ROI CASE STUDY

SALESFORCE MARKETING CLOUD
ROOM & BOARD

NUCLEUS RESEARCH

ANALYST:

Rebecca
WETTEMANN

THE BOTTOM LINE

Room & Board implemented Salesforce Marketing Cloud Predictive Intelligence to support targeted e-mail and Web marketing. The project enabled the brand to make its online experience better reflect its in-store experience, delivering more relevant information to customers while driving increased online sales.

ROI: **2900%**

Payback: **2 months**

Average Annual Benefit: **$2,721,669**

THE COMPANY

For more than 30 years, Room & Board has focused on the simple idea that good design should be beautiful, affordable and long-lasting. The company works closely with American artisans to offer modern furniture and accessories — even custom pieces — that fit the needs of modern life.   The company is proud that more than 90 percent of the products it sells are handcrafted in the United States to give customers the best combination of quality and price. Room & Board has stores in Minneapolis, Chicago, Denver, San Francisco, New York, Atlanta, Los Angeles, Costa Mesa, Washington, D.C., Seattle, and Boston, and online at room&board.com.

THE CHALLENGE

In the highly competitive home furnishings industry, Room & Board sought to further differentiate its customer experience by making its e-commerce site interactions more like its in-store experience. The marketing and merchandising team controlled all the content, product placements, and recommendations on the Web and in e-mail communications,

but sought a more sophisticated and automated means to provide recommendations to online customers.

> *"If a customer purchases a sofa, we'll send an e-mail suggesting a lamp, then decorative pillows, then wall art and frames. Our goal is to help a satisfied customer complete the look she's intending to create."*
>
> — Kimberly Ruthenbeck, Director of Web Customer Experience

Cost : Benefit Ratio | **1 : 30.2**

THE STRATEGY

Room & Board began investigating solutions that would enable the company to enhance the customer experience in its digital channel, take advantage of customer traffic data and predictive analytics to suggest additional purchases in near real-time, and ultimately drive greater sales.

After reviewing various solutions available in the marketplace, Room & Board selected Salesforce Marketing Cloud because of its Predictive Intelligence capabilities. The team worked with Salesforce professional services for a period of approximately 3 months to build out the product recommendations algorithms, import both online and offline sales and marketing data, and launch the new analytics-driven Web site.

Cumulative Net Benefit

		8,165,006
	3,827,671	
563,154		
Year 1	Year 2	Year 3
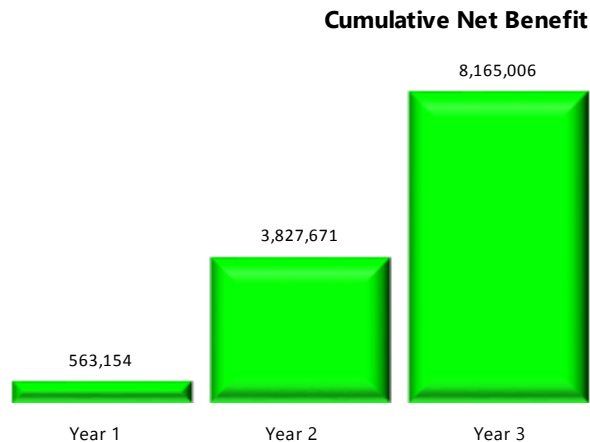
KEY BENEFIT AREAS

Deploying Salesforce Marketing Cloud Predictive Intelligence enabled Room & Board to better align its online customer experience with its in-store experience while using the

intelligence of the software to automate the predictive selling process. Key benefits of the project include:

- Improved customer experience. A more engaging Web site experience that is tailored to customers' needs and preferences is better aligned with Room & Board's overall company strategy and drives a higher-quality buying experience.
- Increased staff productivity. Staff are no longer responsible for manual creation of the promotions and offers generated by the predictive intelligence application, freeing up their time for other tasks.
- Increased sales. Customers are more likely to purchase additional products when they are offered suggestions, driving greater profits. In fact, the direct conversion from customers who engage with predictive content is 150 percent higher than those who do not, and the average order value is 16 percent higher.

KEY COST AREAS

The largest cost area of the project was software license subscription fees, followed by personnel, consulting, and training. In addition to the initial implementation consulting, Room & Board relies on Salesforce professional services to support further innovations with the application on an ongoing basis.

BEST PRACTICES

Rather than treating digital and in-store as two separate channels, Room & Board imported data from all transaction sources to drive its predictive models, providing a richer and broader data set and driving online predictions that more closely aligned with the high-touch in-person purchase experience.

CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software license subscription fees, consulting, and personnel time for implementation and training over a 3-year period to quantify Room & Board's investment in Salesforce Marketing Cloud.

Direct benefits quantified included the profits based on the additional revenue generated by predictive intelligence product recommendations, and were calculated based on the actual increase in sales figures that were generated by completed purchases driven by the predictive content. Indirect benefits quantified included the productivity savings for marketing and merchandising managers who can now spend that time on other work, which were calculated based on their average fully loaded cost using a correction factor to account for the inefficient transfer of time between time saved and additional time worked. Not quantified was the impact of increased customer satisfaction and brand loyalty driven by a more targeted and personalized online experience.

FINANCIAL ANALYSIS

Salesforce Marketing Cloud

Annual ROI: 2900%
Payback period: 0.1 years

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	750,849	3,326,413	4,358,125
Indirect	0	3,150	3,150	3,150
Total per period	0	753,999	3,329,563	4,361,275

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

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

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	39,000	40,055	41,105	0
Hardware	0	0	0	0
Consulting	18,900	18,900	18,900	18,900
Personnel	36,400	36,960	5,040	5,040
Training	630	0	0	0
Other	0	0	0	0
Total per period	94,930	95,915	65,045	23,940

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes	(94,930)	658,084	3,264,518	4,337,335
Net cash flow after taxes	(52,212)	361,946	1,795,485	2,385,534
Annual ROI - direct and indirect benefits				**2900%**
Annual ROI - direct benefits only				2897%
Net Present Value (NPV)				3,801,608
Payback period				**0.1 years**
Average Annual Cost of Ownership				93,277
3-Year IRR				959%

FINANCIAL ASSUMPTIONS

All government taxes	45%
Cost of capital	7.0%

By the Numbers

Room & Board's Salesforce Marketing Cloud Project

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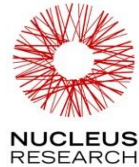
Annual Return on Investment **2900%**

2.0 months — The total time to value, or **payback** period, for the project

Cost : Benefit Ratio **1 : 30.2**

$2,721,669
Average annual benefit

THE PROJECT
Room & Board implemented Salesforce Marketing Cloud Predictive Intelligence to support targeted e-mail and Web marketing. The project enabled the brand to make its online experience better reflect its in-store experience, delivering more relevant information to customers while driving increased online sales.

THE RESULTS
Increased average order value by 16%
Increased customer engagement

Number of **users: 3**

3 Months — Total time for the company to deploy Salesforce Marketing Cloud

"The direct conversion from customers who engage with predictive content and then click to buy within the predictive content module is 150 percent higher than the site average."

- Kimberly Ruthenbeck, Director of Web Customer Experience