

SALESFORCE MARKETING CLOUD LIFE TIME FITNESS

ANALYSTS

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THE BOTTOM LINE

Life Time Fitness deployed Salesforce Marketing Cloud to modernize its outgoing e-mail marketing. The goal was to connect with each prospect or member in a 1-to-1 relationship.

Nucleus found the project enabled Life Time Fitness to better reach prospects and clients, increasing marketing staff productivity while improving member acquisition and engagement.

ROI: **154%**

Payback **9 months**

Average annual benefit: **\$608,297**

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THE COMPANY

Life Time Fitness is a privately held comprehensive health and lifestyle company that offers a personalized and scientific approach to long-term health and wellness. Services are delivered at resort-like destinations, athletic events, and corporate health events. The program is designed to help members achieve their personal fitness goals with the support of a team of dedicated professionals and an array of proprietary health assessments. Headquartered in Chanhassen, Minnesota, Life Time opened its first center was opened in 1992. The company operates 119 centers

in 26 states and 35 major markets under the Life Time Fitness and Life Time Athletic brands in the United States and Canada, respectively.

THE CHALLENGE

Life Time and other high-end fitness center operators are facing increasing competition from lower-cost gyms and studio-based exercise programs, such as CrossFit and SoulCycle. The Life Time Fitness mission is to be able to personalize communications with each client for a 1-to-1 relationship. In 2012, Life Time Fitness found that its existing marketing technologies were limiting its ability to effectively compete.

The NCR application the company used was not customizable and could not support targeted marketing because of its inflexibility. Program updates and changes required a long lead time and the expense of additional consulting. Life Time Fitness determined it needed an application that provided flexibility, targeted marketing, and customization to meet its needs and build client cross-channel experiences.

Cost : Benefit
Ratio | **1 : 2.2**

THE STRATEGY

The management team from Life Time Fitness made the decision in January, 2013 to find a new e-mail marketing platform. Due diligence began in March, 2013, and several programs were considered including Yesmail, Oracle Responsys, Experian CheetahMail, and ExactTarget (now Salesforce). After much consideration the company selected Salesforce in June, 2013, for a number of reasons including:

- Life Time determined that Salesforce Marketing Cloud had the most flexible customization services.
- Life Time believed Marketing Cloud was an intuitive platform and easy to use.
- Marketing Cloud could support Life Time's goals of targeted 1-to-1 communications and enable Life Time to build cross-channel marketing programs for each of its clients.

Deployment was initiated in June, 2013, and completed three months later. During those three months, 13 core personnel worked on the migration for 40 percent of

their time, while 10 to 15 non-core personnel spent 5 percent of their time on the project.

Back-end systems had to be mapped and integrated to ensure that data could be migrated with accuracy and integrity. This included recreating API integrations to trigger personalized campaigns and analyze feedback from e-mail tracking.

TYPES OF BENEFITS



Today Life Time sends more than 7 million e-mails per month. Since its deployment of Marketing Cloud, the company has experienced an 80 percent increase in e-mail open rates.

KEY BENEFIT AREAS

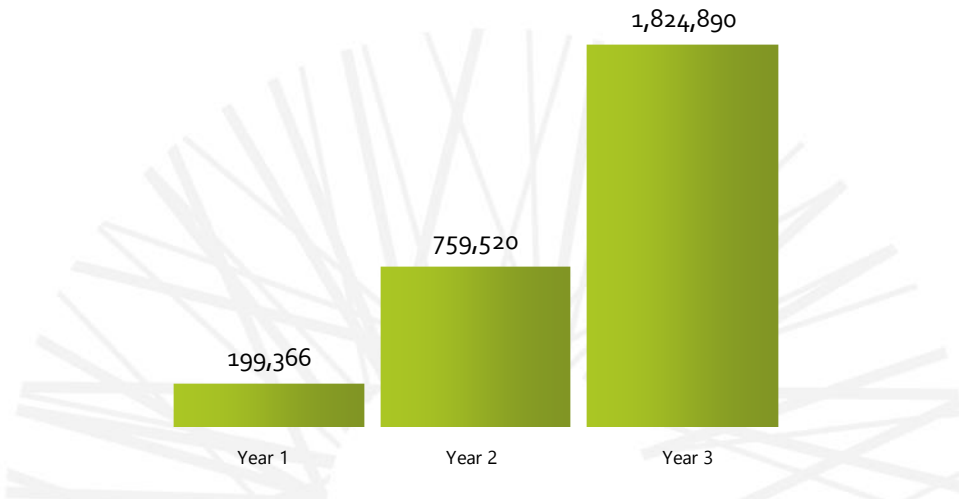
Moving to Marketing Cloud enabled Life Time Fitness to meet its mission of connecting with each of its members through a unique 1-to-1 relationship that will help members achieve their personalized fitness and wellness goals. Marketing Cloud gave Life Time Fitness the ability to segment customer data and create targeted e-mails that enhance both the initial sales process and ongoing client retention.

Key benefits of the project included:

- Increased profits. Life Time Fitness increased the number of lead-generating e-mails per month, and improved the open rate by 40 percent. Customized mailings increased the number of new memberships, and increased the percentage of conversion to full paying membership.
- Greater efficiency. Marketing Cloud improved technology management and eliminated the need for additional personnel to support the NCR platform.
- Improved marketing productivity. All e-mails are now dynamic with some form of personalization. Life Time can now meet its monthly goal of 7 to 9 million e-mails and 40 to 50 ad-hoc campaigns annually. Additionally, it can produce cross-channel marketing that was not available with NCR and would have taken additional data scientists to produce.

- Enhanced customer engagement. Marketing Cloud improved the member experience with contacts before, during, and after their time at a Life Time Fitness facility, enabling Life Time Fitness to produce targeted follow-up e-mails and identify and address issues as they arise. The increased volume of effective e-mails reduced unsubscribes by 15 percent, and created additional cross-channel sales from existing members.

CUMULATIVE NET BENEFIT



The growing e-mail marketing platform, soon to include mobile push and SMS messaging, and the unique, personalized member e-mails, have increased member subscriptions to additional Life Time Fitness programs. Additionally, segmentation of e-mail to potential new members is far more effective in attracting new business.

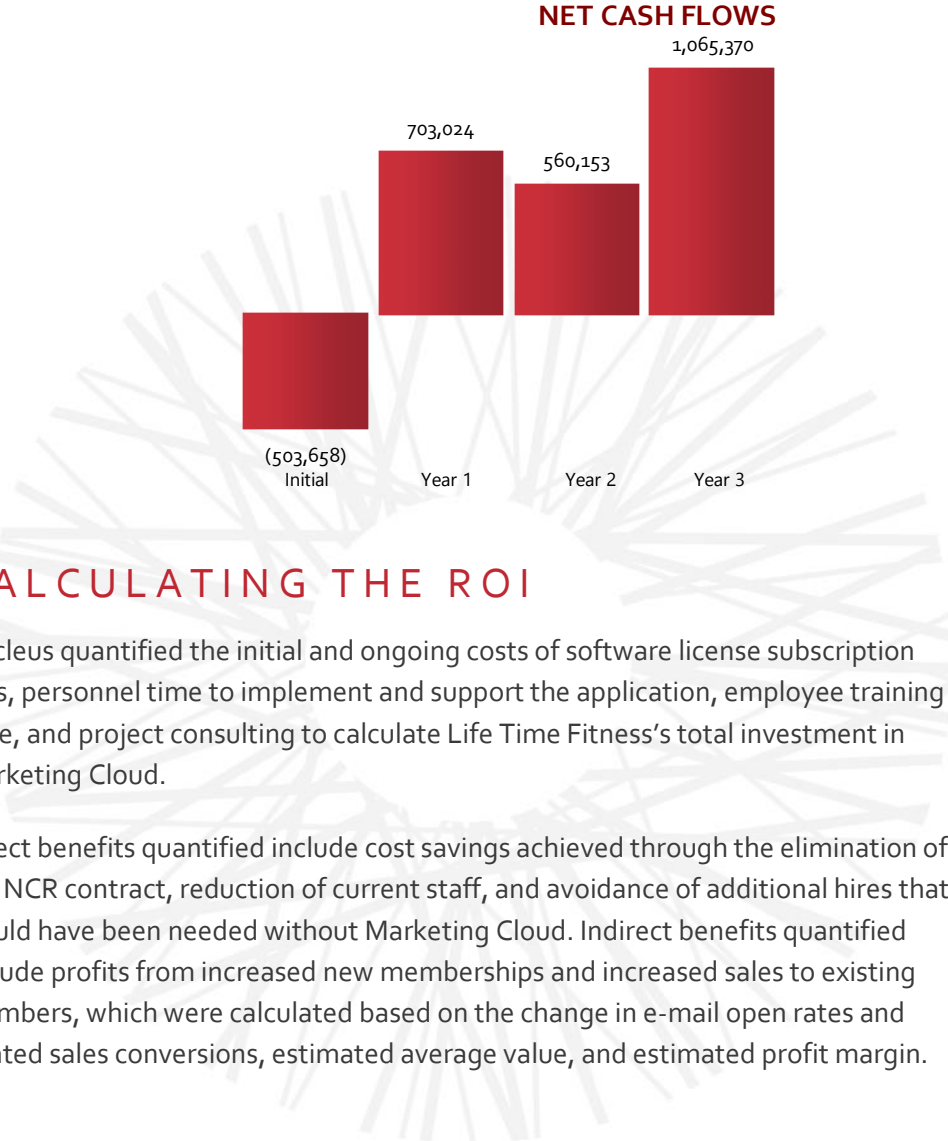
KEY COST AREAS

Costs of the project included software license subscription fees, personnel time to implement and support the application, employee training time, and consulting costs.

BEST PRACTICES

Life Time benefited from Marketing Cloud not only by introducing a new e-mail platform, but by leveraging the cloud benefits of flexibility, scalability, and innovation to drive both initial and ongoing benefit. As Salesforce makes new investments in Marketing Cloud features, the company will be able to take advantage of them with relatively little cost and disruption.

Additionally, the embedding of data science and segmenting capabilities within Marketing Cloud enables the company to produce more segmented and targeted e-mails automatically, a practice that would have required significant investment in internal data science expertise and staff time without the application.



CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software license subscription fees, personnel time to implement and support the application, employee training time, and project consulting to calculate Life Time Fitness’s total investment in Marketing Cloud.

Direct benefits quantified include cost savings achieved through the elimination of the NCR contract, reduction of current staff, and avoidance of additional hires that would have been needed without Marketing Cloud. Indirect benefits quantified include profits from increased new memberships and increased sales to existing members, which were calculated based on the change in e-mail open rates and related sales conversions, estimated average value, and estimated profit margin.

FINANCIAL ANALYSIS

Salesforce Marketing Cloud

Annual ROI: 154%

Payback period: 0.7 years

| BENEFITS | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|-----------|-----------|-----------|-----------|
| Direct | 0 | 450,150 | 450,150 | 450,150 |
| Indirect | 0 | 682,770 | 682,770 | 682,770 |
| Total per period | 0 | 1,132,920 | 1,132,920 | 1,132,920 |

| COSTS - CAPITALIZED ASSETS | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|--------|--------|--------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| COSTS - DEPRECIATION SCHEDULE | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|--------|--------|--------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| COSTS - EXPENSED | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|-----------|---------|---------|--------|
| Software | 259,500 | 332,800 | 505,217 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Consulting | 86,000 | 32,296 | 2,750 | 2,750 |
| Personnel | 156,600 | 64,800 | 64,800 | 64,800 |
| Training | 1,558 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total per period | 503,658 | 429,896 | 572,767 | 67,550 |

| FINANCIAL ANALYSIS | Results | Year 1 | Year 2 | Year 3 |
|--|-----------|---------|---------|------------------|
| All government taxes | 45% | | | |
| Cost of capital | 7.0% | | | |
| Net cash flow before taxes | (503,658) | 703,024 | 560,153 | 1,065,370 |
| Net cash flow after taxes | (277,012) | 386,663 | 308,084 | 585,954 |
| Annual ROI - direct and indirect benefits | | | | 154% |
| Annual ROI - direct benefits only | | | | 19% |
| Net Present Value (NPV) | | | | 831,761 |
| Payback period | | | | 0.7 years |
| Average Annual Cost of Ownership | | | | 524,623 |
| 3-Year IRR | | | | 129% |

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.