Reality Check for Your Technology Spend

Treating technology as an investment to amplify service impact.
Expectations

Member expectations are shifting (technology, demographics)

Pool staff need the right tools to do their jobs (to serve members)

The right tools cost money and the wrong tool, though it might be cheaper, won't provide the desired results.
Key Themes

- Digital Transformation costs money: “Making it Rain”
- Total Cost of Ownership
- Return on Investment in a Pooling context
Where is your organization on the tech continuum?

Are you still using something like this?

Or this?

What’s next?

Moving in this direction is not optional...

Edmond Halley’s Life Table 1693
Who is your architect?

No single vendor can provide all of your solutions.

No single IT staffer can know every IT topic and solution.

Every pool needs a strategic architect, a CIO, or a technology visionary that can put the pieces together, work with multiple vendors, and speak the language of your business.
Digital Darwinism

• Be prepared to spend more over the next few years

• Be prepared to look at how those costs will shift
Two sides to technology – Why do we do it at all?

**Digital Operations**
- Greater efficiency
- Higher throughput
- Reduced waste
- Lower costs
- Reduced manual efforts
- Self-service
- Improved data integrity
- Free up time for human-to-human member contact

**Digital Member Experience**
- Improved retention
- Immediate access through self-service options
- Personalized experiences
- Relevant and timely information
- Proactive risk management through data analytics and business intelligence
- More targeted in-person visits
Member Service Amplification

Improve and Expand Service Offering

- Expand reach
- Digital new product rollout
- Digital nurturing
- eWord of Mouth
- Self-Serve services

Lower Costs

- Process re-engineering
- Automating
- Digital workflows
- Outsource skills not owned internally
Financial Levers

There have always been financial levers that could be pulled in order to change the financial outcomes of an organization. The digital transformation has simply added some completely new options, and in some cases complete game changers!
Proactive Lever Strategies

Higher Risk Management

Claims Reductions

Lower Vendor Rates

Service Digital Self
Traditional Method for increasing Net Position

- Operating Costs: +1.5%
- Membership: +2.5%
- Claim Reduction/Risk management: +4.6%
- Contribution & Risk Sharing: +7.1%

*Source: Compustat, A.T. Kearney analysis - based on S&P 500 Average Economics
Digital Darwinism is being caused by new levers that are being pulled by one competitor and not the others...

There is power in synergistically stacking the levers that get pulled
Types of Systems

Operational Systems
- Underwriting and Rating
- Claims
- Policy administration
- Finance
- Human resources
- Business intelligence tools
- Collaboration platforms

Member Engagement Systems
- Website
- Portal
- Search engine
- Relationship management ("CRM")
- Learning management
- Event management
- Social networking tools
- Campaign management tools
Technical Debt & Total Cost of Ownership (TCO) Factors

- There are multiple ways to invest in systems. Some create what is called “technical debt” while a more consistent investment approach smooths out over time, and ultimately saves cost and enables greater flexibility and agility.
- When making investment decisions, you should consider more than just the up front or implementation cost. Also take into consideration all the costs of maintaining and improving the system over time (usually calculated over a 3-5 year period).

Tech Debt takes many forms:
- Not having tech you need
- Old tech that’s hard to use, fails a lot, or requires a lot of upkeep
- Not meeting members needs and missing out on opportunity (even when you have the technology but not utilizing it to it’s fullest and best use)
## 3 Ways to Invest in Systems

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Option 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Option 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Option 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Budgets & IT Planning**
Investment Analysis – Total Cost of Ownership

- **Buckets**
- **Upfront**
- **Long Term**
### Investment Analysis – Total Cost of Ownership

**Upfront - 6 months for $360K**

<table>
<thead>
<tr>
<th>IT Labor</th>
<th>Business Analyst</th>
<th>Business Analyst</th>
<th>QA Lead</th>
<th>QA Tester</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Labor</td>
<td>Project Manager</td>
<td>UX Expert</td>
<td>Architect</td>
<td>Lead Developer</td>
</tr>
<tr>
<td>System Owner</td>
<td>Training Lead</td>
<td>Trainer #1</td>
<td>Trainer #2</td>
<td>Comms Lead</td>
</tr>
<tr>
<td>BU Rep #1</td>
<td>BU Rep #2</td>
<td>BU Rep #3</td>
<td>BU Rep #4</td>
<td>Comms #2</td>
</tr>
<tr>
<td>Software</td>
<td>Per User App License</td>
<td>Company App License</td>
<td>App Server OS License</td>
<td>DB Server OS License</td>
</tr>
<tr>
<td>Hardware &amp; Networking</td>
<td>App Servers</td>
<td>DB Servers</td>
<td>Storage</td>
<td>Bandwidth</td>
</tr>
</tbody>
</table>

**Long Term (Annual) for $72K/year**

<table>
<thead>
<tr>
<th>Business Analyst</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Owner</td>
<td>Trainer #1</td>
</tr>
<tr>
<td>Annual Maintenance or Annual License (no upfront)</td>
<td>or Monthly/Annual Cloud Fee</td>
</tr>
<tr>
<td>Annual License (no upfront)</td>
<td></td>
</tr>
</tbody>
</table>

---

**Budgets & IT Planning**
Modeling ROI Opportunities

### ‘Soft’ Cost Savings
- Faster cycle times
- Fewer errors
- Shift work to lower cost resources
- Faster resource onboarding
- Better work/life balance

### Hard Cost Savings
- License reduction
- 3rd party fee reduction
- Headcount avoidance
- Resource redeployment
- Minimize outsourcing

### Member Service Growth
- More opportunities
- Better, more consistent engagement
- Excellent satisfaction scores
- Onboard faster and more effectively
- Increase renewal %
- Sell more services
Example ROI modeling scenario

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>SUB-CATEGORY</th>
<th>WEIGHT</th>
<th>VENDOR A COST SAVINGS</th>
<th>VENDOR B COST SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUNCTIONAL</td>
<td>GENERAL FUNCTIONALITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>INCIDENT MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>INCREASE IN LEVEL 1 INCIDENT RESOLUTION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE MEAN TIME TO RESTORE SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCTION IN INCIDENT VOLUME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>PROBLEM MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>PROACTIVE REDUCTION IN SEV 1 INCIDENT VOLUME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REACTIVE REDUCTION IN SEV 1 INCIDENT DURATION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>CHANGE MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE TIME TO COORDINATE CHANGE REQUESTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE TIME TO VALIDATE CHANGE REQUESTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>RELEASE MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE PLANNING TIME (Avoiding Conflict to Reduce Downtime)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE TIME TO EXECUTE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REDUCE TIME TO ROLLBACK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>PERCENTAGE OF RELEASES THAT REQUIRE ROLLBACK (don't have this info currently)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>SELF SERVICE</td>
<td>5%</td>
<td>$438,609</td>
<td>$438,609</td>
</tr>
<tr>
<td>BENEFIT</td>
<td>CALL VOLUME REDUCTION RESULTS</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>AUTOMATION</td>
<td>2.5</td>
<td>$112,793</td>
<td>$0</td>
</tr>
<tr>
<td>BENEFIT</td>
<td>PASSWORD RESETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>ASSET MANAGEMENT</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFIT</td>
<td>REQUEST FULLFILLMENT</td>
<td>5%</td>
<td>$42,700</td>
<td>$34,160</td>
</tr>
<tr>
<td>PROCESS</td>
<td>SERVICE CATALOG</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>KNOWLEDGE MANAGEMENT</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>CONFIGURATION MANAGEMENT</td>
<td>3.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>SERVICE LEGAL MANAGEMENT</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>SOCIAL IT</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>REPORTING</td>
<td>3.75</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**VENDOR A COST SAVINGS**: $1,933,575

**VENDOR B COST SAVINGS**: $1,254,472
<table>
<thead>
<tr>
<th>KEY THEMES</th>
<th>ROI</th>
<th>TCO</th>
<th>DIGITAL TRANSFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider Return on Investment</td>
<td>In a pooling context this can mean more proactive member engagement, reduced operating expense, more proactive risk management and ultimately happier members and staff.</td>
<td>Compare options based on Total Cost of Ownership (TCO).</td>
<td>Digital Transformation costs money.</td>
</tr>
</tbody>
</table>