

# Monte Carlo Tableau Simulation:

## Yoga Factory Groupon

### Yoga Factory

📍 1701 Murray Avenue, Pittsburgh – 11.9 mi  
🏷 Up to 81% Off on Yoga at Om Culture LLC  
5.0 ⭐⭐⭐⭐⭐ 24 Groupon Ratings



### Groupon Details

- Yoga Factory Promo Classes
  - 1 Month Unlimited
    - 77 % off
    - \$29 instead of \$128
  - 1 Week Unlimited
    - 81 % off
    - \$15 instead of \$80
  - Extra Limited Time Promotion
    - Extra 25% off
    - Ended on 3/25
  - 2 Locations of Yoga Factory accept this Groupon offer

### Yoga Factory Groupon

- Profit Margin:** Estimated profit margin is 50% for yoga services
- Fixed vs. Variable Costs:** Variable costs dominate due to the nature of service delivery, with less scope for economies of scale
- Customer Acquisition and Retention**
  - New Customer Probability:** 0.73 (range: 0.65 to 0.85) representing a moderate likelihood of attracting new clients through the Groupon offer
  - Spend More Than Deal:** 0.35 (range: 0.3 to 0.42), indicating a low/moderate chance of additional spending
  - Return Probability:** 0.14 (range: 0.1 to 0.3), showing low potential for converting Groupon users to regular clients

- The Groupon strategy's viability is questionable; initial losses are not recuperated through additional spending (We get \$14.50, lose \$64.00).
- While The Yoga Factory has a moderate new customer probability, it faces challenges in ensuring repeat business and extra spending, which are critical for long-term profitability.

Groupon				
margin	50.00%			
oneMonthUnlimited	\$ 128.00			
weGet	\$ 14.50			
cost	\$ 64.00	Low	High	
probNewCustomer	0.73	0.65	0.85	
newSpendMoreThan Deal	0.35	0.3	0.42	
newPeopleWhoReturn	0.13	0.1	0.3	

### Excel Data Results

- A substantial **net loss** of \$5,102.95, indicating immediate financial drawbacks from the Groupon campaign.
- The **value of a new customer** (\$32.31) is relatively low, particularly when compared to the sample Carrie's Pizza data (\$59.07), highlighting concerns over long-term profitability.
- Despite a **high retention rate** (0.72), the annual profit per customer is not enough to offset the initial loss, leading to a net negative gain.

loss	
fromnew	\$3,663.00
fromreturning	\$2,951.00
total loss	\$6,614.00
benefits	
extraprofittoday	\$289.00
valuenewcustomers	\$525.97
total	\$814.97
Net Gain	-\$5,799.03

100 People Who Take the Deal			
new	74		
returnees	26		
howmanyspendmore	34	Low	High
howmuchmore	\$17.00	3.5	19
valuenewcustomer	\$32.31	Low	High
anncustomerprofit	\$15.00	21	45
retentionrate	0.72	0.55	0.85
newcomeback	16.28		

- 74 new customers** out of 100 show interest (high), but only **34 spend more** than the deal value (moderate chance of upselling)
- \$17 additional spend**, high, hints at a potential to nurture customer spend habits. This could indicate that customers are willing to pay for premium experiences or additional services beyond the basic offer.
- 26 returnees (35%)** suggest that past customers are influenced by the deal to return, groupon is able to encourage repeat business

### Yoga Factory Profitability with Groupon



- Profitability from running 10,000 simulations
- Yoga Factory **gains no revenue** from new customers who try the Groupon offer
- Potential revenue from returning customers - brand loyalty
  - 60% of consumers are likely to try a new product as a result of a coupon