

Putting the Profit Back Into Value

Oct 6, 2022

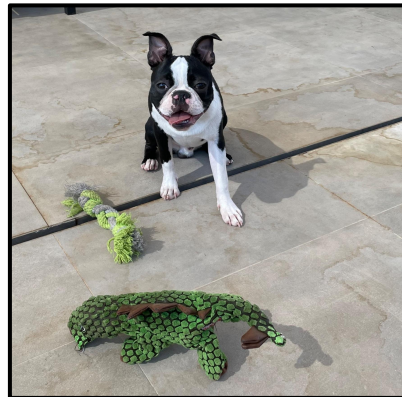
APPLIED
FRAMEWORKS 

Welcome



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- SVP of Product and Certified Scrum Trainer® (CST)
- Twenty years of Scrum & Agile practice
- Live and work in Portugal since 2017







What is value?



Our Agenda

- Introductions
- What is the problem?
- How does Applied Frameworks define value?
- How to quantify value?
- How is all this connected to rugby?



What is the problem?



Quick Poll - Defining Value

Which of the following definitions of value resonates the most with you and your team?

1. “Anything of worth the customer will pay for.”
2. “The economic worth of the capability to the business and the customer.”
3. “Total savings or satisfaction that the customer receives from the solution.”
4. “All forms of worth which determine the health and well-being of the enterprise in the long term.”

Why These Definitions Do Not Tell the Whole Story



They are a bit naive



Do not link to profit



Our Definition

value (n): *benefits a customer receives, less the price the firm extracts*

$$\text{Value} \gg \text{Price}_{(\$,\text{€})}$$

Applied Framework Profit Streams™ Canvas



Customer <i>What does my customer value?</i> + Hard / Tangible + Soft / Intangible <i>What might my customer pay for this?</i>	Value Exchange <i>How do I 'trade value for money'?</i> Annual license? transaction?	Solution <i>What are the ways I can provide value to my customers?</i> <i>What are the features / (other) I can provide / create?</i>
Customer ROI <i>Is this sustainable for my customer?</i> + TCO vs. Benefits <i>Is it better than competing or alternative offers?</i>	Pricing <i>How much money will this cost?</i> What is the Price? + Strategy + Structure + Specifies + Policies	Solution ROI <i>Is this sustainable?</i> + Costs + Revenue <i>Improvements over time?</i>
Customer Licenses <i>What are the Terms and conditions of the use of the solution?</i> + Rights / Restrictions <i>Are they fixed? Negotiated?</i>	Profit Engine <i>How do I design/engineer a sustainable business?</i>	Solution Licenses <i>What are my in-licenses?</i> How do I manage them? How do they impact my model?
	Compliance <i>How do I maintain / honor my relationship with external stakeholders? (societal stakeholders)</i> + GDPR, FERPA, HIPAA, COPEA	

Dissecting Value - Part I



First-order effects

- Tangible economic benefits
- #1 consideration for B2B, B2P and some B2C purchases

Example: B2B purchase of electric cars

- Reduce fuel consumption costs
- Government tax credits & rebates





Dissecting Value - Part II

Second-order effects

- Brand and other intangible psychological benefits
- #1 consideration for many B2C purchases

Example: B2C purchase of Gucci shoes

- Associate with a luxury brand
- “Cool” factor



Most Value is Hidden

The challenge is to make visible what lies beneath.



Eight Ways to Provide Value - Part I



More is better...

1. Increase revenue
2. Increase operating capital
3. Increase satisfaction
4. Improve optionality

Eight Ways to Provide Value - Part II



Less is more...

- 5. Reduce costs
- 6. Reduce capital investment
- 7. Reduce risk
- 8. Save time





What more do you want to know?

How to Quantify Value

Value Algorithms



Value Algorithms

What is the economic impact of a Lean Portfolio Management course with Applied Frameworks?

$$\begin{array}{ccccccc} & & \text{positive differential value} & & & \text{negative} & \\ & & \text{differential value} & & & \text{differential value} & \\ & \text{←} & \text{blue double-headed arrow} & \text{→} & \text{red double-headed arrow} & \text{→} & \\ \text{Economic Impact} & = & \text{Savings Realized} & + & \text{Revenue Increased} & + & \text{Costs Avoided} & - & \left[\text{Costs to Implement} \right] \\ & & & & & & & & \text{Customer ROI} \\ & & & & & & & & + \text{Solution} \end{array}$$

Value Quantification Framework



Who <i>What segment is receiving the value?</i>			
Summary <i>What value does the solution provide the customer?</i>			
Magnitude <i>What is the economic impact of the value? How can this potential value be measured?</i> <i>How can the economic impact be expressed as a formula?</i>			
Implementation <i>What changes does the customer need to make in order to realize the value?</i>			
Revenue, Cost or Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Easy	Medium	Hard
	<input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Decrease Cost	<input type="checkbox"/> Avoid Risk



What questions can I answer for you now?

Application to Rugby

PitcheroGPS

Rugby is a Fun, but Hard Game



Soft Tissue Injuries

Torn Achilles tendon,
six months for recovery



Concussions

Right elbow to the temple,
sidelined for four weeks





The Impact of Injury

1. Sidelined from competition

- On average, injuries result in a loss of thirty-eight days in a 288-day season¹.
- On average, fifty-nine players per professional rugby club per season will be injured.

2. Early onset dementia and other irreversible neurological conditions

- In 2022, 100 former rugby players initiated a lawsuit to hold rugby governing bodies responsible for failing to protect players from permanent brain damage².
- To date, the NFL has paid out ~\$1 billion in claims related repeated head injuries³



The Solution

Wearable GPS unit which records training duration & intensity, movements on the pitch, collisions and accelerations.

Potential Benefits

1. Reduce player injury
2. Establish player benchmarks
3. Support player development & growth
4. Tailored training sessions
5. Visualize field position





Who is the Customer?

Who <i>What segment is receiving the value?</i>	Owner of a rugby team		
Summary <i>What value does the solution provide the customer?</i>			
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What Value Do They Receive?

Who <i>What segment is receiving the value?</i>	Owner of a rugby team		
Summary <i>What value does the solution provide the customer?</i>	Reduce player injury		
Magnitude <i>What is the economic impact of the value? How can this potential value be measured?</i> <i>How can the economic impact be expressed as a formula?</i>			
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	<input type="checkbox"/> Easy	<input type="checkbox"/> Medium	<input type="checkbox"/> Hard
Revenue, Cost or Risk	<input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Decrease Cost	<input type="checkbox"/> Avoid Risk



What is the Potential Economic Impact?

Who <i>What segment is receiving the value?</i>	Owner of a rugby team		
Summary <i>What value does the solution provide the customer?</i>	Reduce player injury		
Magnitude <i>What is the economic impact of the value? How can this potential value be measured?</i> <i>How can the economic impact be expressed as a formula?</i>			
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Calculating Economic Impact

Reduce player injury

- **Total salary:** \$8.8 million USD
- **Roster:** Sixty-eight players
- **Average salary:** \$129,000 USD
- **Length of season:** 288 days

$$\begin{array}{ccccccc} \text{Economic} & & & & & & \\ \text{Impact} & = & 59/68 & * & 68 & * & 38 \\ \text{(total injury days)} & & \uparrow & & \uparrow & & \uparrow \\ & & \% \text{ players} & & \# \text{ of} & & \# \text{ days} \\ & & \text{injured} & & \text{players} & & \text{injured} \end{array}$$



Harlequins



2,242 injury days

That is the equivalent of 7.78 players



\$1,003,620 USD



How Does the Customer Realize this Value?

Who <i>What segment is receiving the value?</i>	Owner of a rugby team		
Summary <i>What value does the solution provide the customer?</i>	Reduce player injury		
Magnitude <i>What is the economic impact of the value? How can this potential value be measured?</i> <i>How can the economic impact be expressed as a formula?</i>	~\$1,000,000 USD Total injury days per squad		
	----- % injured * # players * days injured		
Implementation <i>What changes does the customer need to make in order to realize the value?</i>	Wearable technology		
	----- <div><input checked="" type="checkbox"/> Easy <input type="checkbox"/> Medium <input type="checkbox"/> Hard</div>		
Revenue, Cost or Risk	<input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Decrease Cost	<input type="checkbox"/> Avoid Risk



What Category of Value is Offered?

Who <i>What segment is receiving the value?</i>	Owner of a rugby team		
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Magnitude <i>What is the economic impact of the value? How can this potential value be measured?</i> <i>How can the economic impact be expressed as a formula?</i>	~\$1,000,000 USD Total injury days per squad		
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Pitchero Case Study



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What questions can I answer for you now?

Maximize Your Software Profits

Remaining 2022 dates

Oct 24 & 25

Nov 21 & 22

Dec 19 & 20

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Upcoming Webinars

Value Exchange Models

November 8, 2022 @1:00PM ET

What is a Profit Stream?

December 8, 2022 @1:00PM ET

How to Read a Software License Agreement

January 5, 2023 @1:00PM ET

Revving the Profit Engine of Your Business Model

February 2, 2023 @1:00PM ET

Common Risks Associated with In-License Agreements

March 2, 2023 @1:00PM ET

Customer <i>What does my customer value?</i> + Hard / Tangible + Soft / Intangible <i>What might my customer pay for this?</i>	Value Exchange <i>How do I trade value for money?</i> <i>Annual license? transaction?</i>	Solution <i>What are the ways I can provide value to my customers?</i> <i>What are the features / (other) I can provide / create?</i>
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Appendix



References

1. [England Professional Rugby Injury Surveillance Project \(2019/2020 season\)](#)
2. [Case Against Rugby Union Governing Bodies on Dementia Destined for Courts](#)
3. NFL Concussion Settlement (official [website](#))

Differential Perception in Value

