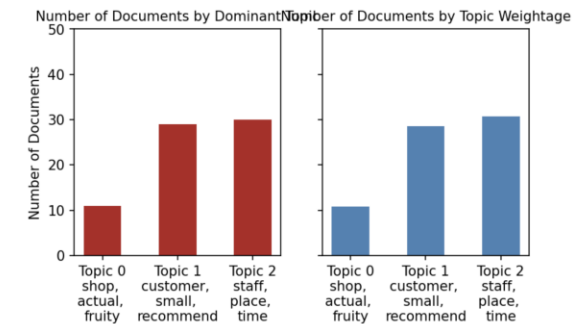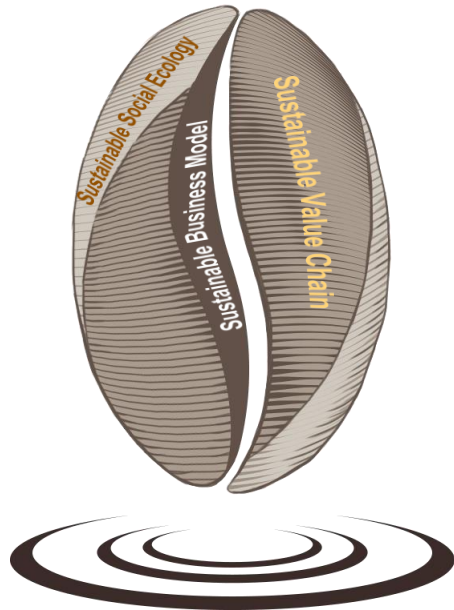- Need to be aware of customers' wait time and the quality of espresso

Image 1: Positive Review for Bay St.

Image 2: Negative Review for Bay St.

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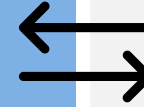# 3

Recommendation

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Insights Conclusion - Recommendation

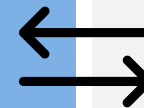We recommend Luckin to open their new cafe at **Bay St.** because...

Luckin

Bay St.

Focus of efficiency - Able to deliver drinks quickly

Really care about waiting time

Menu option - Have a wide range of option for drinks

Focus more on the quality and option of drinks over food

Sustainable Social Ecology

Sustainable Business Model

Sustainable Value Chain

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Insights Conclusion – Other Advice

According to our analysis, we have following suggestions to
ensure Luckin's success

If Luckin wants to start their cafe at Neighborhood **1**

Queen St. E, we recommend:

1. incorporating low-carb and beach-related themes in the store's finishing and menu offerings
2. prioritizing customer service and encouraging neighborhood engagement
3. ensuring shorter wait times
4. optimized pricing strategy

If Luckin wants to start their cafe at **Neighborhood**

2 Bay St., we recommend:

1. maintaining a positive store environment by improving staff friendliness and efficiency
2. ensuring beverage quality
3. addressing any issues related to store size, wait times, or customer expectations
4. offering a variety of flavors and menu options to meet customer preferences

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4 Business Value

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Value Drivers

Revenue Uplift

Improve Customer Satisfaction

By understanding the specific needs of customers in each location, Luckin can provide the most customized services and recipes to satisfy the needs of customers

Better Branding Strategy

By analyzing feedback on branding and marketing efforts, cafe owners can identify what aspects of their branding and marketing strategy are resonating with customers and what areas may need improvement in Canadian market. This can help cafe owners make informed decisions about how to position their brand and market their services to attract and retain customers

Cost Reduction

Automation

The process of conducting analysis is automated, saving time that would otherwise be spent on manually reviewing comments and extracting topics. Additionally, the project can be easily expanded to include more locations

Resources Allocation

By analyzing reviews in batch for cafes in different areas, Luckin can save costs by avoiding opening cafes in areas that may not be as profitable as others. Additionally, by allocating resources based on the insights gained from the analysis, Luckin can reduce costs associated with investing in unnecessary services and products

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Future State

The project can be easily expanded to capture more value in the future

Phase 1 - Data Expansion (2 weeks)

Include more cafes to the model in each location, ideally 12-15 per location. This can be achieved by simply adding more cafes to the current model

Phase 2 - Location Expansion (4 weeks)

Include more location, ideally 2-3 more for Luckin to select in Toronto. This can be achieved by repeating the current process and phase 1

Phase 3 - Industry Expansion (2 months)

Expand to other industries to attract and serve more clients, such as restaurants and salons. This can be achieved by building on the current code and deriving recommendations for specific clients

Phase 4 – Audience Expansion (6 months)

Our current model is mainly B2B; however, we can expand our functionalities to include more B2C features. For instance, we can design an app that allows each user to filter a place they want to visit based on their preferences, such as 'good service' and 'great food options'

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END

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