



INTER OFFICE MEMO

TO: KAREN HUBER

AT: 14T

DATE 10/31/86

FROM: Robert W. McCaffrey

AT: SR VP Marketing

SUBJECT: Marketing Organization Plan

The Executive Staff recently announced in its Corporate Direction statement that "the challenge facing us and our future success will be dependent upon how well we meet the market's needs relative to our competition. This will require quick and creative responsiveness, innovation and experimentation in the programs we offer. We must be prepared to change everything about ourselves except our fundamental corporate values."

Among the strategic factors which the Executive Staff identified as crucial to "winning" in the marketplace are:

1. Differentiation - The winners in the market will be those who develop a variety of products with features to meet the needs of a variety of customers - as perceived by those customers.
2. Segmentation - The winners in the market will be those who recognize that the Florida market is not monolithic in nature, but is segmented by size of groups, by public and private sectors, by geographical areas and by individual age groups among others. To be responsive to each of these groups requires segmenting our organization in a similar fashion so that a more flexible, adaptive marketing approach can be taken to each key market segment in a pro-active, timely fashion.
3. Integration/Coordination - The integration and coordination of efforts across all business and product lines and among and between all functional areas of the Company is critical to our winning in the marketplace. A matrix approach to organization which permits person to person interaction and communication to resolve common problems is essential to providing quick response to customer needs in each of our market segments.
4. Local Presence - Blue Cross and Blue Shield of Florida has a unique and sustainable winning advantage over its major competitors in the Florida market through our ability to attain and maintain a strong local presence in each of our major markets. Local presence will be attained in two dimensions:
 - a. achieving a significant market share in each key market;
 - b. developing the capacity to gain the knowledge, skills and competencies to most effectively deliver our products and services in each unique market segment.

5. Focus on the Value of Our People: Our employees are our most important asset. Successful companies have the same mix of people as everyone else. The difference is how its employees are motivated, committed, involved and fulfilled in achieving its objectives and goals. Various studies and surveys have told us that our employees want the opportunity to use their creativity; they want more delegation of authority and responsibility with accountability; they want better training and development and greater opportunities for advancement. Many employees perceive the need to establish a flatter, more adaptive/responsive organization to meet the dynamic changes in the marketplace. They believe that such an organization can give them greater participation and involvement in the decision-making processes of the company.

Using these factors, the Marketing Group has developed an organization which will be more flexible, adaptive and responsive to the marketplace as well as to the needs of our employees.

The Marketing Group has four Divisions, each headed by a Vice President reporting to me (Exhibit 1).

The Major Group Division, under the leadership of Bill Reed, includes all Groups in the State which have 500 or more subscribers. The Major Group, in turn, will be segmented by the Public and Private Sectors and within those sectors by classification or type of customers. The Public Sector includes the State Group, the Hospital Group (both public and private); schools and such other public entities we choose to serve. The Public Sector will be headed by Robert Pralle.

The Private Sector market, is comprised of companies with 500 or more subscribers, PAR (organizations in which we participate with a Control Plan from outside of Florida), and the FEP Market. A small administration unit, which will be devoted entirely to supporting the marketing efforts of the Major Group Division, will be an integral part of this team.

The Group Marketing Division, under the leadership of Ed O'Neil, will market our products to groups which number from 10 to 500 subscribers. This new Group Marketing Division perhaps best illustrates our commitment to the strategic concepts outlined earlier. This "10 to 500" market segment includes key geographic segments in order to provide a strong Local Presence. Our research shows that customer needs, competitive actions and cultural forces in the Miami area, for example, are different than in the Orlando area; that the Jacksonville/Gainesville market differs from the Sarasota/Ft. Myers market or the Tallahassee/Pensacola market, etc.

Our new approach to these market segments is to take a total marketing or business approach to each local area, utilizing a team-oriented approach. This matrix approach is graphically displayed in Exhibit 2, which is not intended to be all inclusive.

It should be noted that this same matrix organization approach is intended to apply in a similar fashion to each of the other marketing divisions.

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The initial Organization Plan, as shown on Exhibit 1 is intended to be a starting point for positioning the Marketing Group to grow and develop in each of the specific market segments. The Executive Staff has clearly set forth in its Corporate Direction statement an objective to achieve a much larger market share than we enjoy today. We believe this new direction for our marketing organization helps us to achieve that objective while providing greater opportunities for individual career growth and job satisfaction.

We ask for your cooperation and support during this critical transitional period.

RWM:cek

Distribution: A - E

A MARKETING DIVISION IN A MATRIX FORMAT
 (Integration/Coordination Points Shown by Dotted Lines)

