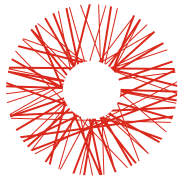




ROI CASE STUDY

PROGRAM: CUSTOMER RELATIONSHIP MANAGEMENT

DOCUMENT NUMBER: S138 SEPTEMBER 2018



NUCLEUS
RESEARCH

ROI: 137%
Payback: 10 Months

SALESFORCE

BCBS MICHIGAN

ANALYST

Rebecca Wettemann, Daniel Elman

THE BOTTOM LINE

Blue Cross Blue Shield of Michigan deployed Salesforce Marketing Cloud, Service Cloud, and Community Cloud to streamline and automate its engagement with members. Nucleus found that the project increased efficiency, accelerated the time to execute mail campaigns by 88 percent, saved \$5 million per year in outside agency fees, and brought all their data into a single platform for more effective decision making.

THE COMPANY

Blue Cross Blue Shield of Michigan (BCBSM) is a nonprofit mutual insurance corporation founded in 1939. Working as the chief healthcare insurer in Michigan, it runs a large network of hospitals and doctors: 152 hospitals and more than 33,000 doctors. With more than 8,100 employees, Blue Cross provides 6.1 million people with health benefit plans including Employer, Individual, Medicare, Medicaid, dental and vision, and traditional wellness. Headquartered in Detroit, BCBSM has walk-in locations statewide.

THE CHALLENGE

BCBSM had grown its agent network using a combination of custom tools and applications, and with 2500 active agents managed by an external service, it had traditionally focused at a high-level instead of agents' and employees' interactions with individual members. This presented a number of challenges in a competitive environment:

Because of maturing tools and multiple applications, it took more than 60 days to execute on marketing and communications campaigns to members.

With 9 different systems and applications, agents were challenged to find the latest information on members and were unable to drill down to specific vendor records and weren't easily able to identify opportunities for resale and upsell. Adding to this challenge, an external agency that acted on behalf of BCBSM cost approximately \$5 million in fees annually.

Internally, BCBSM had a lack of visibility into interactions between members, agents, and employees, which hindered its ability to make data-driven decisions about the business.

Given these challenges, BCBSM looked at a new technology strategy with the goal of increasing operational efficiency and data-driven decision making.

THE STRATEGY

The company considered a number of different technology options and ultimately chose Salesforce for three main reasons: Salesforce' existing investment in capabilities that support insurers; the ability of Salesforce to meet BCBSM's needs across sales, marketing, and service with one solution; and the broader capabilities of Salesforce ecosystem partners. The decision was made in January 2016. The internal core team of six people managed the implementation, working with Accenture over a 10-month period to configure and implement Marketing Cloud, MyBlue Agent Community (based on Community Cloud), and Service Cloud.

**Cost : Benefit
Ratio** | **1 : 2.1**

Given the scale of the transformation and the number of agents and employees that would be adopting the solution, BCBSM made a significant investment in communicating about the transition and promoting the benefits to end users. The team used a combination of newsletters, FAQs, demos of upcoming features, and in-person training. Initially, they had planned a pilot to a small group of users, but ultimately decided to release it to all users at once to avoid duplicate systems. The internal Salesforce team participated in significant training as well, both in classroom and through Trailhead, obtaining 1,446 badges.

TYPES OF BENEFITS



KEY BENEFIT AREAS

Deploying Salesforce enabled BCBSM to increase operational efficiency and data driven decision making while ultimately improving both agent and member engagement. Key benefits of the project included:

Greater visibility. Implementing Salesforce improved agents' ability to access member information and allowed BCBSM insight on agent and employee activity.

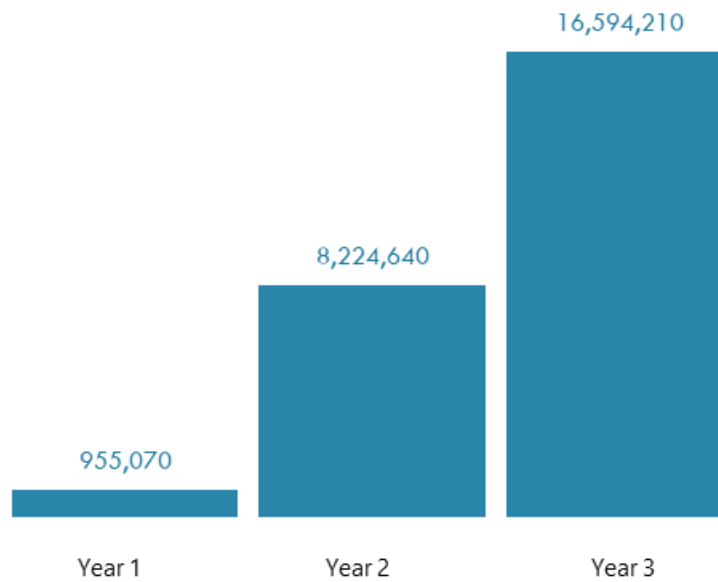
Improved technology management. Moving to Salesforce supported a broader reorganization of IT to streamline its operations, enabling the company to increase IT staff productivity, eliminate the cost and labor associated with supporting legacy systems, and move to an agile development model to more effectively meet the ongoing needs of the business.

Reduced printing and mailing costs. Salesforce Marketing Cloud reduced direct mailing time by 88 percent and reduced time and resources by 25 percent.

Reduced outside agency fees. Elimination of a third-party agency to support agents allowed BCBSM to reduce costs by \$5 million a year.

Increased productivity. The MyBlue agent community consolidated member information giving easy access to agents and automated applications, Welcome Journey, mailings, and notices.

CUMULATIVE NET BENEFIT



KEY COST AREAS

Costs of the project included software subscription fees, initial and ongoing personnel to support the application, staff training time and costs, consulting fees, and the cost of Dreamforce travel.

LESSONS LEARNED

As with any digital transformation of this scale, change management is a key factor in successful adoption. BCBSM recognized this and, early on in the deployment, began promoting the capabilities of the new solution as a tool to enable agents and employees to be more productive and find information with less frustration. The team invested in marketing the benefits of the solution for the individual user more than the functions and features themselves, to drive effective adoption.

CALCULATING THE ROI

Nucleus quantified the costs of the software subscription, third-party consulting, personnel time, and employee training and time that BCBSM incurred over the three-year period in its Salesforce initiative.

Direct benefits quantified included elimination of third-party agency fees, redeployed IT staff, eliminated legacy system support costs, and reduced printing and mailing costs.

Indirect benefits quantified reduced time and resources spent on marketing.

FINANCIAL ANALYSIS

Annual ROI: 137%

Payback period: 0.8 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	7,917,920	7,917,920	7,917,920
Indirect	0	2,500,000	2,500,000	2,500,000
Total per period	0	10,417,920	10,417,920	10,417,920

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	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	825,000	1,100,000	1,100,000	0
Hardware	0	0	0	0
Consulting	2,900,000	992,000	0	0
Personnel	1,200,000	2,000,000	2,000,000	2,000,000
Training	397,500	0	0	0
Other	0	48,350	48,350	48,350
Total per period	5,322,500	4,140,350	3,148,350	2,048,350

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(5,322,500)	6,277,570	7,269,570	8,369,570
Net cash flow after taxes	(2,927,375)	3,452,663	3,998,263	4,603,263
Annual ROI - direct and indirect benefits				137%
Annual ROI - direct benefits only				90%
Net Present Value (NPV)				7,549,286
Payback period				0.8 years
Average Annual Cost of Ownership				4,886,517

3-Year IRR

115%

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