

Executive Summary

Nook Café's Transformation: Bridging Coffee Culture and Nightlife

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Problem: Nook Café, a coffee shop, seeks to diversify into alcoholic beverages. It is located on the University of Houston campus in Houston, one of the largest and most cosmopolitan cities in the United States. As of February 2025, the city is the fourth most populous city in the US, with diverse cultures and restaurants in the area. The university is the largest in the city, with a total enrollment of 47,980 students in 2024. To diversify into alcohol, Nook Café must extend its opening hours, among other strategic moves. Nook Café intends to attract patrons both on and off campus.

A unique characteristic of the city where Nook Café is located is its limited public transit system. Among the top 5 most populous metro areas, the city had the second-lowest public transit ridership rate in 2019, with only 18 rides per resident, compared to New York City, where people took almost 200 annual rides per resident. Hence, the question of how external patrons would commute to Nook Café may pose a challenge. Above all, external patrons must be motivated to travel past competitors to reach Nook Café for alcoholic beverages.

Objective: Transform Nook Cafe into a dual-purpose destination by extending operating hours from the current closing time to 11:00 PM on weeknights and 1:00 AM on weekends, while introducing a curated selection of alcoholic beverages (craft beers, wines, and signature cocktails) and premium mocktails. This comprehensive beverage program aims to capture the traditional alcohol market and the growing demand for sophisticated non-alcoholic alternatives among health-conscious students. The transformation targets untapped evening revenue potential from campus residents, particularly those with limited transportation options to off-campus establishments. To validate this opportunity, we assessed student interest in this hybrid beverage concept through surveys and evaluated the financial and regulatory implications of implementing an expanded beverage service.

Customer Survey: To explore the preferences of Nook Café patrons, we conducted a customer survey that included questions on racial demographics, drinking habits, bar experiences, and preferences. The survey was a success, as students expressed enthusiasm about the idea of a bar serving alcoholic beverages. To see the full survey, please refer to [GitHub](#).

Proposed Solution: Reimagine Nook Cafe as a versatile hybrid café of coffee and alcohol, operating until midnight with a curated alcohol menu. Balance the environment between a study-friendly atmosphere and vibrant social space through strategic programming, including trivia nights, karaoke sessions, and DJ events that foster campus community.

Competitors: The University of Houston does not have many bars on campus. Prior to COVID-19, there was a popular bar named *Rooftop Bar and Grill on Calhoun*, frequented by students and faculty. Located next to the Nook Café, it featured live music and outdoor seating. However, it closed due to financial difficulties during COVID-19. Another establishment on campus that serves alcoholic beverages is *The Den*, a popular grill restaurant. During sports games, it is a favored spot for watching the games while drinking with friends, although its limited space cannot accommodate large crowds. In addition to the limited space, *The Den's* primary position as a sports-viewing venue, may limit appeal during non-game times. If the space is already limited, this creates frustrating experiences for customers during popular events. Furthermore, a large segment of the university's nearly 48,000 students may feel out of place or uninterested in an environment dominated by sports viewing.

Situated in the heart of downtown, there are several bars approximately 2 miles away from the University of Houston, such as *Axelrad Beer Garden*, *The Owl*, and *The Dirt Bar*. The strengths of these bars are that they fulfill many of the same social functions that the Nook would fill, such as community events, live music, and movie screenings. Furthermore, these bars attract both students and young professionals, creating networking opportunities.

However, reaching these bars from campus is inconvenient due to the lack of public transportation and limited parking in the downtown area—factors that present significant challenges for students living on campus. Moreover, downtown venues typically charge premium prices compared to campus options, making cheaper campus bars more attractive to students. Additionally, these venues lack integration with specific university events and culture, which enhances community and cohesion. As a result, the primary competitor for the Nook Café was *The Den*.

Value Added:

- **Enhanced Profit Margins:** Alcohol offerings deliver substantially higher returns than coffee products alone.
- **Diversified Customer Base:** Extended hours attract evening patrons while maintaining daytime clientele.
- **Campus Community Hub:** Regular events will strengthen student connections and cultivate brand loyalty.

Target Market

The target market for this business proposal is the campus community, consisting mainly of students, with 47,980 enrolled in 2024. Besides the student population, the newly diversified Nook Cafe is expected to draw faculty and people around the campus because of the extra value added to the cafe.

Competition

The competition for the proposed hybrid coffee shop includes existing coffee shops around the campus that were in hybrid operation before Nook Cafe. There are five of these shops, the foremost being Double Trouble Caffeine & Cocktails.

Cost of Diversification

The diversification project for Nook Café to enter the alcohol market is estimated to cost \$171,985 in the first year. The cost includes licensing and permits, renovations and equipment, inventory and supplies, staffing and training, marketing and branding, and ongoing costs. Although Nook Café is an existing business known for serving coffee to customers, the drive for diversification into alcohol will require the acquisition of a liquor license, a business permit modification to accommodate the new business line, and training and certification for six new employees to operate the bar in the evenings and nights. The cost for licensing and permits is an estimated \$7,500.

Licensing and Permit	\$3,500
Renovations & Equipment	\$12,650
Inventory & Suppliers	\$6,740
Staffing & Training	\$132,290
Marketing & Branding	\$4,925
Ongoing costs	\$7,880
Grand Total	\$171,985

Table 1. Estimated Cost for Diversification into a Bar - First Year. For a cost breakdown, please refer to [GitHub](#).

Sales/ Revenue Forecasts

Alcohol sales at Nook Café are expected to vary between weekdays and weekends, with peak sales anticipated during weekends. The average price per drink was estimated at \$7. Nook Café is projected to gross \$383,200 in its first year and \$420,420 in its second year, reflecting an anticipated 10% business

growth in the second year. Estimated profits for the first and second years are \$229,320 and \$252,252, respectively. These sales and revenue forecasts underscore the promising prospects of the new venture. Observations of surrounding cafés suggest that an average of ten patrons purchase alcohol in the evenings, and this figure was extrapolated to forecast sales for Nook Café.

	Year 1	Year 2 (*10%)	Total 2 years
Weekday Sales	\$152,880	\$168,168	\$321,048
Weekend Sales	\$229,320	\$252,252	\$481,572
Total	\$382,200	\$420,420	\$802,620
Estimated Profit	\$229,320	\$252,252	\$481,572

Table 2. Sales & Revenue Forecasts for the first two years. For a detailed breakdown, please refer to [GitHub](#).

Risk Assessment / Market Opportunity

The risks for the new hybrid business are

1) Shifting Consumer Habits:

Alcohol consumption is declining among students, reflecting a broader national trend. According to Gallup data from July 2023, a record-high 45% of Americans now believe that drinking one or two alcoholic beverages daily is harmful—a 6-point increase from 2022 and 17 points higher than in 2018. Only 8% now believe moderate drinking has any health benefits, the lowest percentage on record.

2) Rising Demand for Health-Conscious Alternatives:

This change in perception is directly fueling demand for healthier, more mindful beverage choices. The global non-alcoholic beverage market reached \$1.22 billion in 2023 and is projected to grow by 5.2% annually through 2028.

3) A Crowded Local Market:

Nook Cafe is located in a competitive area, with five hybrid coffee/alcohol establishments already in operation. While this highlights strong demand, it also underscores the need for a clearly differentiated concept.

Why Nook is Positioned to Succeed?

Despite these challenges, Nook's location on the University of Houston campus offers a distinct and strategic advantage. With 48,000 students—8,000 of whom live on campus with limited transportation options—there is a captive, underserved market for a high-quality hybrid establishment. Moreover, this risk opens up an opportunity to tap into the growing market of alternative non-alcoholic beverages such as mocktails. These beverages attract both non-drinkers and drinkers looking for alternatives, expanding Nook's potential customer base. We propose positioning these beverages as sophisticated, premium offerings, with unique flavor profiles to further distinguish Nook from competitors in a saturated market.

Conclusion

Nook Café serves the University of Houston with nearly 48,000 students during daytime hours, but experiences long periods of downtime that present an opportunity for transformation. On-campus residents—many without personal transportation—have no walkable venue serving alcohol. The city has inadequate public transit, compounding this mobility challenge. While competitors operate within a five-mile radius of Nook Café, the campus community lacks a comparable option within walking distance. Additionally, the saturated market has led to flat sales and profits. Through value-added service experience, Nook can thrive in the hybrid Coffee Shop market and coast to profitability in the next three years. Our analyses and results are available on [GitHub](#).