

Understanding the Business

Software initiatives are about the Business NOT Technology!!



- 1 Why it is important for IT teams?
- 2 Techniques
- 3 ...



Every business today is a technology business; for some businesses, technology is the core model and for others technology supports the business model





Goal of the IT teams is to help the business achieve the business goals, hence IT teams MUST understand the business model



Deliver higher & faster value to the business



Active participation in the business decisions



Align the IT objectives with business objectives

IT becomes a trusted partner of business rather than just a service provider !!!



Architects | Developers

who understand the business earns the trust of the business and their peers

Domain Driven Design

Requires that the technologist *MUST* understand the domain !!!

Business Model Canvas is a technique that helps with understanding the business | domain

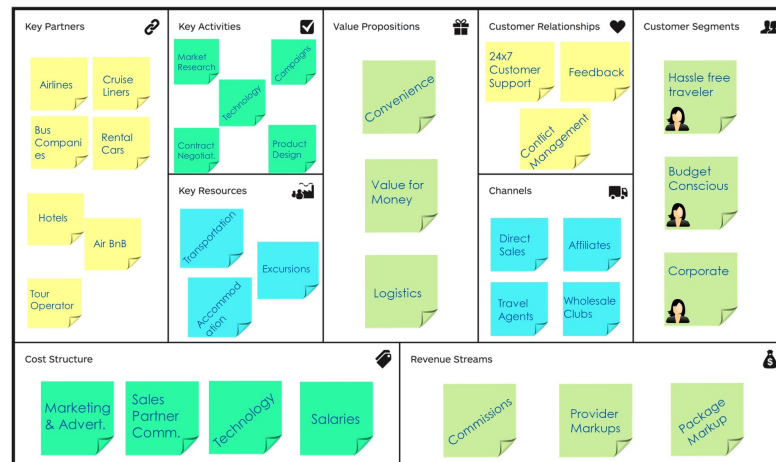
Section Objectives

1

Business Model Canvas

2

Understand ACME Travel's business model



IT must understand business



Goal of the IT teams is to help the business achieve its goals, hence IT teams **MUST** understand the business model

Domain Driven Design

Requires you the technologist **MUST** understand the domain !!!

Business Model Canvas

Tool for understanding the business | domain



- 1 What is a Business Model Canvas?
- 2 9 Building blocks
- 3 Uber's Business Model Canvas

The Business Model Canvas

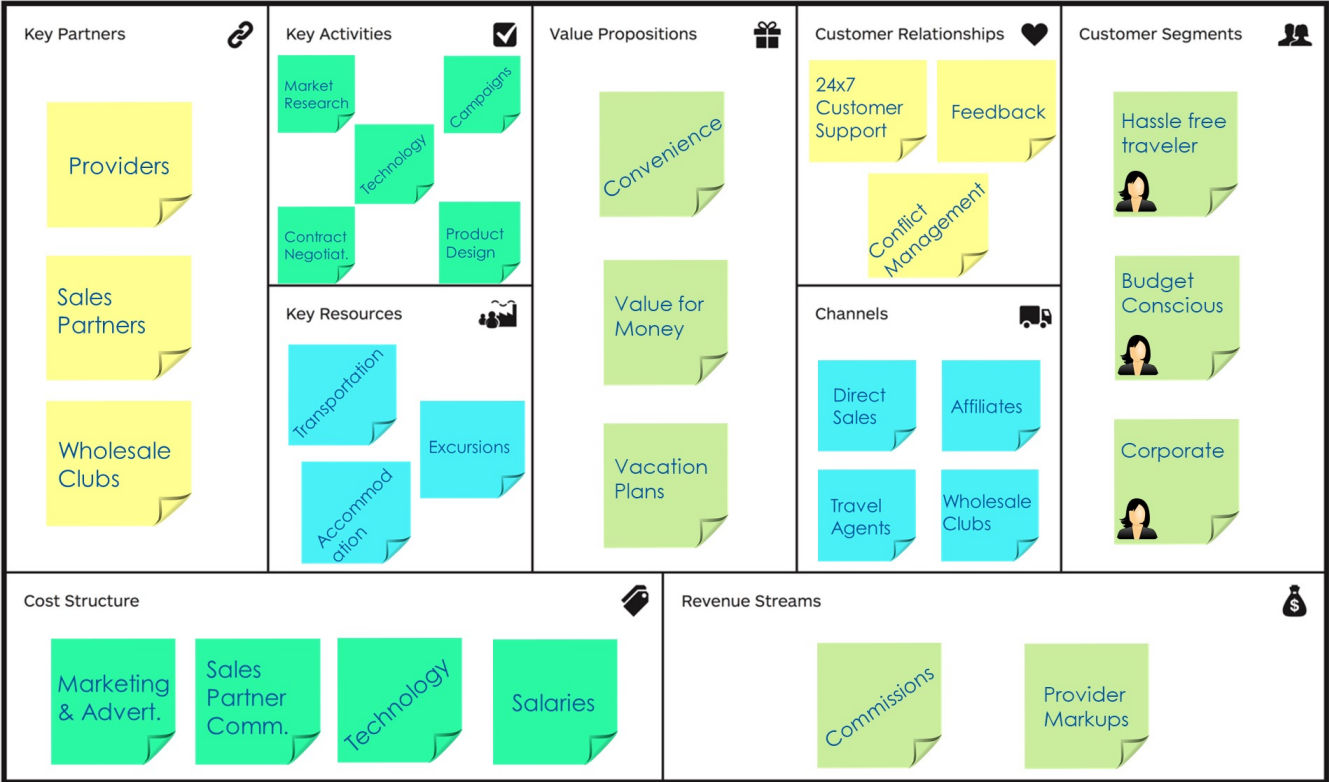


Business Model Canvas is a tool that helps discuss, communicate, design and understand the organization's business model

Benefit



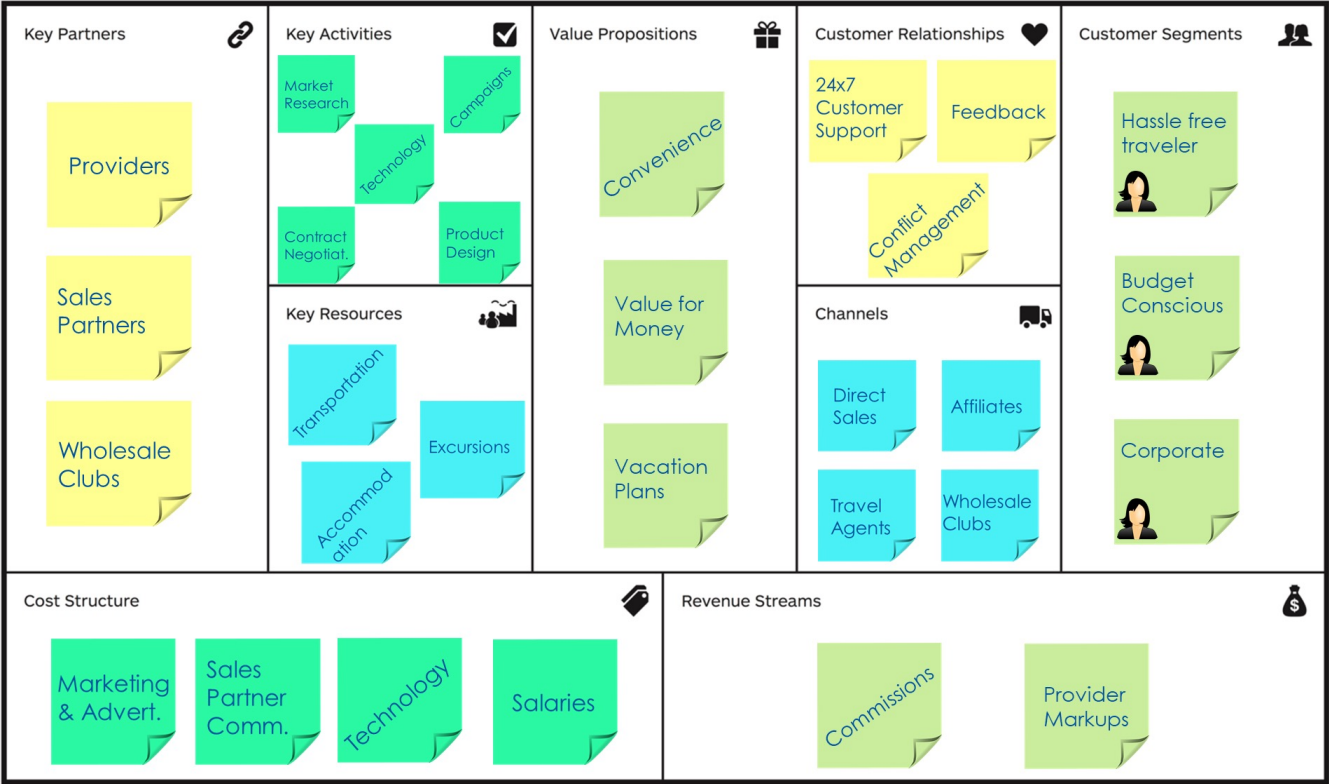
Entire Business Model in *ONE* image



Creation of the canvas



9 Basic building blocks organized in the form of a canvas



Key Partners



Key Activities



Value Proposition



Customer Relationships



Customer Segments



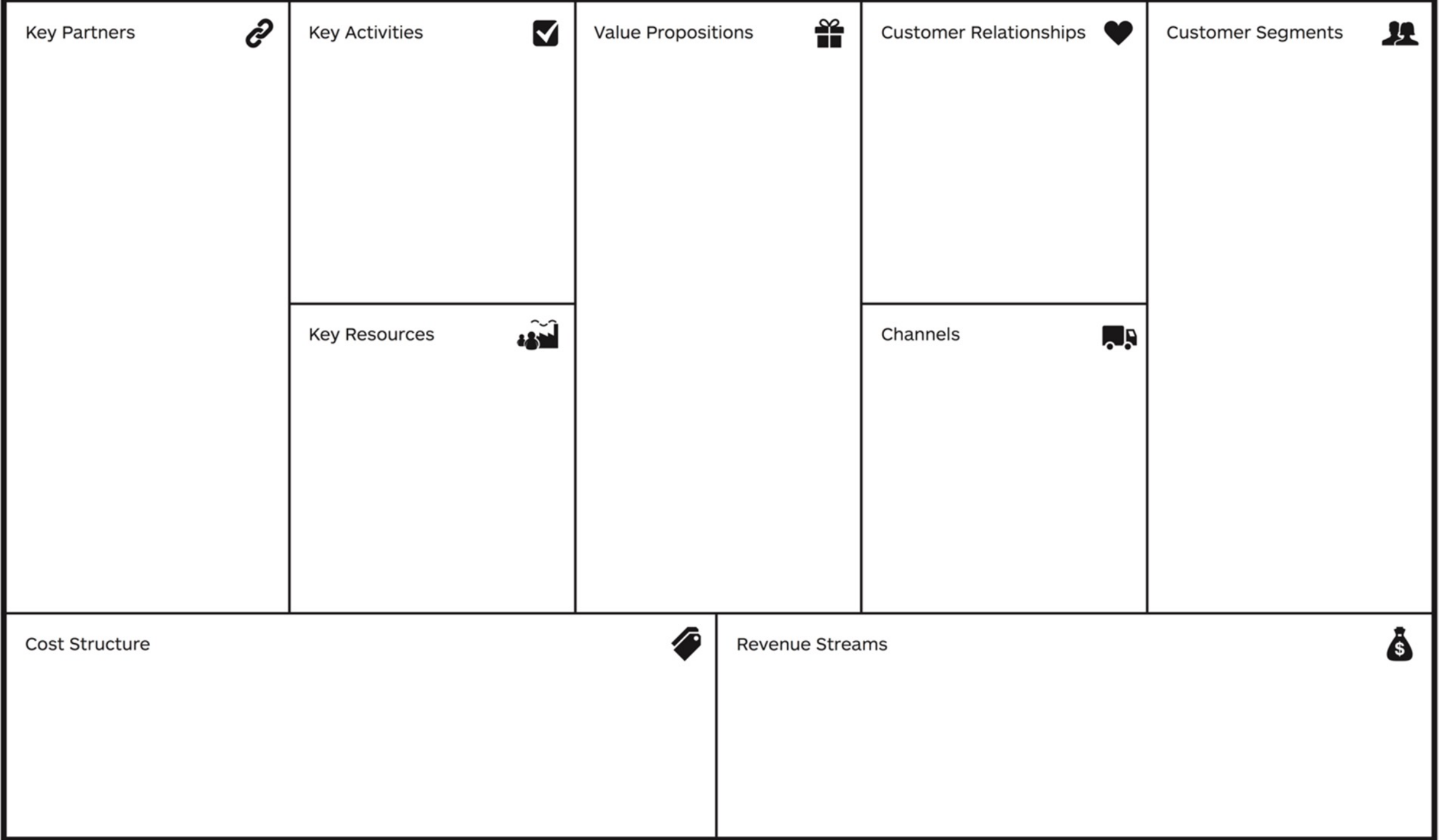
Cost Structure



Key Resources



UBER



Key Partners



Key Activities



Value Propositions



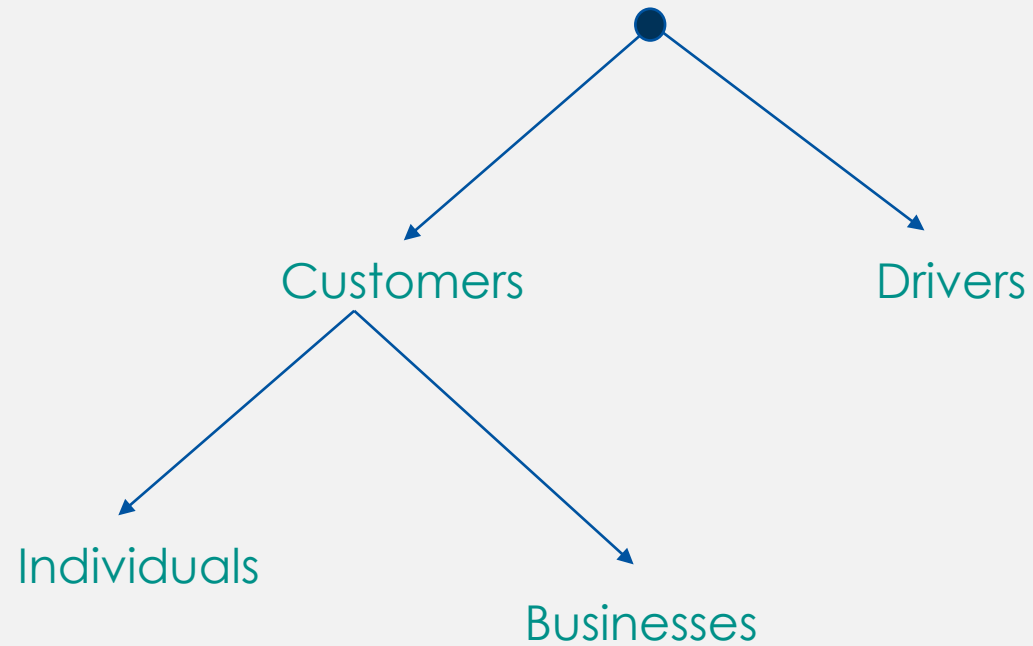
Customer Relationships



Customer Segments

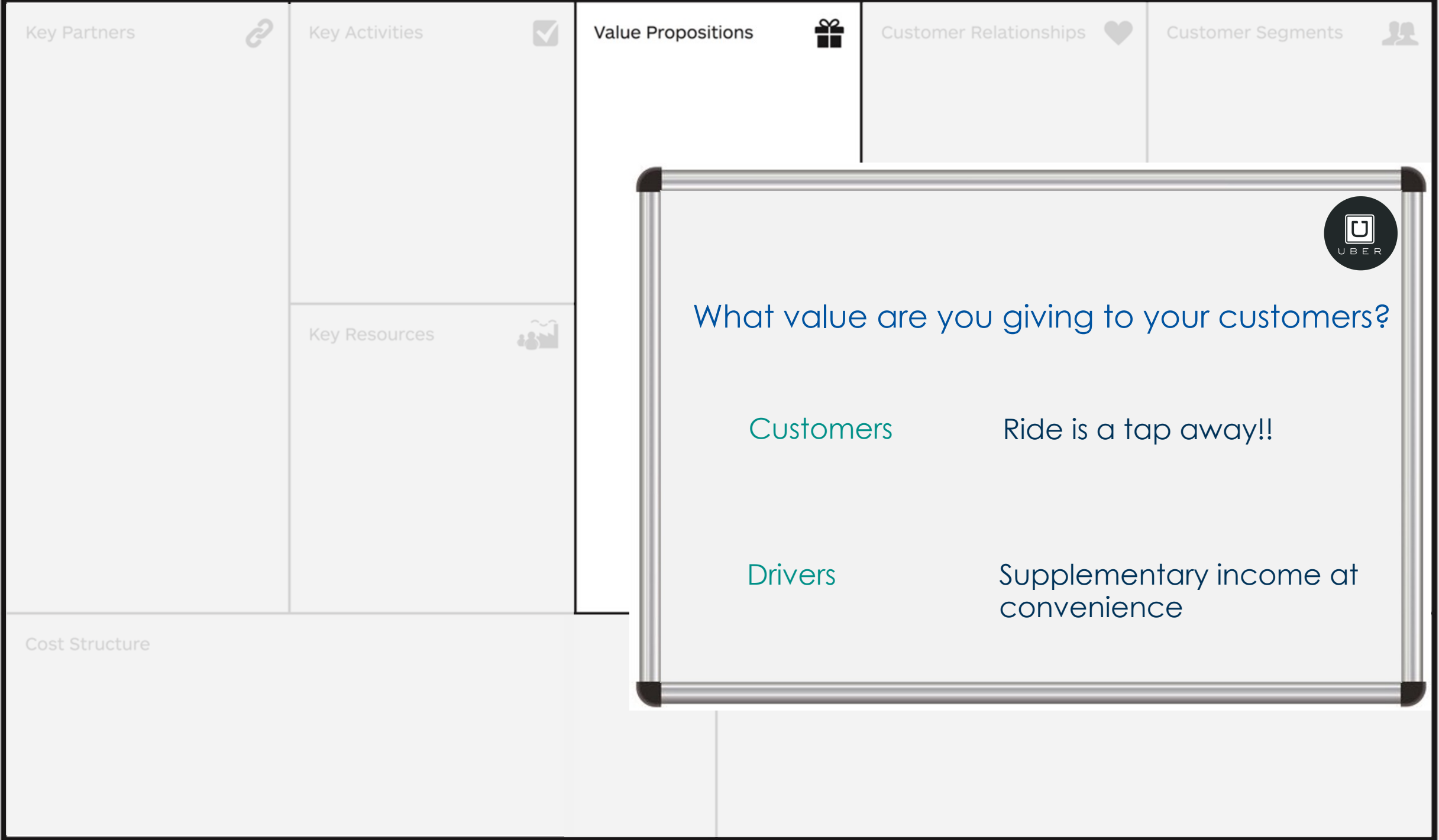


Who are the customers?



Cost Structure





Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Key Resources



Cost Structure



What key resources do our value prop require?

Platform

Connects the customers to drivers

Software

Algorithms for pricing, routes, matching etc.

Driver network

No drivers mean no Uber 😊

Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Who are the key partners | suppliers ?



Drivers

Drivers drive the customers

Technology providers

E.g., Mapping technology

State authorities

Permission to operate

Cost Structure



Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Key Resources



Cost Structure



What key activities do our Value Prop require?

Build & Maintain Platform | Software

Driver recruitment

Legal affairs

Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



What type of relationship does each of our customer segments expect us to establish?

Ratings & Feedback

Self Service

Support

els



Co



Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



For what do the customers pay for?

Ride Commissions

Surge Price

Premium Rides

Cancellation Fee

Cost Structure



Revenue Streams



Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



What key activities do we spend \$\$\$ on?

Marketing

Legal Affairs

Technology Development

Employee Salaries

R&D

Channels



Cost Structure



Revenue Streams



Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Channels through which customers want
to be reached?

Mobile Apps

Third Party Apps

Channels



Cost Struct

ms



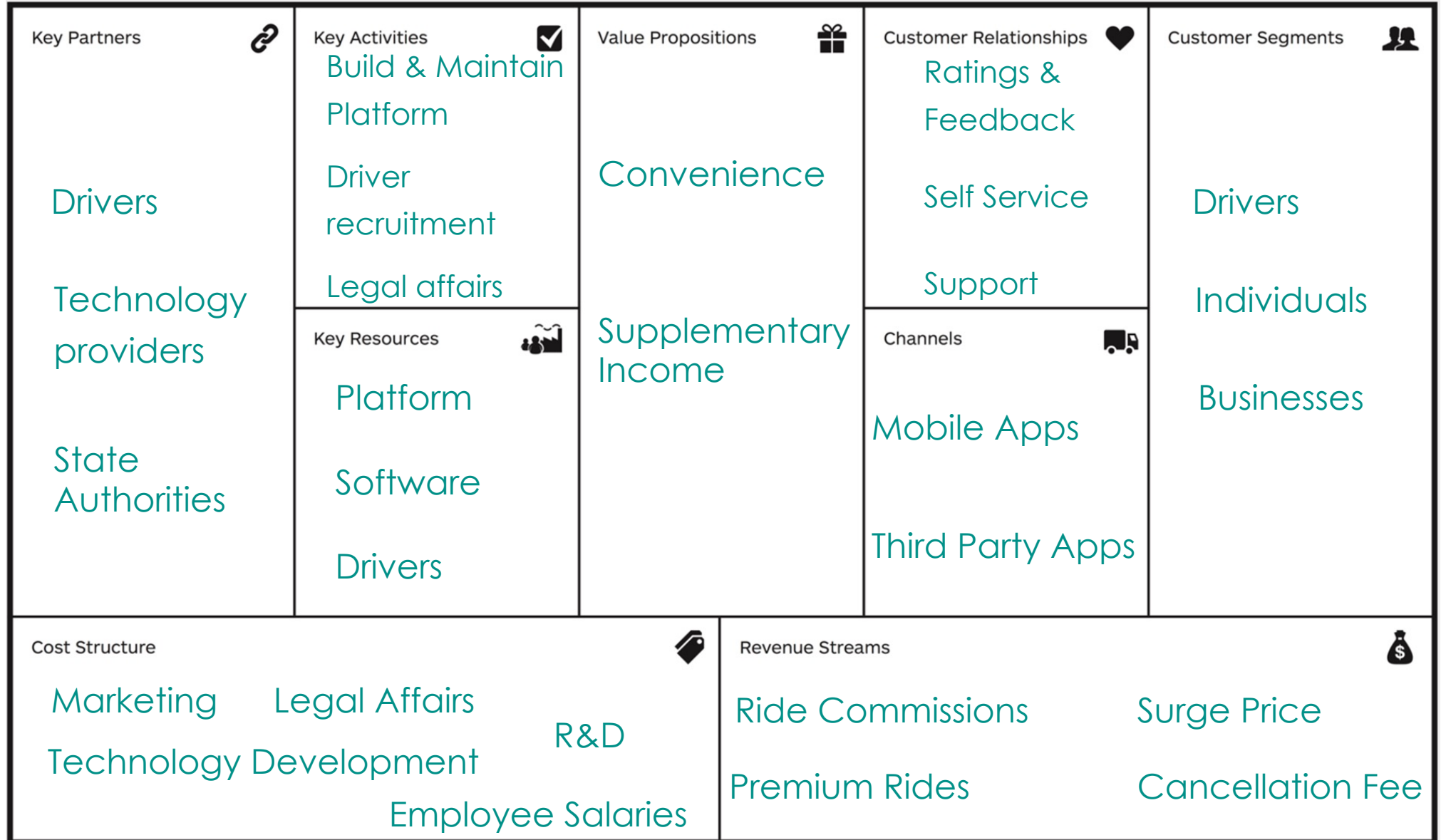


Quick Review

- Business Model Canvas is a tool that helps in understanding the business model
- 9 parts depicted in the form of a canvas



Quick Review












The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<div><h3>Key Partners</h3><p>Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p><p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p></div>	<div><h3>Key Activities</h3><p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p><p>CATEGORIES Production Problem Solving Platform/Network</p></div>	<div><h3>Value Propositions</h3><p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p><p>CHARACTERISTICS Newness Performance Customization "Getting the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p></div>	<div><h3>Customer Relationships</h3><p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p><p>EXAMPLES Personal assistance Dedicated Personal Assistance Self-Service Automated Services Communities Co-creation</p></div>	<div><h3>Customer Segments</h3><p>For whom are we creating value? Who are our most important customers?</p><p>Mass Market Niche Market Segmented Diversified Multi-sided Platform</p></div>			
	<div><h3>Key Resources</h3><p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p><p>TYPES OF RESOURCES Physical Intellectual (brand patents, copyrights, data) Human Financial</p></div>		<div><h3>Channels</h3><p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p><p>CHANNEL PHASES 1. Awareness How do we raise awareness about our company's products and services? 2. Evaluation How do we help customers evaluate our organization's Value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p></div>				
<div><h3>Cost Structure</h3><p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p><p>IS YOUR BUSINESS MORE Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p><p>SAMPLE CHARACTERISTICS Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p></div>		<div><h3>Revenue Streams</h3><p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p><table><tr><td>TYPES Asset sale Usage fee Subscription Fees Lending/Renting/Leasing Licensing Brokerage fees Advertising</td><td>FIXED PRICING List Price Product feature dependent Customer segment dependent Volume dependent</td><td>DYNAMIC PRICING Negotiation (bargaining) Yield Management Real-time-Market</td></tr></table></div>			TYPES Asset sale Usage fee Subscription Fees Lending/Renting/Leasing Licensing Brokerage fees Advertising	FIXED PRICING List Price Product feature dependent Customer segment dependent Volume dependent	DYNAMIC PRICING Negotiation (bargaining) Yield Management Real-time-Market
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Business Model Canvas

Creation of business canvas will help understand the business



- 1 How the Canvas is created?
- 2 Walkthrough of the canvas for ACME

How is it created?

Mostly by interviewing the experts

Observing the business

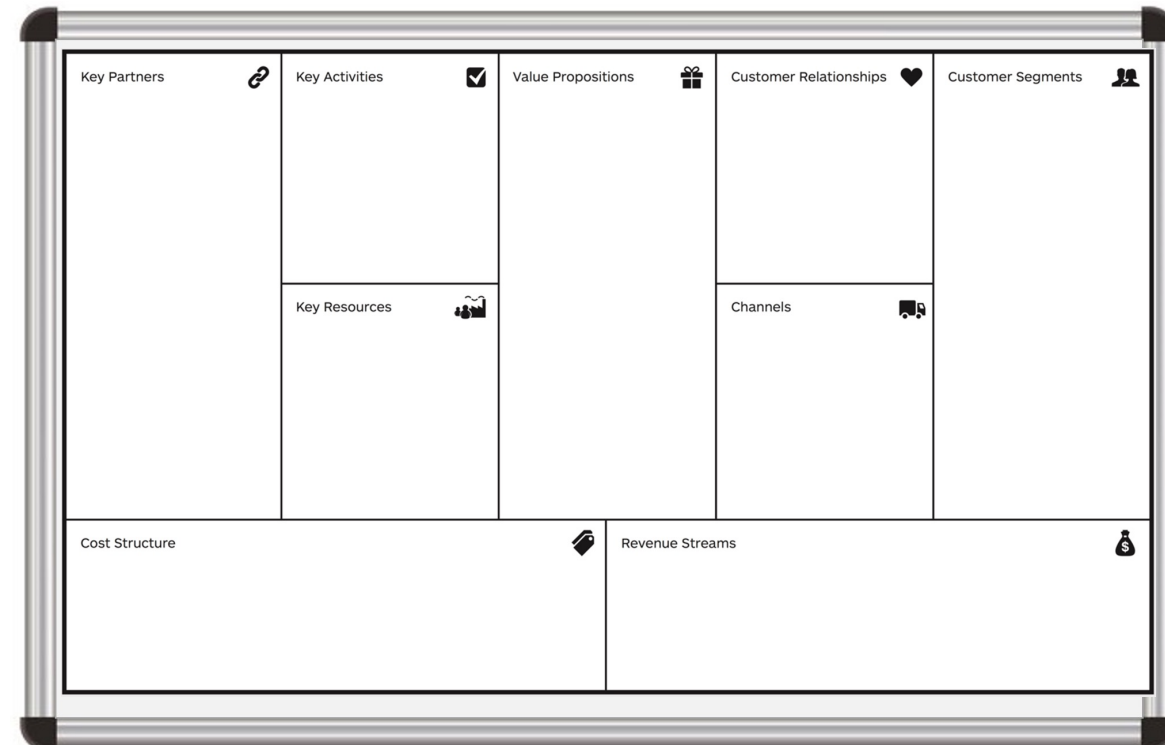
Using the publicly available information

New business founders CREATE one to sell the idea to Venture Capitalists !!!

Exercise

Please follow along:

Create the Business Model Canvas for organization you work for !!!





ACME business experts were interviewed to create the Business Model Canvas

1

"Vacationers who appreciate the ease & convenience; these are the folks who do not like the hassles of planning - they just want to pack up their bags and go 😊"

2

"Looking for options that fit their budget; willing to cut down on luxuries"

3

"Corporations arranging group tours for their employees; we give them group discounts and offer them specialized services e.g., travel guides"

Customer Segments

1

Hassle free
traveler



2

Budget
Conscious



3

Corporate



1

Hassle free
traveler



All Inclusive
Vacation
Package

"We take care of everything;
you just need to pack up
your bags"

2

Budget
Conscious



Customizable
Travel
Bundles

"Affordable travel packages
for every budget"

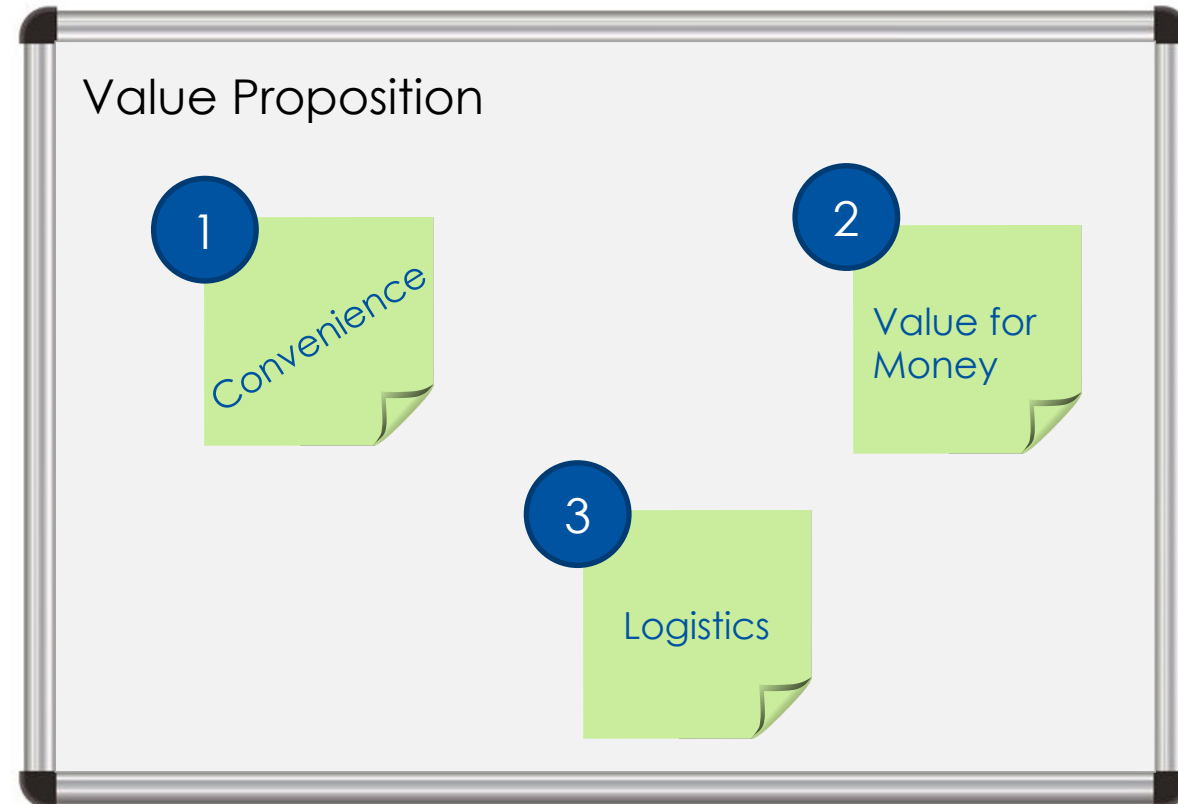
3

Corporate



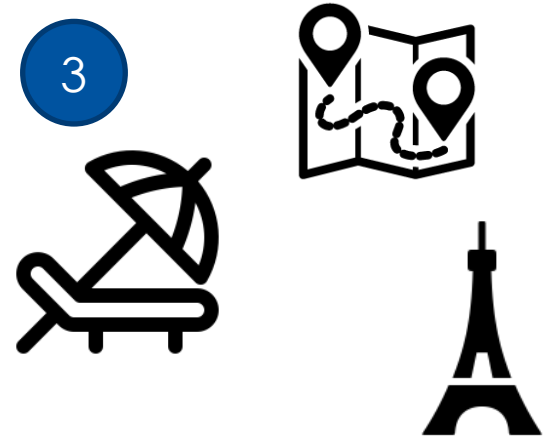
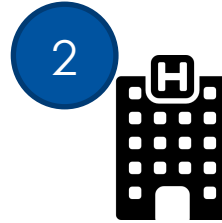
Group
Vacation
Packages

"End to end logistics is always
appreciated by corporates"



"A vacation package consists of multiple parts:

- Hotel
- Air BnB
- Airline ticket
- Trains ticket
- Car Rental
- Cruise
- Excursions
- Limousine Service
- Other add on"



1

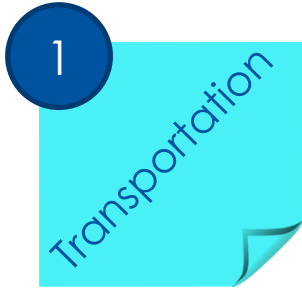


Key Resources

1
Transportation

2
Accommodation

3
Excursions



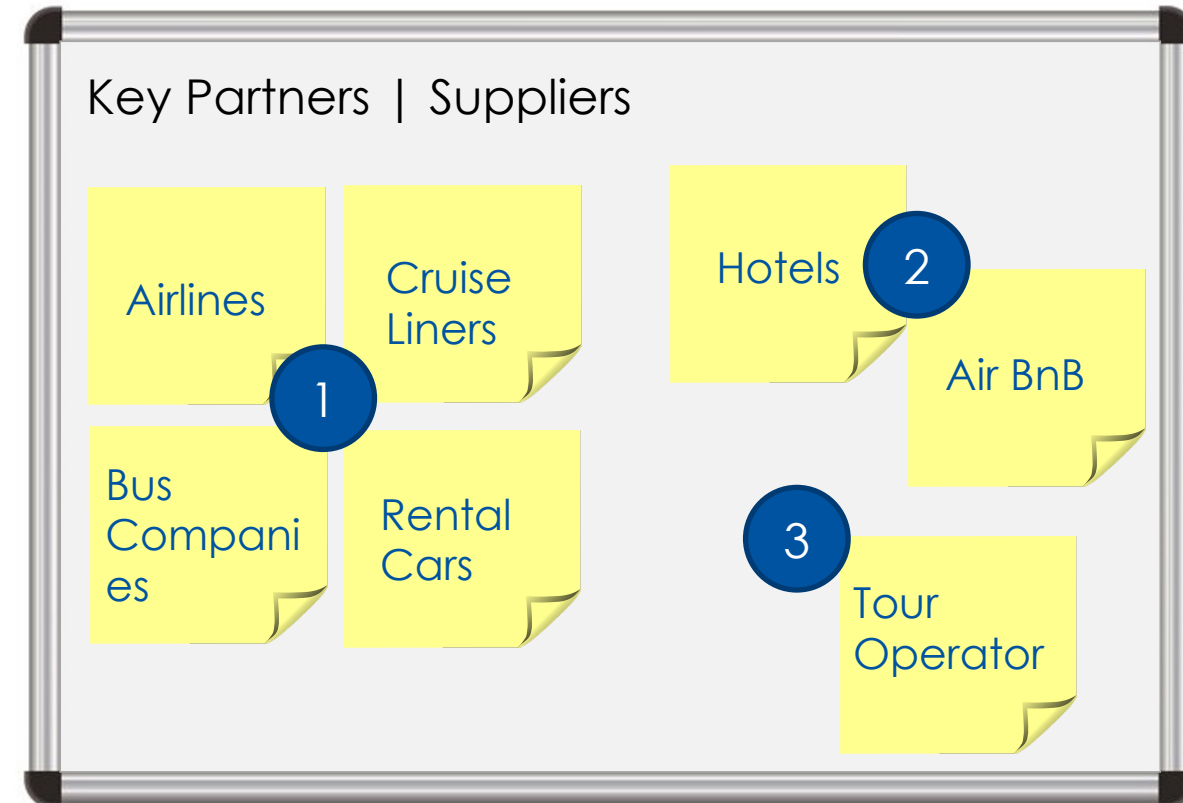
"We get bulk tickets multiple Airlines, Cruises, Bus companies; also have business relationship with car rental companies that give use commission or discount depending on the contract we have."



"We get special rates from hotels and more recently we have started using Air BnB as well"



"We have a network of tour operators that work closely with us to create the attractive vacation package options"



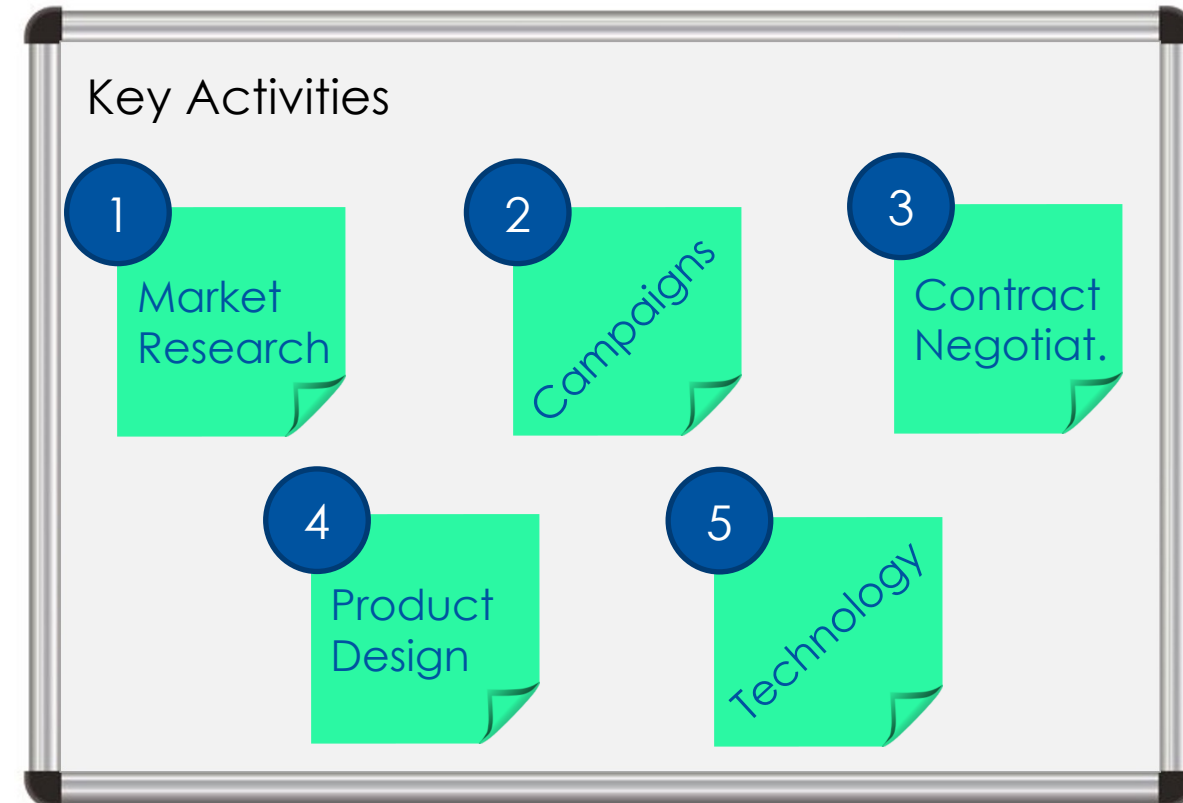
1 "We do a market research to understand the likes and dislikes of our customers"

3 "To be profitable we need to negotiate optimal contract with our providers"

5 "In the last few years we have started to spend a \$\$ in automation of our system e.g., we can now check partner's offering availability without making a call !!!"

2 "We design and run market campaigns to attract new customers and to increase the volume for return customers"

4 "Vacation packages are our products, and we have product designers who use the market research and other mechanism to design the products"



1

"24x7 Full Support Guarantee to our customers via phone, email, text message"

2

"Sometimes are providers do not provide the best experience and that leads to conflicts; we act as the single point of contact for conflict resolutions after all our reputation is at stake!!"

3

"We will not survive if our customers do not like our products, so we are big on feedback."

Customer Relationship

1

24x7
Customer
Support

2

Conflict
Management

3

Feedback

1

"From Day 1 travel agents have been the biggest producer for our business (approx. 50%). But gradually we see that the travel agent business is declining as people like to use their phones and iPads to research & book vacations."

2

"Direct sales are almost 35% of our revenue - hoping to increase it to 55% in next 2 years with the help of technology"

3

"Affiliate partners work on commission to sell our products. Mostly these are individuals who are the influencers e.g., bloggers and YouTube stars. Frankly, it's a big opportunity that we have not fully tapped into"

4

"Sales of our products via wholesale clubs is growing but it is just a small part. The clubs want us to build technology to support them. Hopefully in coming years we will be able to support their technology demands"

Channels

1

Travel
Agents

2

Direct
Sales

3

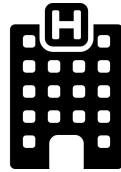
Affiliates

4

Wholesale
Clubs

1

"Some providers work with us on commission basis that is we sell their product as part of the vacation package and in return we receive a commission; the commission amount we receive is negotiated independently with each such provider."



2

"We add a markup on the provider's price, we refer to as the Provider Markup; this is our share of the profit. The better price we can negotiate with the provider the better it is for us and the customers !! "

3

"Markup on Vacation packages"

Revenue Streams

1

Commissions

2

Provider
Markups

3

Package
Markup

1

"Advertisements and Marketing campaigns is where we spend a big chunk of our money"

2

"Like we get commissions from our providers; we pay commissions to our sales partners"

3

"Our technology spend has grown exponentially in recent years so can't be ignored anymore"

4

"Employee salaries and travel specialist commissions"

Cost structure

1

Marketing
& Advert.

2

Sales
Partner
Comm.

3

Technology

4

Salaries

Key Partners



Airlines

Cruise
Liners

Bus
Compani
es

Rental
Cars

Hotels

Air BnB

Tour
Operator

Key Activities



Market
Research

Campaigns

Technology

Contract
Negotiat.

Product
Design

Key Resources



Transportation

Excursions

Accommod
ation

Value Propositions



Convenience

Value for
Money

Logistics

Customer Relationships



24x7
Customer
Support

Feedback

Conflict
Management

Channels



Direct
Sales

Affiliates

Travel
Agents

Wholesale
Clubs

Customer Segments



Hassle free
traveler



Budget
Conscious



Corporate



Cost Structure



Marketing
& Advert.

Sales
Partner
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Salaries

Revenue Streams



Commissions

Provider
Markups

Package
Markup