



IDC ExpertROI® SPOTLIGHT

LA Metro Transforms the Commuter Experience with Salesforce.com's Public Sector Solution

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Overview

The Los Angeles County Metropolitan Transportation Authority (Metro) is the public transportation-operating agency for the County of Los Angeles formed in 1993. As the primary transit provider for the Los Angeles area, Metro is responsible for overseeing transportation plans, policies, and funding programs and evaluating solutions to address Los Angeles' mobility, accessibility, and environmental needs.

Headquartered in downtown Los Angeles, Metro has 10,000 employees and, in April 2017, experienced over 32.7 million unique rides. Metro's mandate is to provide a safe, reliable, innovative, and efficient transportation network to one of the most populous metropolitan areas in the United States, and it relies on technology to achieve this mandate.

To fulfill its responsibilities as a transportation planner and coordinator, designer, builder, and operator, Metro knew that it required a robust, agile, scalable, and cost-efficient customer relationship management (CRM) platform to integrate its services offered under its umbrella by a vast network of internal and external agencies and transportation systems. As a part of its strategy to encourage greater collaboration between different agencies and departments and increase levels of customer engagement and overall ridership, Metro recently chose to embark on a digital transformation initiative and to migrate its existing third-party managed CRM platform to salesforce.com (Salesforce).

According to Robin O'Hara, Deputy Executive Officer at Metro, who has overseen the Salesforce implementation, Metro's previous externally managed CRM vendor had a complex architecture, was expensive, and did not provide the transportation agency with the control over its CRM system that it desired.

Business Value Highlights

Organization: LA Metro

Location: Los Angeles, California

Challenges:

- Increasing levels of customer service and engagement
- Rising cost of ownership of externally managed legacy CRM system
- Lack of ownership of CRM platform – lengthy change management cycles

Solution: Salesforce.com's public sector solution (CRM)

Five-Year Cumulative Benefits:

- Discounted business benefits of \$42.35 million
- ROI of 185%
- Payback in 12.5 months

Other Benefits:

- Employees in customer service department: 57% more productive
- 70% less time spent on change management

To address these CRM-related challenges, Metro transitioned its previous CRM environment to Salesforce's cloud-based CRM platform in 2015 with the help of a Salesforce partner that specializes in public sector projects. According to O'Hara, although Metro deployed Salesforce less than two years ago, employees and riders have already attained significant benefits. In particular, she noted that the agency can now better control and use the Salesforce CRM platform, which enables it to support higher-value initiatives, and that Salesforce is easier and more efficient to operate and maintain. Through its use of Salesforce over the past year, Metro has attained significant benefits such as amplifying collaboration among different departments to improve customer service and increase engagement, enhancing integration between different technology platforms including externally managed vendor systems, gaining access to ridership data and trends, and reducing operating expenses.

A core benefit of Salesforce is that it has empowered Metro's employees across different departments to report and analyze critical data from its primary payment mechanism – Transit Access Pass (TAP) cards. TAP cards are stored-value cards that allow bus and rail passengers to physically tap their cards on the fare box to pay for travel across area transit agencies. Through real-time connectivity with the smart card system, Metro's employees are now able to efficiently address customer problems, evaluate fares, and boost overall sales. By analyzing critical customer data, Metro's departments can also evaluate ridership on existing routes and plan routes that are more conducive to the demands of the expansive community it serves. Further, the new system has had a significant impact on the experience of Metro's riders. Through a Salesforce partner, Metro has developed a mobile responsive website that allows smart card holders to access their account information in real time, purchase or reload cards, report lost or stolen cards, and plan their trips according to the most efficient route. According to O'Hara, this has significantly improved the customer experience for Metro's patrons that use the contactless smart cards.

Apart from the benefits accrued by Metro's employees and network of riders, the transportation agency has achieved significant cost and operational benefits through its implementation of Salesforce. Metro articulated that implementing Salesforce has significantly reduced its expenditure on CRM-related software licensing as well as recurring costs related to maintenance, software updates, and vendor management. From an operational perspective, Salesforce's self-service capabilities have enabled Metro's CRM administrators to spend less time on change management functions such as software updates and customization. In addition, employees utilizing the CRM system for their day-to-day tasks are more productive because of the reliable nature of Salesforce's platform. Metro noted that employees experienced significant interruptions and unexpected instances of downtime with its previous CRM system.

To quantify the benefits of transportation agency's use of Salesforce's CRM platform, IDC asked O'Hara and her team questions about their organization's operations before and after Metro's deployment of Salesforce. Based on the data collected during the interviews, IDC projects that Metro will achieve total business benefits of \$42.35 million over five years through its use of Salesforce's CRM platform, resulting in a five-year ROI of 185%, and will break even on its investment in Salesforce's CRM system within 12.5 months.

Implementation

The decision to implement Salesforce's CRM platform was prompted by several factors. Metro expressed that it was looking for a robust and scalable CRM system that could improve customer service and engagement through seamless integration with its contactless smart card fare system.

However, beyond integration with its smart card fare system, Metro also wanted a platform that could facilitate continual innovation in the services it offers to riders. This includes integration with external entities that are critical in providing complementary services and products to the transportation agency's vast network of commuters such as ridesharing companies and parking operators.

The decision to retire the externally managed CRM platform can also be attributed to several problems and limitations that were associated with it. This included the high cost of ownership, lengthy upgrade cycles, lack of control of the platform, and frustration with time and resources required to customize the previous application.

The interviewed transportation agency implemented Salesforce's CRM platform in August 2015. While the agency continues to do minor development work, to its surprise, the implementation and onboarding cycle was completed in seven months. As O'Hara noted, "We had seven months to procure, build, test, implement, onboard, and train everyone. It was a very robust system and it was unheard of that we could have done this in seven months."

Because Metro is a public sector organization, cost was a critical factor in the vendor selection process. Though the agency has hired additional resources to manage its CRM environment, the organization is spending substantially less on software licenses and has been able to move away from a substantial managed services contract. As O'Hara noted, "Going forward, the licensing costs are one-third of what they would have paid for with the previous CRM vendor." Over the past year, Metro has migrated its CRM environment to Salesforce and ended its managed services contract.

To maximize its potential, the transportation authority is constantly innovating and working with Salesforce and its partners to expand the presence of Salesforce's CRM system across different departments and the city's vast network of transit agencies. The organization also uses Salesforce's premier support team to train and educate employees on how to maximize the potential of Salesforce's CRM platform. Metro is committed to maximizing the potential of its new CRM investment by constantly evaluating how the platform can empower its employees to work toward providing a seamless commuting experience for its vast network of riders.

Benefits

The benefits attained by Metro through its investment in Salesforce are engulfed around the improved ability to serve and engage with the region's vast network of transit commuters. Though the transportation agency's previous CRM system was also integrated with its smart card fare system, Salesforce has significantly improved the level of customer insights and data available to many employees, including those responsible for servicing customers while also facilitating increased engagement between employees and riders. Salesforce is currently utilized by employees in seven departments with a diverse spectrum of responsibilities. This includes a variety of different sales, vendor management, and customer service and escalation teams. Through integration with a third-party system that manages the point of sale (POS) terminals for the smart cards, Salesforce has provided Metro's employees seamless access to customer data. With Salesforce, Metro has also been able to connect its CRM environment with its external vendor that is responsible for manufacturing the smart cards and facilitating transactions on them. The integration with external systems has enabled employees within different departments to collaboratively work toward understanding the needs of their customers, improving customer experience, and increasing overall ridership through a singular integrated CRM environment. For example, Metro's customer service team has accelerated the time taken to update smart card holders' account information, review and follow up on customer service issues, and correspond with riders directly.

The self-service capabilities and intuitive nature of Salesforce's CRM platform has enabled Metro to develop a new mobile-responsive customer-facing portal, thereby improving the overall customer experience. The agency stated that "web hits have doubled, customer functionality is much better, and the ability to customize and make changes quicker than ever before has resulted in a much better customer-facing website."

The new customer-facing portal acts as an online channel for smart card fare sales. Through the new portal, smart card holders can seamlessly manage and update their account information, purchase or reload cards, and plan their route. The agency mentioned that the improved user interface has attracted an increase in website traffic. This has resulted in a 54% increase in smart card fare sales. Through an increase in smart card sales, Metro's employees across different departments have better access to customer data and can efficiently track and analyze customer trends. The improved quality of data has empowered the transportation agency with the ability to link different modes of transportation, evaluate transportation routes, and set fare prices. The city's transportation agency plans to take advantage of the diverse capabilities of Salesforce's government solution by further integrating it with complementary services such as ridesharing companies, parking operators, and the city's vast network of expressways.

“Since implementing Salesforce – web hits have doubled, customer functionality is much better, and the ability to customize and make changes quicker than ever before has resulted in a much better customer-facing website.” – LA Metro

So-called "Smart City" efforts often include multiple projects that support a unifying vision to integrate a variety of information and communication technology solutions – in a way that leverages available data and helps support the city's digital transformation. Metro's successful CRM system is a prime example of digital transformation of a city service, done in a way that generates a positive ROI. It is evident that, even in a short period of time, Salesforce has enabled Metro to attain numerous operational and customer-oriented benefits. The agency mentioned that taking ownership of its CRM environment by deploying Salesforce's SaaS-based solution and moving away from an externally managed legacy platform has played a substantial role in attaining these benefits. As O'Hara stated, the "biggest benefit is a lot more control over our CRM solution." The agency's previous CRM solution limited its ability to make changes and upgrade its CRM interface in a timely and cost-efficient manner. Metro's four CRM administrators had to spend a combined 39 hours per week on change management activities. Since implementing Salesforce, the administrators spend less than 13 hours per week on change management. The time savings has enabled the CRM administrators to focus on strategic technology-driven initiatives such as utilizing their CRM system to maximize customer satisfaction and ridership. The ability to seamlessly customize the transportation agency's CRM interface and receive software upgrades furthers the digital transformation proficiencies and can largely be attributed to Salesforce's intuitive user interface and SaaS-based delivery approach. As a SaaS-based provider, Salesforce manages upgrades without Metro having to install or download patches. The agency has also reported a significant improvement in the reliability and stability of its CRM environment since implementing Salesforce. Metro's previous platform hampered user productivity by frequent outages and unplanned downtime. Since implementing Salesforce, Metro has experienced zero incidents of downtime. This has substantially increased productivity for the transportation agency's employees that interface with the CRM environment.

Quantifying the Benefits

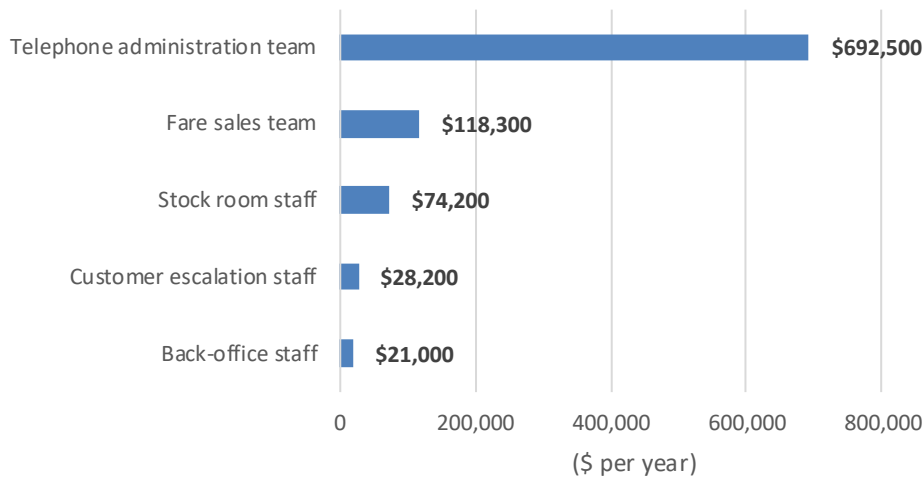
From the interviews with Metro, IDC quantified the staff time savings, productivity gains, cost savings, and revenue impact that the agency is achieving through its deployment of Salesforce's public sector solution. IDC puts the value of these benefits at an average of \$12.12 million per year over five years.

End-User Productivity Benefits

Salesforce has increased the productivity levels of end users within several key departments that interact with the CRM system for their day-to-day tasks. These efficiencies have enabled Metro to increase smart card sales and improve the level of customer service and engagement. IDC puts the value of these benefits at an average of \$934,208 per year over five years (see Figure 1).

FIGURE 1

Average Annual Benefits and End-User Productivity



Source: IDC, 2017

CRM Administrator Benefits

Metro currently has four administrators that are responsible for managing the CRM environment and overseeing change management activities such as software upgrades, customizations, and integration with other platforms. Salesforce has significantly reduced the time required to administer the CRM environment and oversee change management. IDC puts the value of these benefits at an average of US\$58,300 per year over five years.

Cost Savings

Metro has saved substantial costs by migrating its CRM environment to Salesforce. Prior to moving to Salesforce, the transportation agency incurred \$11.7 million in costs per annum for CRM-related licensing, maintenance, and support. In addition, Metro incurred an additional \$500,000 for change management activities such as software upgrades and customization. These costs were payable to an external vendor that provided Metro with its CRM solution. Opting to retire its previous solution and

invest in Salesforce has enabled the transportation agency to reduce its CRM-related costs to \$4.28 million per annum.

Return on Investment

IDC projects that Metro will achieve discounted benefits worth almost \$42.35 million over five years as a result of deploying Salesforce, while making a discounted investment of \$14.85 million. This will result in a five-year ROI of 185%, with Metro breaking even in 12.5 months (see Table 1).

TABLE 1

Five-Year ROI Analysis

Benefit (discounted)	\$42.35 million
Investment (discounted)	\$14.85 million
Net present value (NPV)	\$27.50 million
Return on investment (ROI)	185%
Payback (months)	12.5
Discount rate	12%

Source: IDC, 2017

IDC conducted several interviews with O'Hara and her team within Metro to understand the impact on the agency's operations and business of deploying Salesforce's public sector solution. IDC used these interviews to gather the information needed to quantify the benefits and investment associated with the company's use of Salesforce and created an ROI analysis from the results.

IDC calculates the ROI and payback period in a three-step process:

- Measure the financial benefits directly resulting from the solution, including decreased IT infrastructure costs, increased IT staff productivity, and operations cost reductions since deployment.
- Ascertain the total investment.
- Project the investment and benefit over five years and calculate the ROI and payback period. The ROI is the five-year net present value (NPV) divided by the investment. Payback period (expressed in months) is the time required to pay back the initial investment and establish a positive cash flow. To account for the time value of money, IDC bases the ROI and payback period calculations on a 12% discounted cash flow.

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