CRM Strategy:
L.A. Tan

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Justine Rosenthal
Amanda Sedlmeier
Melissa Kroll
Zach Wattron

Part one: Executive Summary - L.A. Tan

L.A. Tan is a tanning and spa services company that was established in the early 1990's by Nick Patel who is the current owner and CEO of the company. This small company started with just four stores in the Midwest and has rapidly grown to over 180 locations in six different states. L.A. Tan is considered to be one of the fastest growing tanning chains in the Midwest and is operated by some of the best skin care professionals - ensuring the best skin care customization packages for each customer. L.A. Tan uses a computer interface at each location to ensure that any customers can tan at each and every L.A. Tan location across the Midwest.

For the purpose of this project we will be focusing on the Madison and Whitewater L.A. Tan locations. These locations hold a very unique target market of college aged individuals as well as recent grads through the age of 60. Competitors in the Midwest market include Sun Tan City and Palm Beach Tan. L.A. Tan holds a wide variety of products, including lotions, tanning packages, and several spa services for customers. Each salon offers five different levels of tans as well as an exceptional selection of tanning lotions and services. These products will be discussed in more detail in our marketing mix. L.A. Tan also uses many daily and weekly promotions to encourage customers to engage with the company's many social media platforms.

L.A. Tan uses a database software program called SunLync to track all of its customers. SunLync is a national software program that is utilized by many other tanning salons in the industry as a form of a database. This program allows uniformity across all locations ensuring customer satisfaction. How the database tracks customer will be discussed later in the database section. L.A. Tan uses this software program as a base for their CRM program. It allows L.A. Tan to effectively track all of their customers and promote loyalty programs to customers.

Finally, throughout this paper we will discuss the current CRM program that L.A. Tan holds. We will discuss the positives and negatives of the program and how this program impacts each L.A. Tan customer. Also, we will discuss the different strategies L.A. Tan uses to evaluate, contact, and prospect potential customers. Most importantly, we will discuss what our overall recommendation is for L.A. Tan to improve their CRM program in the future.

Part Two: Situation Analysis - L.A. Tan

I.   **Situation Analysis - L.A. Tan**

a. Company Background

L.A. Tan was first established in the early 1990's by the current owner and CEO Nick Patel. L.A. Tan has grown from operating four chain stores to establishing over 180 locations in six different states. In the Midwest, L.A. Tan is the fastest growing tanning salon chain with over 160 salons, with over 60 in Chicago. L.A. Tan serves more than one million customers each month, which makes it among the top three tanning salon chains in the United States. Each location offers state of the art tanning managed by highly trained and certified skin care professionals, who offer complete skin care consultation with customized packages to fit individual skin types. L.A. Tan strives to make their salons a one stop shop for beauty and health needs, and offer a wide range of products and services such as UVB therapy, spray tanning, and tanning lotions. The overall experience you get at L.A. Tan is far beyond imagination!

b. Customers

Since L.A. Tan has many locations it can be difficult to determine the "general" type of customer that they have. This is due to many different geographic and socioeconomic areas that the company is located in. For this project we will mainly be focusing on the Midwest markets that the company resides in – locally including Whitewater and Madison.

In the Whitewater/Watertown area, the customers range between college aged individuals from 18 – 25, Older aged: 35-60. Mostly comprised of women who are seeking tanning services, however, there is a small niche market of men who are in search of similar tanning services. Customers who are looking for multiple tanning services including but not limited to; spray tanning, UVB tanning, classic tanning, teeth whitening services.

In the Madison area markets, the customers consist of both college aged individuals from 18-27 as well as other individuals between the ages of 40-60 years of age. Mostly comprised of women who are seeking tanning services, however, there is a small niche market of men who are in search of similar tanning services. Customers are looking for multiple tanning services including but not limited to; spray tanning, UVB tanning, classic tanning, and teeth whitening services.

c. Competitors

The competitive landscape amongst tanning salons is fierce nationwide. The market is vastly fragmented, and salons are fighting to differentiate between each other and stand out to consumers. Local direct competition to L.A. Tan consists of Sun Tan City, Palm Beach Tan, and many other tanning salon chains throughout the Midwest.

i. Sun Tan City

Sun Tan City is one of the nation's fastest growing tanning salons. Established in 1999 with one location, growing to 21 locations in 2005 and now boasts over 250 tanning locations across eighteen states. In 2011, Sun Tan City brought in $62 million in revenue. Sun Tan City contributes it's success to its reliance over the years on ambiance, cleanliness, and delivery of high-quality results to clients through their equipment and education. Sun Tan City offers many products and services such as exclusive sun tanning lotions, tan extenders, facial lotions, tanning beds, and tanning booths. Sun Tan City has also developed a Club Sun Membership which allows for a more cost-effective way to tan. Benefits include discounts on products the day of registration, exclusive discounts throughout the year, and special weekend discounts or upgrades.

ii. Palm Beach Tan

Founded in 1990, Palm Beach Tan is a world leader in sunless tanning. In 2012 Palm Beach Tan brought in $101.8 million in revenue. Both conventional UV and UV-free tanning services are available. Palm Beach Tan offers some of the best tanning equipment around, ranging from sun beds, sunless tanning booths, and an assortment of tanning and skin care products. Palm Beach Tan also has an auto-bill Premier Rewards Membership available which earns members exclusive tanning rewards and benefits at certain milestones. The longer you stay, the more rewards you earn. Packages vary depending on sunless or sunbed memberships. Other rewards members earn include upgrades to premium beds, cash credits, discounts on lotions and other skin care products, Tan Dollars (in-store credit) for referrals, and lifetime membership fee guarantee.

d. Marketing Mix

i. Products

Lotion and other products:

There are many brands of products L.A. Tan buys from wholesalers to put into their stores. Some of the main lotion brands are Swedish Beauty, Designer skin, Emerald Bay, Australian Gold and California Tan. The lotions range from $20-$120 depending on the brand. For example, Designer skin lotion bottles are more expensive because of how well the product is made and the ingredients that go into the lotion compared to a brand like Emerald Bay. The reason why the lotions range so drastically is because of how much L.A. Tan's market ranges - there needs to be lotions that can be afforded by both the lower and upper income customers.Besides lotion, other products that L.A. Tan offers to customers consist of different health products, fragrance products, sunless products and eyewear products. The different health products are dry drink mixes to enhance collagen in skin, and all natural energy pills for people who are on the go all the time. The different fragrance products consist of perfumes that are sold in the L.A. Tan stores. These perfumes are targeted for both males and females. The sunless products are sold to the customers who want to enhance his/her sunless tan. These products range from sunless mist cans to primers to prep skin before a sunless tan in the salon. The main idea

behind having sunless products is to make sure customers get the opportunity to fully maximize his/her sunless tan.

Tanning services:

L.A. Tan also offers sunless tanning to their members. Sunless tanning comes in three different levels, light, medium and dark. Sunless is great for the customers who want a quick tan for a special occasion. There are many different types of tanning beds that are offered at all L.A. Tan locations. Entry level tanning bed is the basic of all tanning beds that has no facials and takes the longest to get tan in. Facials in tanning beds are meant to keep your face from burning. Platinum 1 beds are a level up from the Entry level and go up to 15 minutes. These beds have one facial tanner and the bulbs are stronger as well. Platinum 3 beds are bigger beds that are 15 minutes max and have three facial tanners. These beds are more luxurious than the entry level or level 1 beds and can also be a lay down or stand up bed. The other tanning beds that are offered are level 5 and 6, which the level 5 is a lay down and level 6 is the stand up. These beds are the strongest beds that L.A. Tan has to offer. The level 5 bed has 5 facial tanners and has a flat bed that has a max of 12 minutes. The level 6 is a stand up and gets the customer an entire body tan in 8 minutes.

ii. Pricing

L.A. Tan has a great way to keep up with customer retention. There are daily specials that bring in customers on a daily basis. On Mondays there are $10 spray tans, Tuesdays are $5 tans, Thursdays are $20 cocktail tans, and Sundays any member can upgrade for $5 in any bed. L.A. Tan offers different memberships for customers. Vitamin D is targeted for members who only want 5 minutes of UV light and not necessarily to be tan, cost $10 a month. The Express membership is for customers who are lower income that can tan in the basic level beds which is $21.99 a month. Platinum 1 membership is for customers who can tan in nicer beds than the Express, but just the basic bed to help tan over a couple of months for $27.49 a month. The Platinum 2 membership is for customers who want to go in a 15 minute nicer bed for 10 minutes to help increase his/her tan over time for 38.99 a month. The Platinum 3 membership is for customers who want to be in the upgraded beds to develop his/her tan faster than tanning in the lower level beds; this is targeted for higher income customers since this membership is $48.99 a month. The last membership that is available to customers is the All UV access which is for members who want the highest quality beds to tan in for $60.49 a month.

iii. Promotion

Two to three times a month L.A.Tan has specials running for deals on bigger packages that customers can purchase. Customers can purchase bulk tanning packages such as - buy 50 tanning dollars, get 25 free. These specials are targeted for customers who want to come tanning a couple times a year. Lotion sales occur on a regular basis and sales range in either 25 or 30% off all lotions. Three times a year L.A. Tan has "Customer Appreciation Day" which includes $3 tans in any level bed, 40% off lotion and major package deals for customers. Customer Appreciation days are meant to bring in many existing customers but also target an exceeding amount of new customers who

take advantage of the $3 tan in any level bed. The use of social media and text messaging promote tanning by allowing customers to text a number to get a free tan. L.A. Tan also promotes special offers on both Facebook and Twitter.

iv. Distribution

All products are available for purchase at the salon. The salon managers are in chare of ordering the lotion from the wholesaler. Each individual salon can order products to put on their selves. Each L.A. Tan salon uses electronic purchasing when customers purchase packages or memberships.

e. Internet

i. Social Media & Text Messaging:

L.A. Tan's social media platforms consist of Facebook, Twitter, and their website. Facebook promotes their latest specials and deals. Examples of context include picture posts from fashion shows or major events that LA Tan takes part in. Twitter also promotes their latest specials and deals. They also post pictures similar to that of Facebook, but they don't post quite as often. LA Tan's website informs current and new customers about their company. This information includes their history, alliances, short videos, salon locations, variety of products, deals and promotions, and also their contact information. Text messaging is also part of their internet platform. There is a text club that customers can participate in by texting a number and receiving an immediate free tan.

Part Three: Detailed Target Market Profiling

Primary Target Market: Young Women and Men

This target market consists of females ranging in ages of 18 to 25 years of age. This group also consists of a niche market of men within the same age range. They are primarily locally located in Whitewater, WI or Madison, WI. Most have a high school diploma or higher and are either working at a part time college job or are just getting settled in their first job. Due to this type of occupation many of the members of this target audience have a low to midrange income level. They hold many different types of family structures including living by themselves, with a significant other, or moving back home to live with their parents.

In regard to their lifestyle and hobbies, these college or post college grads have a wide range of activities. They enjoy spending time with their friends and spending money on themselves and others. However, they are cautious with how they are spending their money and what incentives they are spending their money on. They are generally active in some way and most stray away from smoking. Many still drink on a regular basis and enjoy engaging in late-night events with friends. They belong to organizations such as fitness clubs and tanning salons.

This audience is in the process of forming many of their core values and morals. They have had time to grow apart from their families and now are in the process of finding out who they truly are. This audience is also forming their own ideas about how they perceive the world around them and what national issues are important to them. They have created many goals and aspirations - including finding a solid job, settling down, and possibly starting a family or significant other.

Some of the pain points that individuals in this audience face include lack of money or not enough money to support the lifestyle that they truly desire. They worry about the future of the economy and that they will not be able to find a job or keep a job. Along with these pain points many of the individuals in this group have very specific spending habits. While they may be on a low budget, they are also focusing on making important and big purchases such as cars and paying for an apartment or purchasing a home. This money is also going towards paying back student bills and other bills that occur in college and post college.

Secondary Target Market:

This target market is comprised of women and men ranging in age from 40-60 years of age. This group consists mostly of women with the small niche market of men. Due to the select locations we are focusing on in this project, the general geographical location of these individuals is in either Whitewater, WI or Madison, WI. This group ranges in level of education where some have high levels of education that consist of bachelors degree or higher, and some have lower levels of high school diploma. This group also has a wide variety of types of occupations and income levels that ranges from middle to high class. Many have similar family structures that consist of either a significant other or one or more children.

These individuals have very specific lifestyle activities. Most consist of a 40+ hour work week with a Monday through Friday span. In their free time, these individuals

focus on activities that range from working out to taking care of their families. Tanning is an activity that is considered part of a working out health routine. Many belong to several organizations ranging from work related organizations to family related organizations.

This secondary audience has very solid and set beliefs about themselves. They have created their values and morals in their 20's and are now actively living out these values and morals. They also are teaching their families about these morals and stand by them with little room for interpretation. Many have accomplished most of their original goals and aspirations or are living out these goals. They are beginning to form new goals and aspirations for retirement or ensuring a happy and successful family.

These individuals hold very unique pain points in their life. Many include stress and worry over the economy and work situations. They use products like tanning and fitness clubs to provide ease for these stressors in their lives. They become frustrated by failure and unhappiness of their families. They also have very set shopping habits. They have created a budget that they hold on to carefully. They splurge on a bit more than the main target audience, and are willing to spend more for special occasions. Many of these individuals use tanning as a base before they go on a vacation or as a special splurge before an important event.

Part Four: Evaluation of Database

a.   Data Components:

L.A. Tan utilizes the SunLync Salon Management Software to manage their customer database. It collects information from a number of different peripherals and is compatible with biometrics, receipt printers, cash drawers, cameras, electronic signature pads, barcode scanners, magnetic stripe readers, POS pole display, and PIN pads. It is a centralized database that displays customers as business specific instead of location specific. This also allows customers the ability to tan at any location and have access to their information. SunLync also allows L.A. Tan to set up rewards program to help retain customers and increase the average transaction amount per customer. The software also uses an e-lync system, which allows employees to link equipment, facility or customer issues to appropriate individuals for improved efficiency and resolution. The report interface of the management software offers financial, employee, marketing, inventory and equipment reports which include statistics that are beneficial to salon owners. These reports include important information such as retention rates, annual comparative analysis, and dollars per customer. SunLync also allows for marketing and analyzing which promotions work best. It has the ability to send coupons and promotions to attract inactive customers to return. The coupons and promotions can also be configured to have day and time restrictions to push customers in during slower business periods. The database also offers secure operations if the salon ever loses internet connection through the offline mode which will still allow the operation and processing of sales.

b.   How Database is Used

The database is used to collect data from customers about his/her demographics, purchases and trends for future promotions. When an employee enters a new customer in the computer, they are prompted to put in the customers age, address, phone number, birthday, e-mail, driver license, skin type and eye color. With this information, L.A. Tan is able to come up with different promotions or different packages that have worked effectively in the past and that the company can use for future promotions. There are many reports that help drive the company to success. These reports are to motivate employees by seeing how their sales are compared to other employees and other stores in the database, as well as how to improve based on how many customers are being checked in by them. Every store has a low and high goal that they need to reach every month which is based on last year's numbers from the database. The database is strong with the efficiency of having data for every single customer but being able to generate reports about any given metric at any given time to evaluate the performance of that store or of an employee. The database is a great way for stores to keep track of inventory on hand and to order lotion or a product for a customer whom requests the item. The master inventory report is a good indicator of what the store has on hand so they can tell if there is any product that was misplaced or stolen and also to keep track of what products are selling the best.

c. **Strengths**

SunLync has a strong efficiency with creating and generating reports. The customer support that comes with SunLync is a strength because if the system stops working, employees can call the support system to help fix the problem fast. Real time updating allows for employees to view everything the customer has purchased or tanned under, even if they go to another L.A Tan salon. Another strength is the customer referral program. Existing customers can refer an new customer to tan and both customers will receive an incentive for that. In SunLync, all the referrals are being recorded to see how effective or not effective the referral program is.

d. **Weaknesses**

L.A. Tan has the capability with the SunLync database management software to send customers coupons and promotions, however they do not use this capability to its full potential. L.A. Tan collects email addresses from its members, yet they do not use this information to contact customers with promotional offers via their email. This is a missed opportunity and should be reconsidered by L.A. Tan. This could be used to increase customer retention and satisfaction. Another missed opportunity for customer security is the use of biometrics. Biometrics refer to the identification of humans by their characteristics or traits. SunLync has the capability to store biometrics of customers, however L.A. Tan has not integrated this technology in-store. The integration of this software could potentially help to target each customer more effectively and improve the amount of sales per customer.

e. **Improvements**

L.A. Tan should send out promotions and coupons via email to inactive customers to drive them back in-store. SunLync can determine lengths of inactive time for customers and segment them to send increasing amounts of discounts for customers who have been inactive for longer periods of time. L.A. Tan could also implement additional features of the SunLync database such as client photos and biometric fingerprint data. This information could be used to increase customer's perception of value with membership card distribution and security for account authentication. A future upgrade to the latest version of SunLync should also be highly considered as there will be substantial updates for the e-mail communication channel such as emailing receipts and documents to customers to increase value perception. It would also be possible to create a rewards program for its existing members by categorizing them by the length of time they have been customers and rewarding them with specified discounts and incentives to drive future sales.

f. **Data collection recommendations**

Our recommendation for future data collection is to continue to implement a centralized database management software such as SunLync and improve upon using it to its full potential to track customer lifetime values and improve ROI. The Sunlync software allows L.A. Tan to input demographic information into the system when

entering customer membership information as well as track customer recency, frequency, and monetary trends. If L.A. Tan can capture this demographic information and use it towards individual customer segment promotional campaigns then they will be able to increase their retention and sales. Utilizing customer demographics such as their email addresses will enable L.A. Tan to increase their brand value in the future with the release of the SunLync 8 database management software, which will allow employees to email customers receipts and documents such as new client forms.

Part Five: Customer Relationship Management

a. **Current CRM Strategy**

L.A. Tan currently incorporates a number of strategies in their customer relationship management to effectively evaluate, contact, and target current and potential customers to increase customer acquisition, retention, and per customer sales. At the core of their efforts is the SunLync centralized database specifically designed to provide for the indoor tanning industry.

i. Customer Valuation Strategies

Actual and potential sources of revenue and profitability for the Whitewater and Madison areas consist of college students as well as young adults. This target is the main source of profit. Sales fluctuate due to the time of year. During the school year, sales are higher than during the summer due to college students not being on campus at that time. Sales increase at the start of the school year as well as during spring break. These are peak times for college students coming back from summer break and getting a base tan before vacation on spring break. L.A. Tan focuses on strategies for maintaining business with current, previous, and potential customers. They offer certain deals and promotions for current customers such as the new Sunday special for tanning and deals on lotions for customers who have a membership. L.A. Tan offers incentives for "referring a friend" for potential customers as well as coupon drops they are doing at local businesses. Patterns for previous customers occur around similar times every year. These patterns are around Christmas break because college students are going back home, after spring break due to summer coming up, and also the beginning of summer due to not being on campus. Current customers are offered multiple specials throughout the week and exclusives that L.A. Tan offers. With these packages, they are eligible for deals and promotions.

L.A. Tan's target audience consisting of college students has the expected thought that those college students are not likely to stay in the Whitewater or Madison areas, which would mean they would no longer be a customer at those locations. But after students graduate, they may relocate to a different L.A. Tan location while keeping their same package. By offering the different packages and promotions, L.A. Tan does a good job of keeping the same database at all locations. As mentioned above, this customer data can be accessed at any L.A. Tan location, making it more convenient for the customer. This is a good strategy because this creates customer lifetime value.

As all companies, L.A. Tan focuses on creating and keeping those lifetime customers. Historical information is collected on a yearly basis through SunLync. Through the integration of the SunLync database management software, L.A. Tan can determine customer valuation by utilizing reports generated for management. This program uses an effective database that is used all over the country. It focuses on what L.A. Tan can improve on and whether or not specific tools are working for them.

ii.   Customer Contact Strategies

There are many ways L.A. Tan uses contact strategies to get customers back in the doors to tan again. The main strategies are text club, e-mail club, and direct mail. The text club is designed to bring in customers who want a quick tan right away but will return down the road to purchase a membership or package. Customers' text "tan" to 40679 to get a free tan and will also receive frequent texts about upcoming specials at their local L.A. Tan salon. Texts can also include daily specials as well as other specials about free tanning. There are also texts that get strategically sent out during the week about a free spray tan. These texts are typically send at the end of the week when most individuals use spray tanning most.

The next strategy L.A. Tan uses to contact their customers is through the e-mail club. Customers who join the e-mail club automatically get a free tan or free spray tan. By subscribing to the e-mails, customers will get monthly e-newsletters about upcoming promotions and sales going on with tanning and lotions. L.A. Tan sends out e-mail specials exclusively to customers who are in the e-mail club with promotions such as free tanning or huge specials on lotion or packages that regular customers don't get. This strategy is great to keep customers involved with what specials are happening in the stores as well what is happening with the company as a whole.

The last strategy is direct mail. Direct mail pieces get sent out to the customers who are already in the Sunlync system about 3-5 times a year. The mail pieces could include coupons for free tanning or spray tanning. The mail pieces can also include the 4 tans for $4 or the daily specials that will get customers to come visit the salon and potentially buy a package or membership. These strategies have been used to increase retention with customers and keep them coming back visit after visit.

iii.   Prospecting Strategies and other relevant issues

L.A. Tan uses various prospecting strategies to help bring in new customers. Some of the ways L.A. Tan uses these strategies are by reaching out to the local community. They do this through promotional giveaways on campuses and local businesses in that area. Some of the giveaways include free sample lotion packets, tanning information, L.A. Tan brochures, free tans, free spray tans and other various handouts. When trying to prospect in the college towns, L.A. Tan has promoted certain days such as freshman move in day as well as homecoming and other big events going on campus.

Another way L.A. Tan uses prospecting strategies are by the use of the Campus Special coupon book. At various campuses, including Whitewater, Campus Specials is a coupon book filled with coupons for all the local businesses in that area. L.A. Tan has

had coupons for a free week of tanning and $10 spray tan. This strategy brought in many new customers. With the SunLync system, they are able to track how many of those coupons were used and when they were used the most. Customers are able to gain the experience of all the tanning beds and hopefully come back after their free weeks. This will then lead to purchasing a membership or package for the long run.

The last strategy is word of mouth. Word of mouth is one the best tools to have for promoting a business because it's free. With L.A. Tan, they rely a lot on word of mouth by having a strong customer relationship management system and providing various promotions to give the company a good image. Many new customers come in because of their friends or what they have heard from other people about their deals. This is a great strategy when trying to increase more prospects because the more people who talk about the company's deals and promotions, the more traffic the salon will see.

b.   CRM Strategy Recommendations/Improvements

Overall, the improvements L.A. Tan should consider all revolve around more effective use of SunLync database software, specifically dealing with the demographic information it collects on members. L.A. Tan should increase their customer loyalty benefits by implementing a "milestone" program. This program rewards and recognizes customers for their ongoing business. As members reach certain lengths of being a member, they get rewarded with additional incentives such as free upgrades and additional discounts. This should increase customer engagement and improve long-term customer retention and lifetime value. Deals on special days of the year could also be implemented. Birthday specials could give customers free tanning on their birthday as well. This would drive customers in the store. As customers are tanning, employees could look at their past purchases by using the SunLync management software to see if they would like to restock on any products.

Part Six: Conclusion

L.A. Tan has become a competitive and forward moving company over the past ten years in the Midwest tanning industry. The company has worked hard to expand from its original four stores to its now over 180 stores. Today the company is seen as an elite tanning salon that many customers hold to high standards.

L.A. Tan has worked extensively to ensure that they created an effective CRM program for their company. By using the database software of SunLync, L.A. Tan has been able to manage customers' demographics, past purchases, and how to target each specific customer for future promotions. The use of reports that is provided by this program helps each employee understand each customer that walks through the doors at L.A. Tan. These reports also help to ensure success by employees through the use of analytics that display top employee sales, and what each employee ranks amongst these sales. The cross-location sales tracking is imperative to keeping each location up-to-date on customer purchases and promotions.

L.A. Tan uses three strategies as part of their current CRM program that is utilized for their company. These include customer valuation strategies, customer contact strategies, and prospecting strategies. These three strategies help to evaluate each customer, spread promotions and special products to customers, and promote L.A. Tan to current and prospective customers.

While the current L.A. Tan CRM program is working well for them, there is always room for improvement. The implementation of creating a milestone program will help L.A. Tan to increase sales and customer base. By L.A. Tan recognizing their most valued customers for ongoing business, they can increase the overall lifetime value of such customers. L.A Tan should also take advantage of the SunLync biometrics program. This program may ultimately help L.A. Tan target current and potential customers more efficiently and effectively for his/her unique tanning needs. All of these improvements will increase customer engagement as well as improve overall customer retention.