



SALESFORCE RACK ROOM SHOES

ANALYSTS

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THE BOTTOM LINE

Rack Room Shoes and Off Broadway Shoe Warehouse deployed Salesforce Marketing Cloud to expand, customize, and unify their marketing campaigns. The companies leveraged their employees' existing knowledge of Salesforce to move away from a third-party vendor and build an internal marketing team. Nucleus found that the deployment increased revenue and productivity.

ROI: **777%**

Payback: **2 months**

Average annual benefit: **\$11,122,990**

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THE COMPANY

Rack Room Shoes and Off Broadway Shoe Warehouse sell shoes in a variety of styles for men, women, and children online and in brick-and-mortar stores across the United States. Together the brands have a total of 500 locations with the corporate headquarters in Charlotte, North Carolina, though the Deichmann Group of Germany owns both companies.

THE CHALLENGE

Initially, Rack Room Shoes was using a third-party vendor to manage its e-mail marketing through a batch and blast approach. However, Rack Room Shoes had no visibility into the vendor's activity, and found that the batch e-mails not only contained mistakes, but were often delayed and therefore irrelevant. Meanwhile,

the vendor was becoming increasingly expensive as Rack Room Shoes grew and maxed out the number of e-mails the vendor could send and the number of campaigns the vendor could manage.

Cost : Benefit Ratio | 1 : 6.1

Additionally, Rack Room Shoes and Off Broadway Shoe Warehouse were running separate e-mail and text marketing programs with siloed marketing teams. Rack Room Shoes wanted to integrate both companies' data, campaigns, and personnel with a single solution.

THE STRATEGY

Rack Room Shoes and Off Broadway Shoe Warehouse worked with the Salesforce partner Digital Fusion, who suggested Salesforce Marketing Cloud. Key features of the Salesforce Marketing Cloud are E-Mail Studio, Salesforce's e-mail marketing platform, and Journey Builder, Salesforce's life cycle management feature. The companies selected the solution for the following reasons:

- Scalability. Salesforce would enable the companies to send more e-mails, run more campaigns, and customize their communications.
- Multiple channels. Salesforce would allow the companies to send text messages and push notifications to their customers.
- Previous experience. The director in charge of the deployment and the employees who would be using the tool all had previous Salesforce experience.

TYPES OF BENEFITS



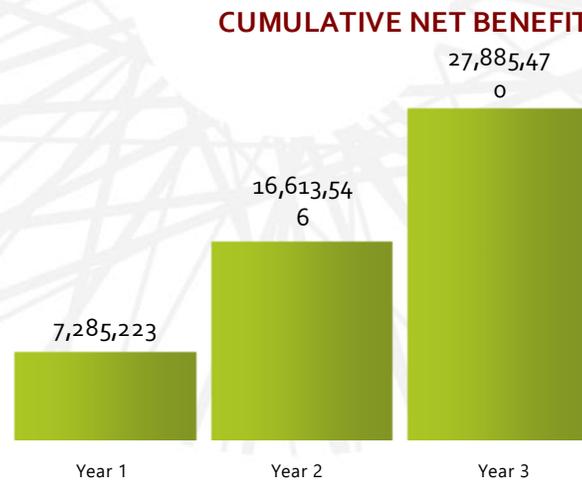
The companies started the deployment in July 2015 and went live in October 2015. They purchased an annual licensing fee for Salesforce Marketing Cloud and fees for additional e-mail addresses. Two employees worked full-time and one employee worked part-time to complete the project. This included transferring existing customer data into the Salesforce Marketing Cloud. The companies also engaged two Digital Fusion consultants in the implementation process.

Today, Rack Room Shoes and Off Broadway Shoe Warehouse have replaced the third-party vendor with a consolidated internal marketing team consisting of two analysts, two communications specialists, and one customer relationship management (CRM) manager and one CRM administrator to support the ongoing use of Salesforce Marketing Cloud. Digital Fusion supports the marketing team on an ongoing basis.

KEY BENEFIT AREAS

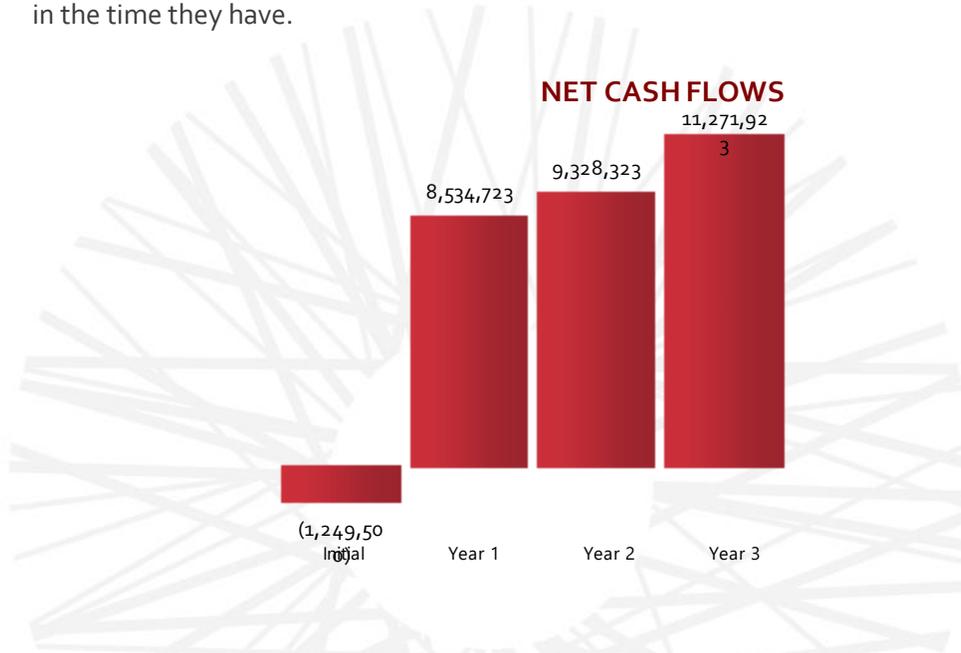
Salesforce Marketing Cloud enabled Rack Room Shoes and Off Broadway Shoe Warehouse to automate and add text message to each company’s campaigns. Key benefits of the project include:

- Increased incremental revenue from in-store rewards programs. Rack Room Shoes and Off Broadway Shoe Warehouse incentivized more in-store sales by getting more customers to use their in-store rewards programs. Now, customers can sign up for in-store rewards with a mobile phone numbers instead of an e-mail address. With Salesforce, the companies can see which customers haven’t used their reward and use this information to remind customers to redeem it by shopping in-store.



- Avoided costs and reallocated resources. In eliminating the third-party vendor and license fees associated with the vendor, the companies also avoided additional professional service fees associated with increasing the volume of the vendor’s work. The companies reinvested their resources by hiring an experienced Salesforce CRM administrator in place of an additional analyst.

- Increased revenue from e-mail and text message. Where before the vendor only launched one campaign per week, the companies now use Salesforce’s automation to launch many different campaigns every day both via e-mail and text message. The companies can also personalize campaign communications by segmenting their customers using Salesforce Audience Builder.
- Improved marketer productivity. The integration of data from both Rack Room Shoes and Off Broadway Shoe Warehouse enhances the usefulness the data the analysts use. With this and automation, marketing analysts now do much more in the time they have.



KEY COST AREAS

Costs of the project included software subscription fees, fees for additional e-mail addresses to market to, consulting costs for implementation, ongoing consulting service fees, and personnel time to implement and support the application on an ongoing basis.

BEST PRACTICES

Rack Room Shoes and Off Broadway Shoe Warehouse did not need to invest in any training to deploy Salesforce Marketing Cloud. The employees who use the product taught themselves because they had all worked with Salesforce in the past. When a company is selecting a new marketing solution, it can pay to invest in a vendor with which the company’s employees are already familiar.

CALCULATING THE ROI

To calculate the total investment Rack Room Shoes and Off Broadway Shoe Warehouse made in Salesforce Marketing Cloud, Nucleus quantified the initial and ongoing costs of software subscription fees, e-mail address fees, consulting, and personnel time to implement and support the application on an ongoing basis over a 3-year period.

Direct benefits quantified for Rack Room Shoes and Off Broadway Shoe Warehouse included eliminated costs for third-party vendor service and software license fees, as well as avoided costs for additional professional service fees and the cost of one additional analyst on the internal marketing team. The indirect benefits quantified for both companies included greater profits due to increased in-store revenue from the companies' rewards programs and increased revenue from both e-commerce and text messaging marketing campaigns. These benefits were quantified using revenue, profit margin, and a multiplier to attribute increased earnings directly to Salesforce Marketing Cloud.

FINANCIAL ANALYSIS

Salesforce Marketing Cloud

Annual ROI: 777%

Payback period: 0.1 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	1,986,000	1,986,000	1,986,000
Indirect	0	8,396,723	9,190,323	9,823,923
Total per period	0	10,382,723	11,176,323	11,809,923

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	1,100,000	1,310,000	1,310,000	0
Hardware	0	0	0	0
Consulting	37,500	490,000	490,000	490,000
Personnel	112,000	48,000	48,000	48,000
Training	0	0	0	0
Other	0	0	0	0
Total per period	1,249,500	1,848,000	1,848,000	538,000

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(1,249,500)	8,534,723	9,328,323	11,271,923
Net cash flow after taxes	(687,225)	4,694,098	5,130,578	6,199,558
Annual ROI - direct and indirect benefits				777%
Annual ROI - direct benefits only				46%
Net Present Value (NPV)				13,241,713
Payback period				0.1 years
Average Annual Cost of Ownership				1,827,833
3-Year IRR				692%

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