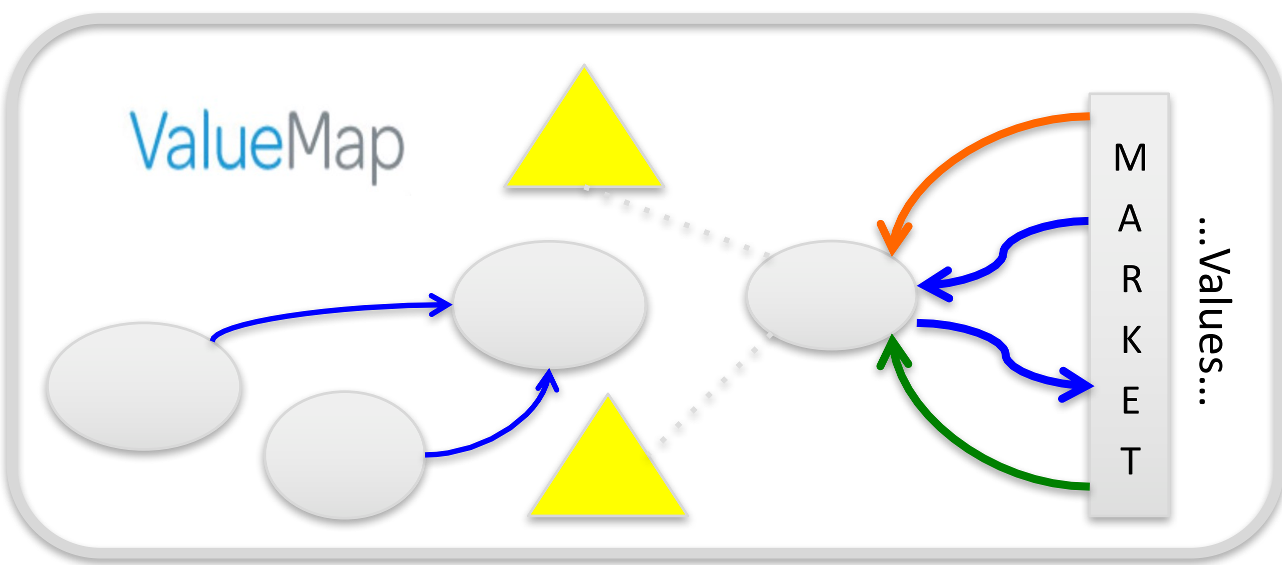
ValueMap

Think Value

Think Value
.....and then Map It



Why?

Get a payoff, which may be large

How?

- You will see the guts of your business from a different perspective
- This will stimulate your creativity and generate insights
  - New opportunities
  - Better ways of using technologies
  - Avoid getting skunked, or skunk the competitor
  - Land an AHA!
- Mapping value flows is a discipline that helps you do this

Payoffs for a Startup or a Small Business

- Validate your business model and plan
  - Is it sound?
  - Are you pursuing the best opportunities?
  - What are the risks; can you mitigate them?
    - Market
    - Competitors
    - Oncoming technologies
  - Is there a better strategy or business model?
  - Does the value map confirm what your own gut tells you?
- Help sell the business prospects to investors by providing a picture—or even a video—of its evolution and path to success

Payoffs
for a Larger Established Company

ValueMap

- Help insure survival and growth of the business unit
- See effects of new technologies, “moats”, market trends, and possible competitive moves
- Innovate. Generate and test possible changes to strategies and business models, and even product and service features
- Get teams involved, excited, and committed
- Align different levels and parts of the organization with goals and objectives
- Foster agility
- Track the effects on all stakeholders, including “externalities”

Background

- Value Mapping originally developed at Intel – Andy Grove reign
  – Find new uses for prior generation fabs
  – New venture strategy
  – Acquisition analysis/evaluation
- Applied to other companies
- Now has potential to do more, especially in the exploding digital world

ValueMap

Value Mapping

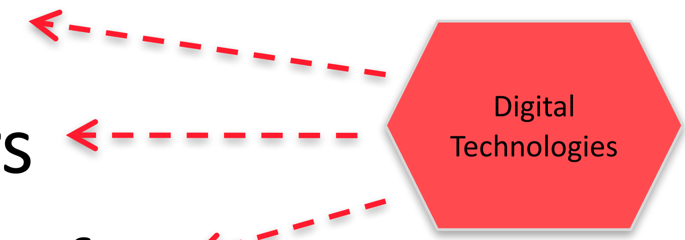
Reflects the Purpose of any Enterprise

- Create value
- Deliver it to a customer
- Capture a portion for reinvestment
  and distribution

ValueMap

And all three are being affected by….

- Create value
- Deliver it to customers
- Capture a fair portion of it



Example
A Classic Business: Cruise America
A Recreational Vehicle (RV) Rental Agency

ValueMap

A Typical RV

ValueMap

Cruise America Background

- RV rental agency, founded in Florida in 1972 by Randy Smalley
- Grew slowly for 20 years despite low profits
- Vehicles last about two years; then they are sold off
- Margin between rental revenue and the cost of new vehicles not large enough

A disaster in 1992
Hurricane Andrew hits Florida!

- Many RV's destroyed, but Cruise America survives– insurance coverage
- Andrew ripped one RV in half, separating the living quarters from the truck body.
- Smalley junked its living quarters but since the truck body was not much damaged, sold it for a good price.

Then Smalley got an AHA!

STOP and THINK! What was it?

- Could he have gotten it without a hurricane?
- Let's see if a Value Map could have generated it.....

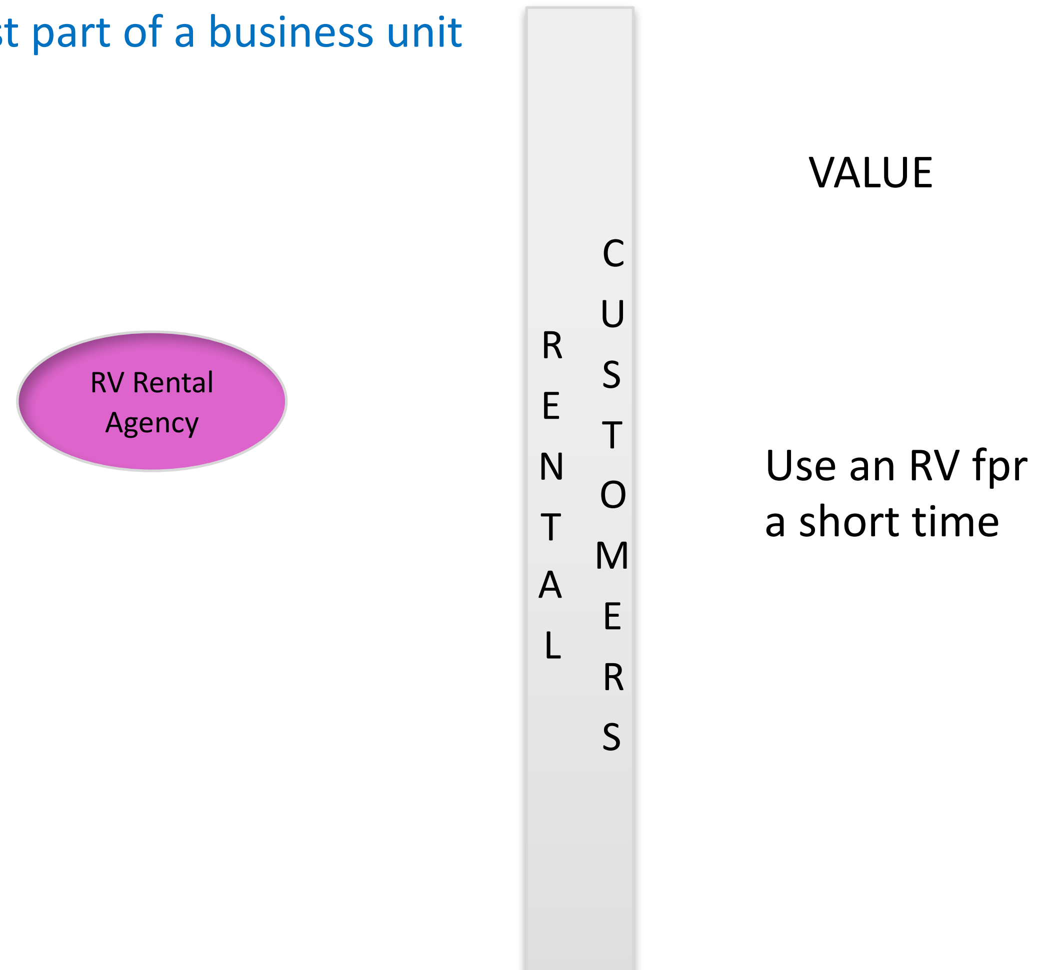
- Start by defining the market and value delivered

RENTAL CUSTOMERS

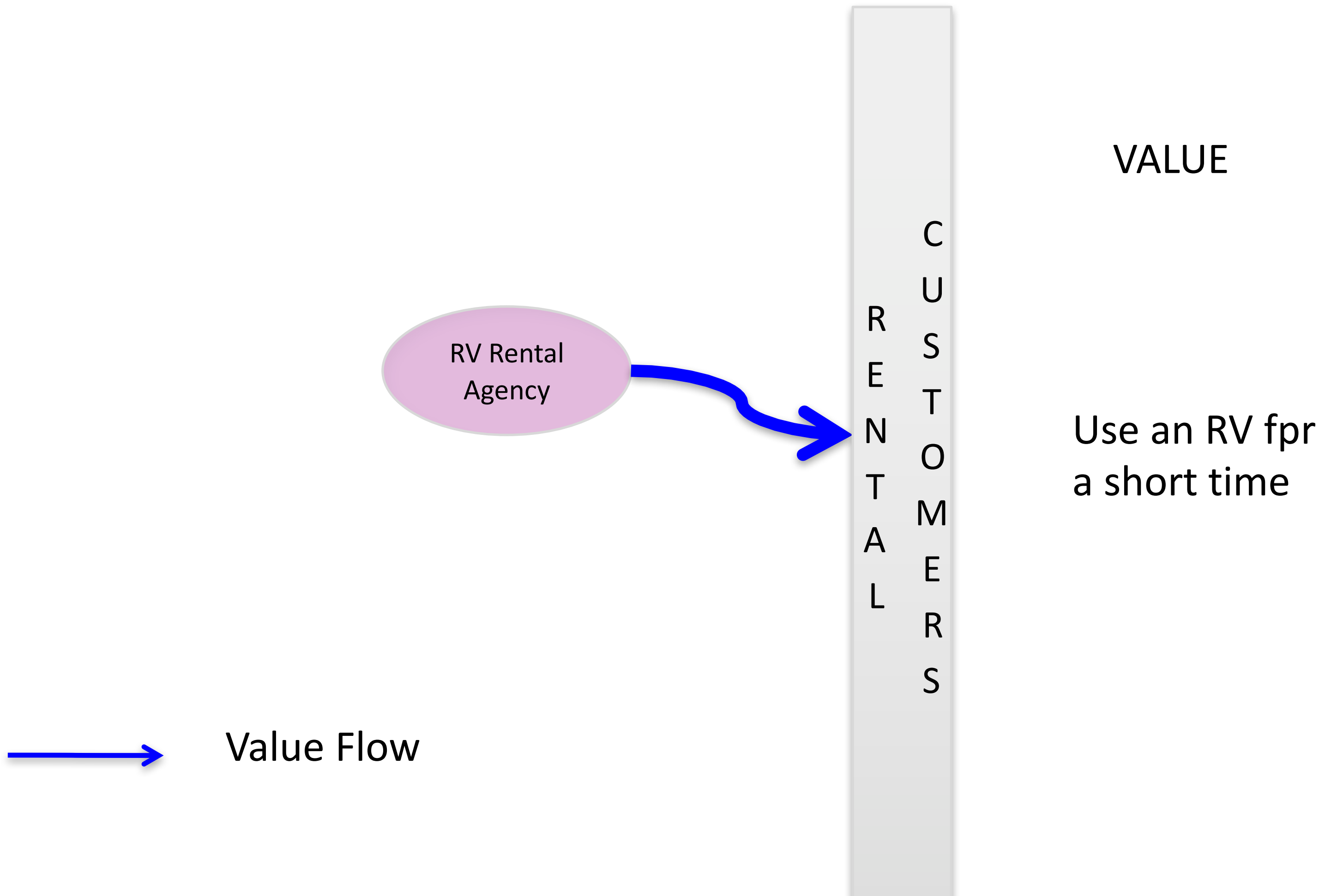
VALUE

Use an RV fpr
a short time

- Introduce a stage that creates the value to be delivered
- A stage can be all or just part of a business unit

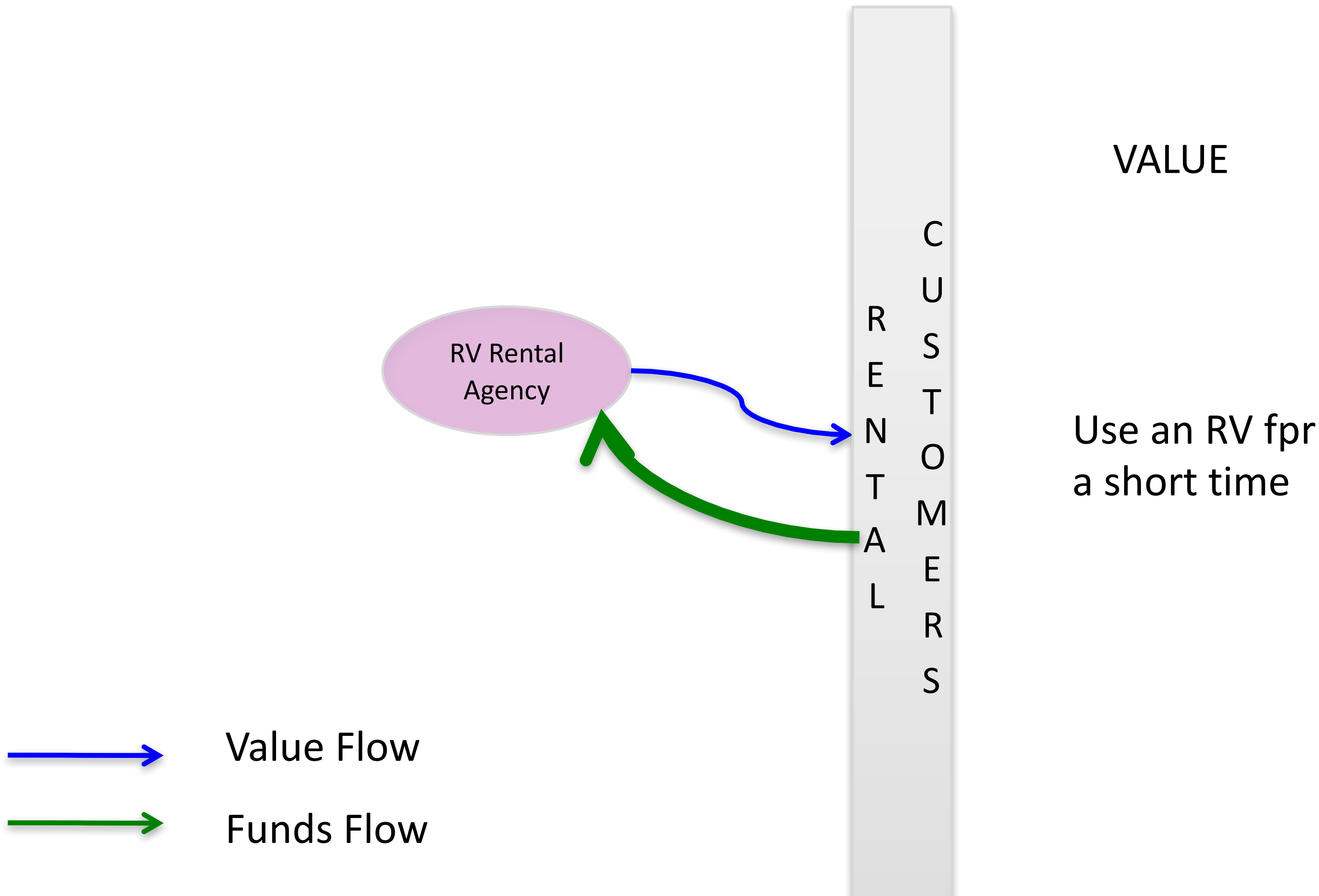


- Show the flow of value to the market.



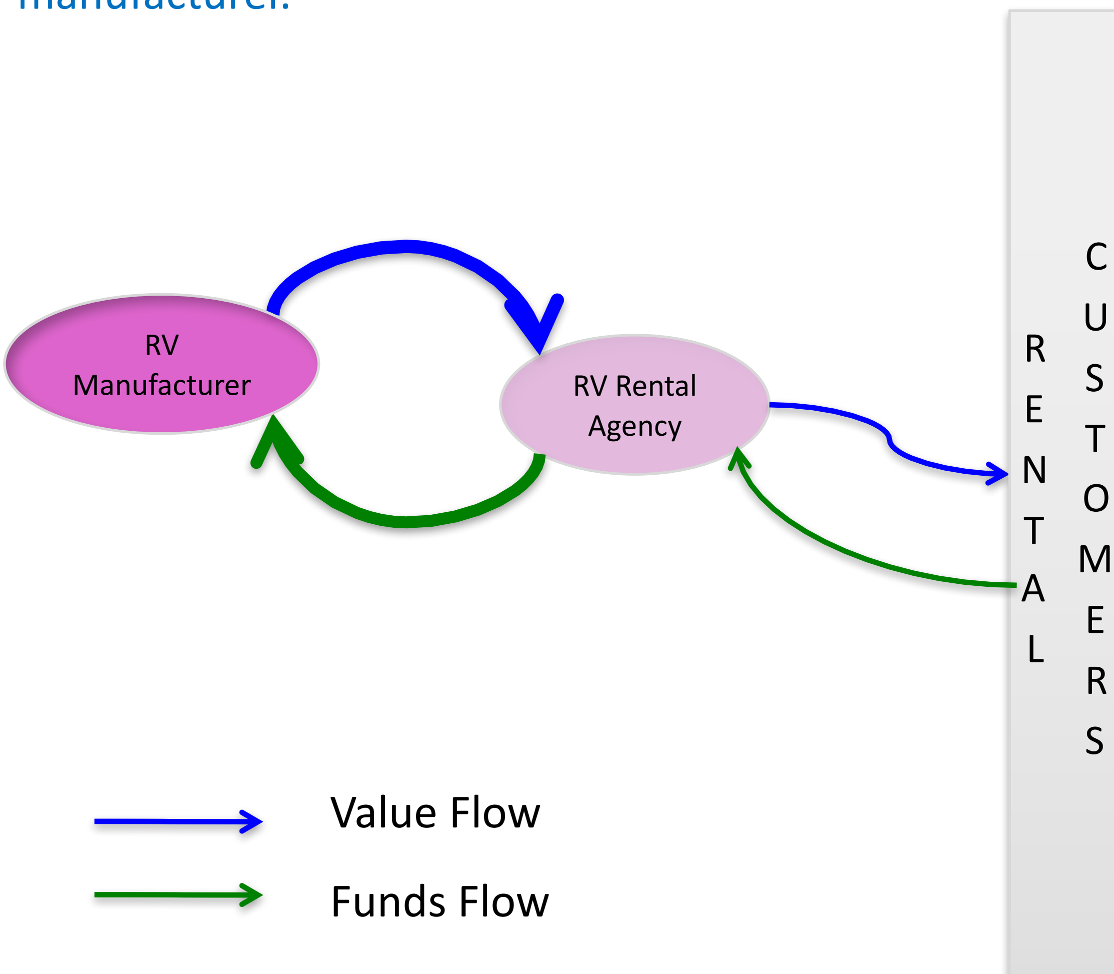
ValueMap

- Then show the flow of funds paying for the value received



ValueMap

- Now go upstream. RV's come from an RV manufacturer.

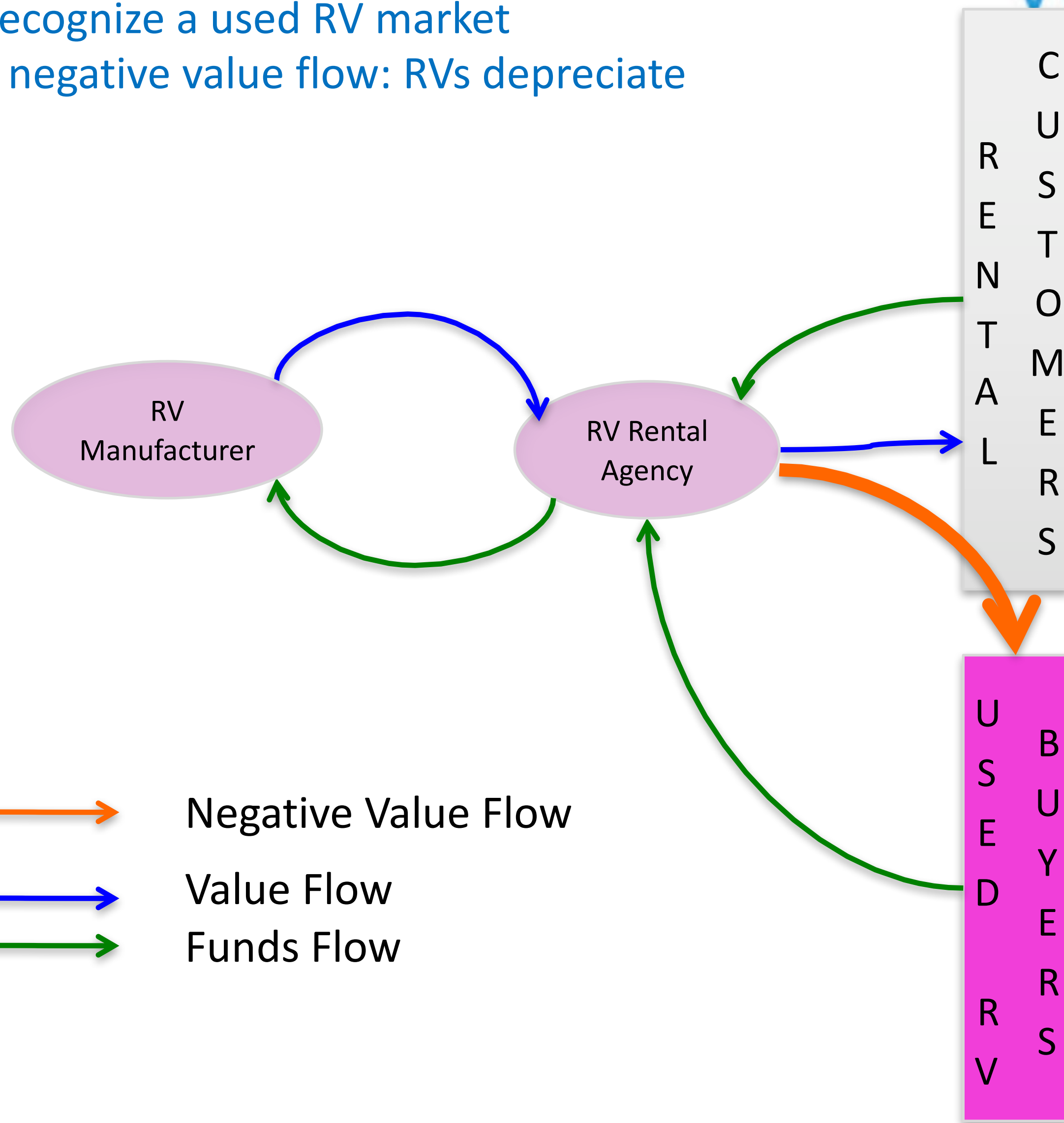


VALUE

Use an RV fpr a short time

ValueMap

- Now recognize a used RV market
- Also a negative value flow: RVs depreciate



VALUE

Acquire a nice but used RV; ≈50,000 miles on odometer

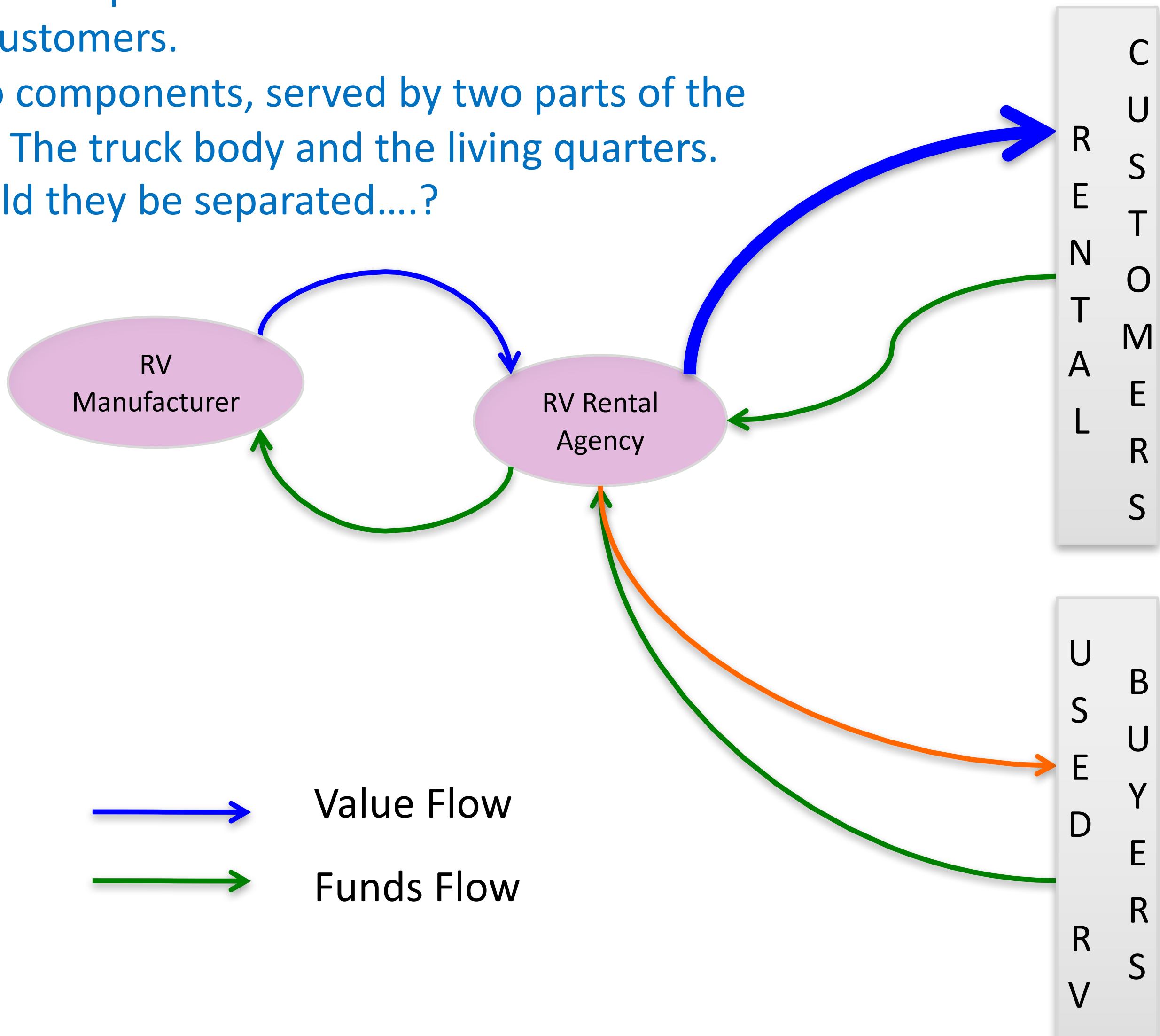
Negative Value Flow

Value Flow

Funds Flow

ValueMap

- Think deeper about the basic value delivered to customers.
- Two components, served by two parts of the RV: The truck body and the living quarters.
- Could they be separated….?



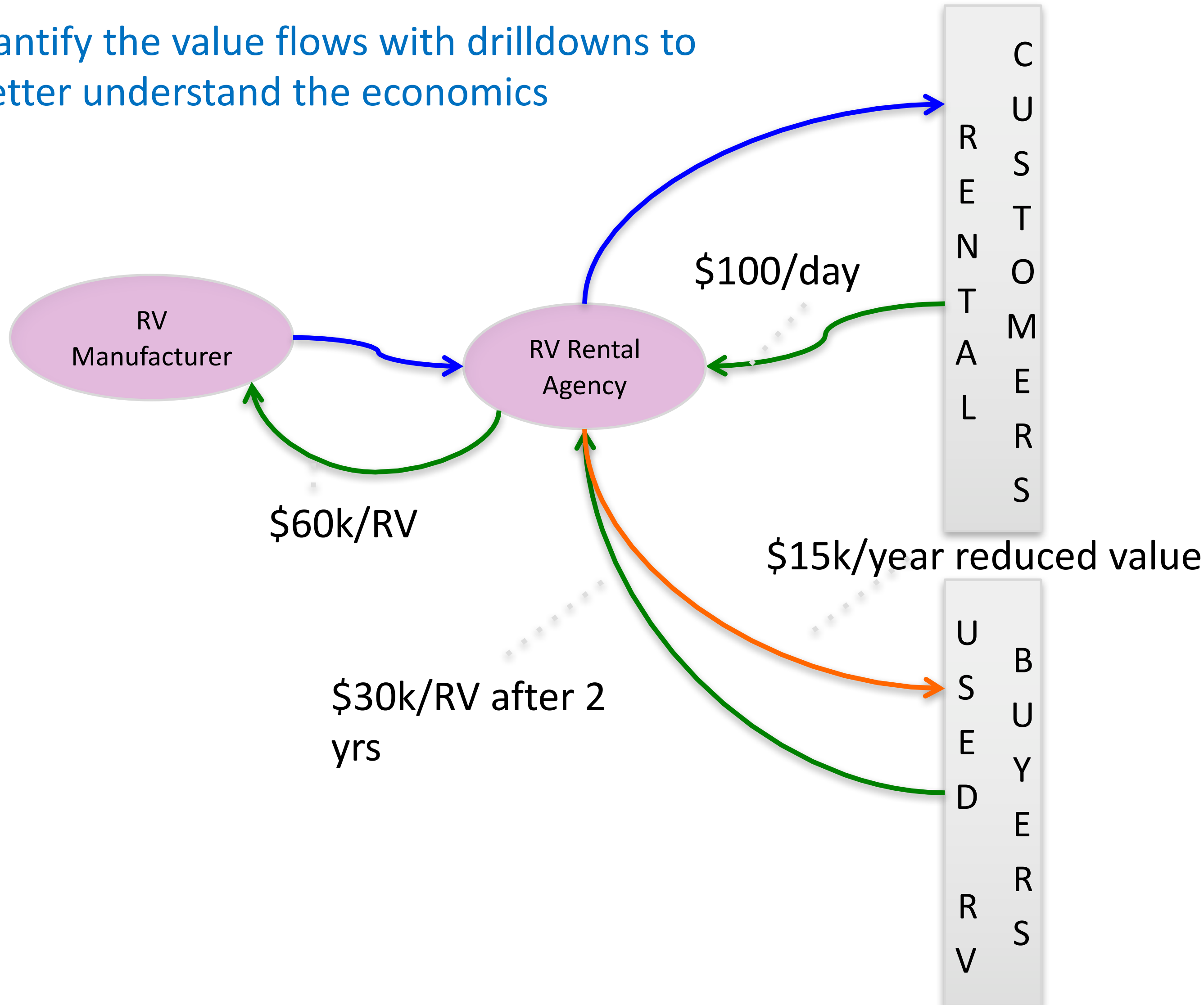
VALUE

Use an RV fpr a short time

- Drive to a camping location, reliably and safely
- Camp comfortably

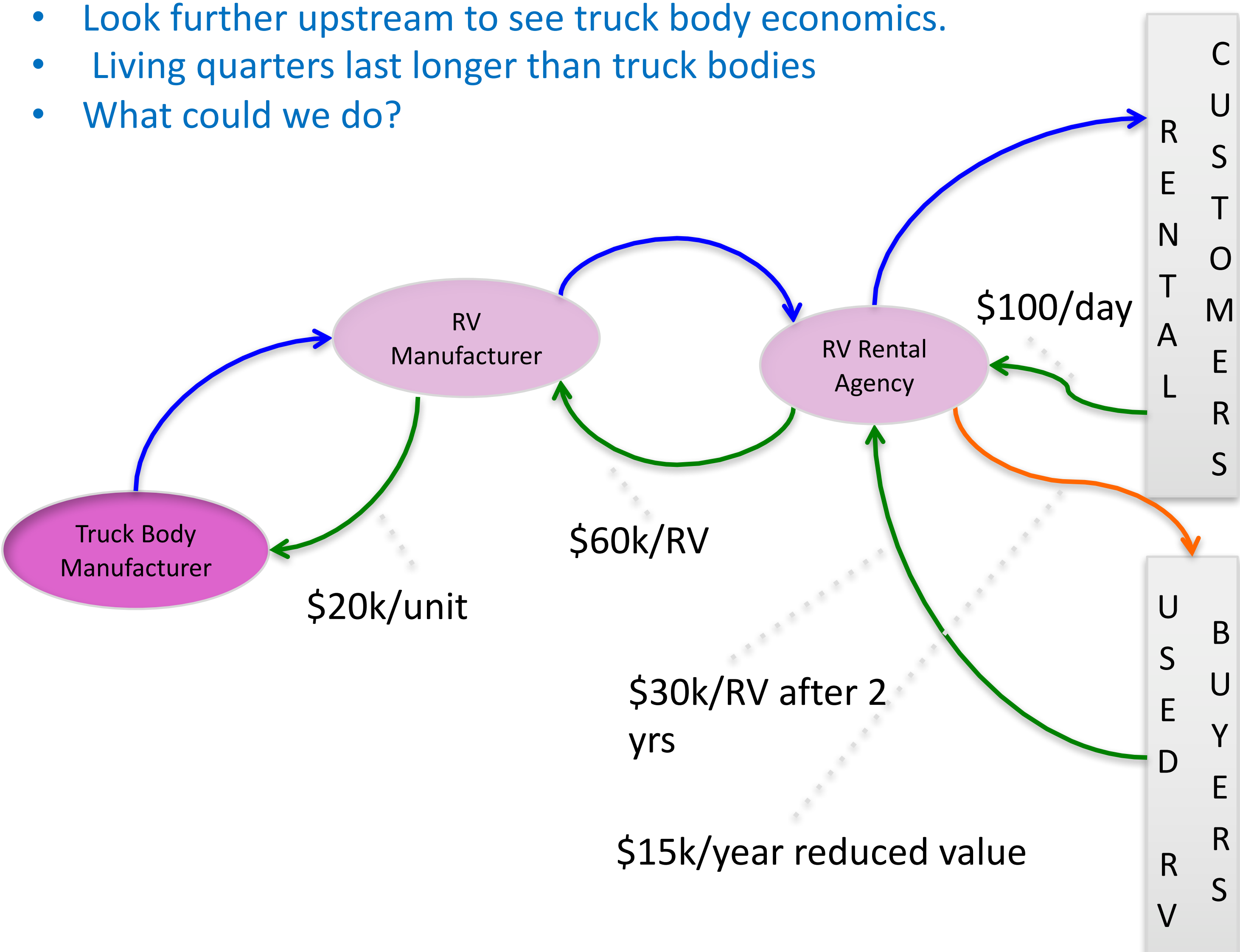
ValueMap

- Quantify the value flows with drilldowns to better understand the economics

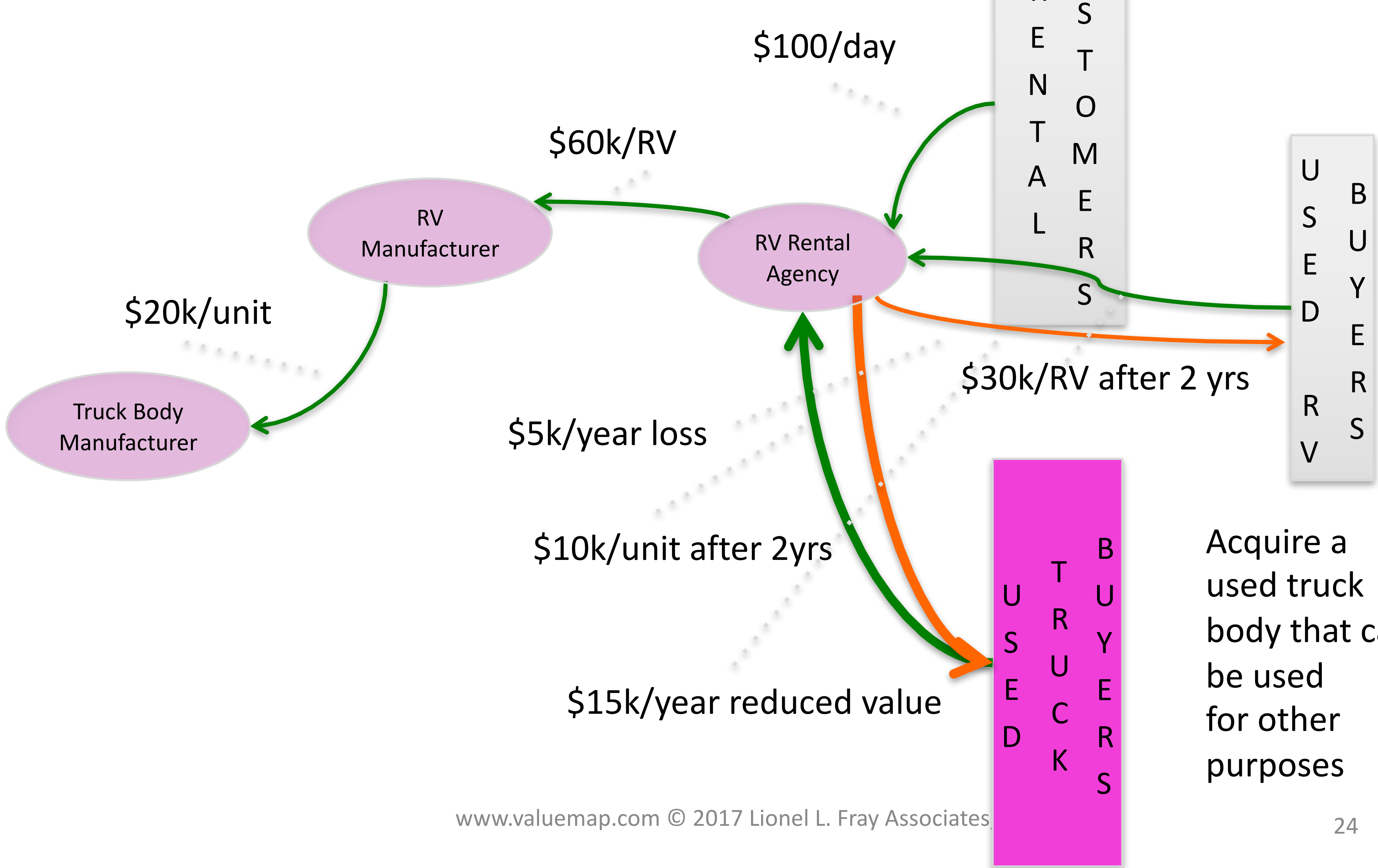


ValueMap

- Look further upstream to see truck body economics.
- Living quarters last longer than truck bodies
- What could we do?



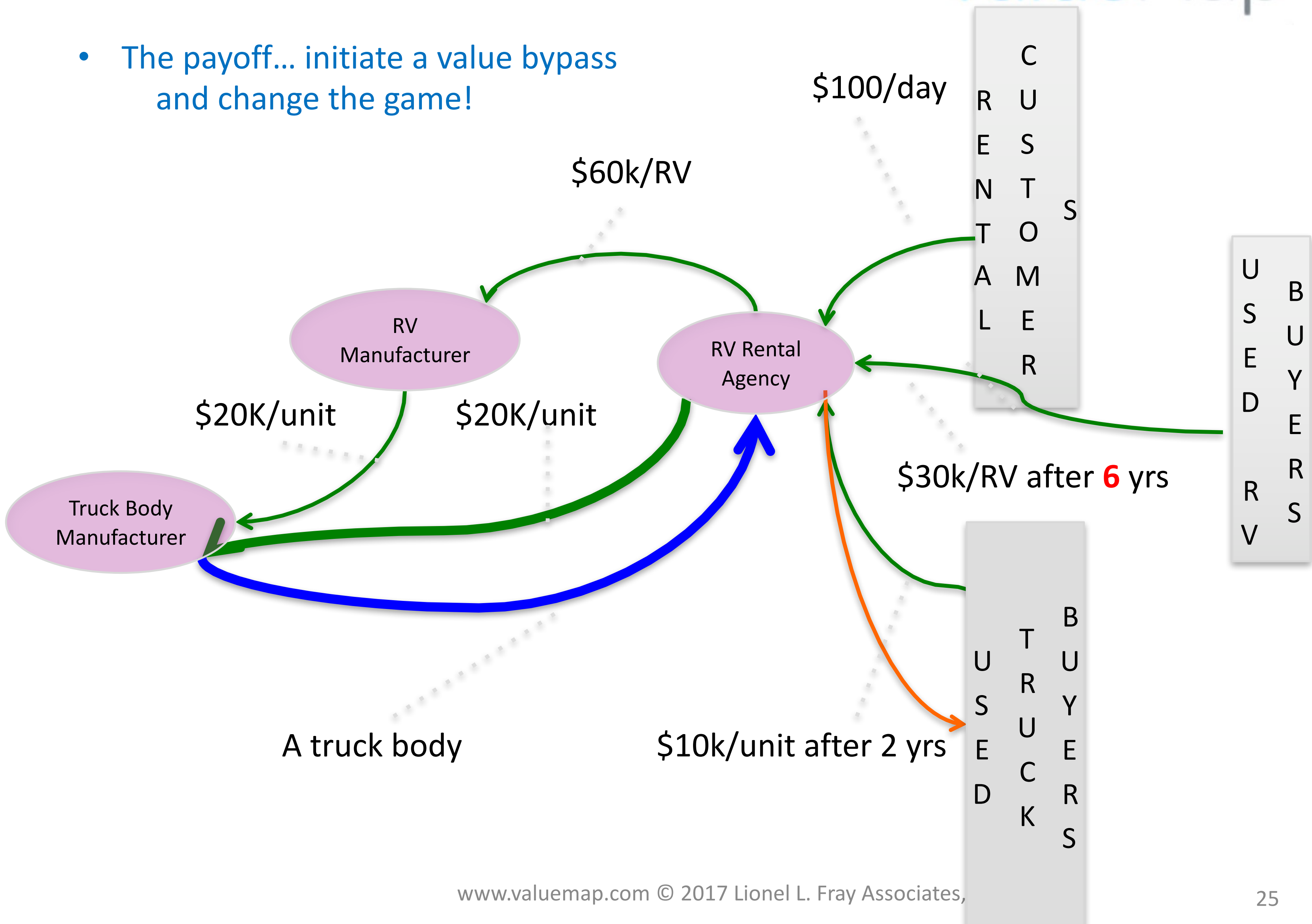
- Separate truck and RV bodies
- Engage a new market--used truck buyers



Acquire a used truck body that can be used for other purposes

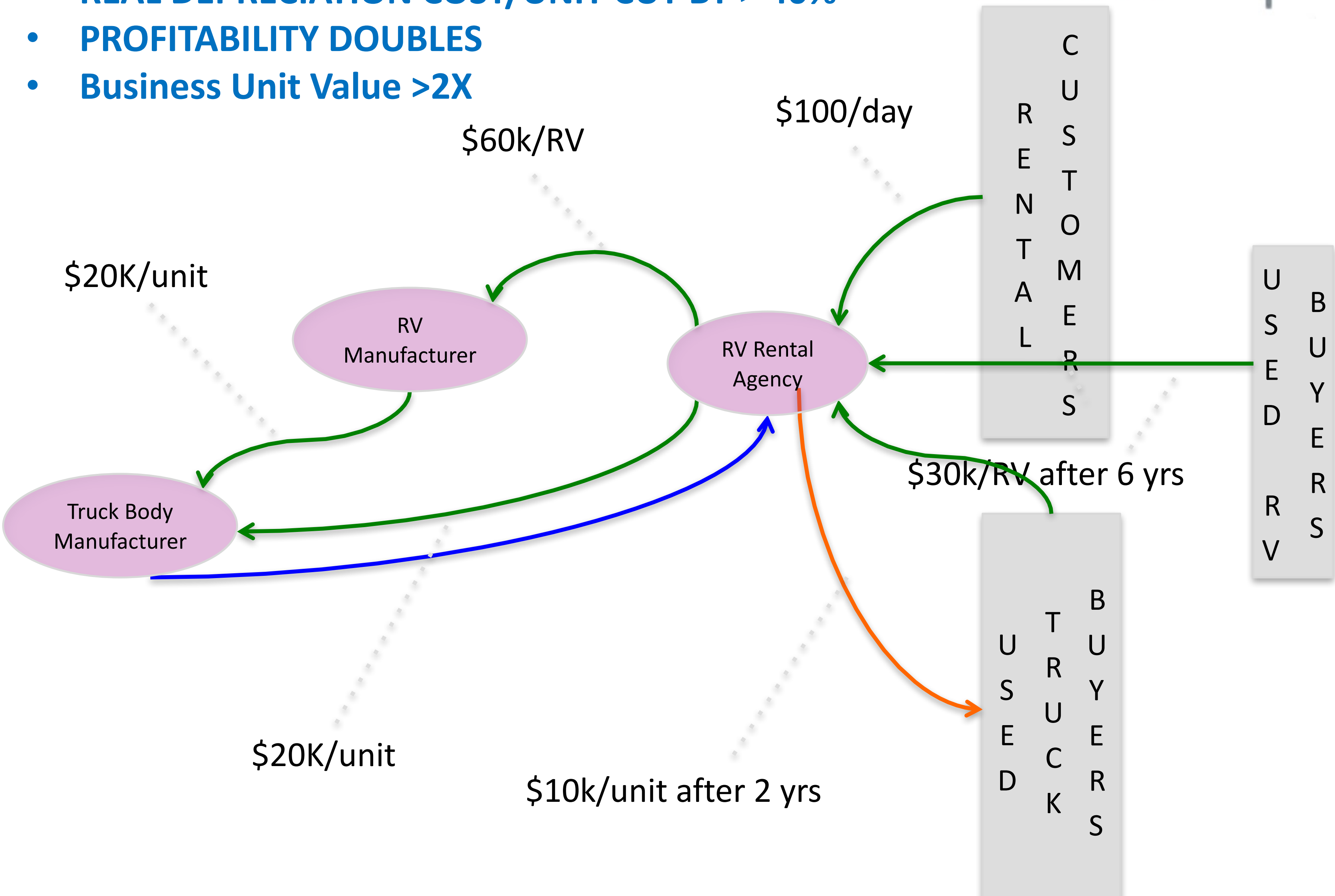
ValueMap

- The payoff… initiate a value bypass and change the game!



RESULTS:

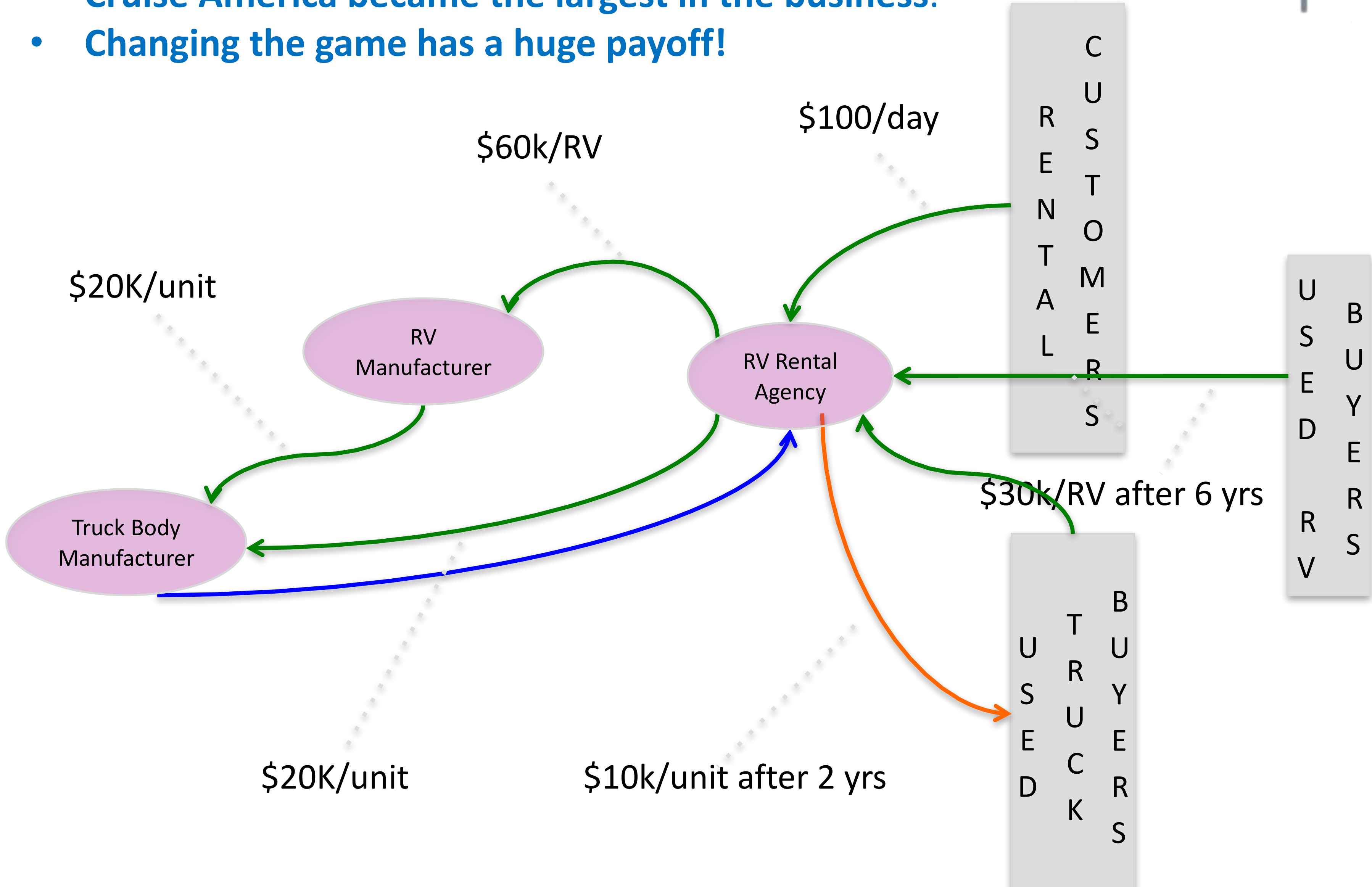
- **REAL DEPRECIATION COST/UNIT CUT BY > 40%**
- **PROFITABILITY DOUBLES**
- **Business Unit Value >2X**



RESULTS:

- **Cruise America became the largest in the business.**
- **Changing the game has a huge payoff!**

ValueMap



In Value terms, how did Smalley do it?

ValueMap

- Captured unrealized or unused value
  - 4 additional years of useful life of living quarters
- Added a new market space
  - Used truck bodies
- Bypassed a value generator and captured some of that value
  - RV manufacturer
  - Eliminated need for 2/3 of new RV vehicles

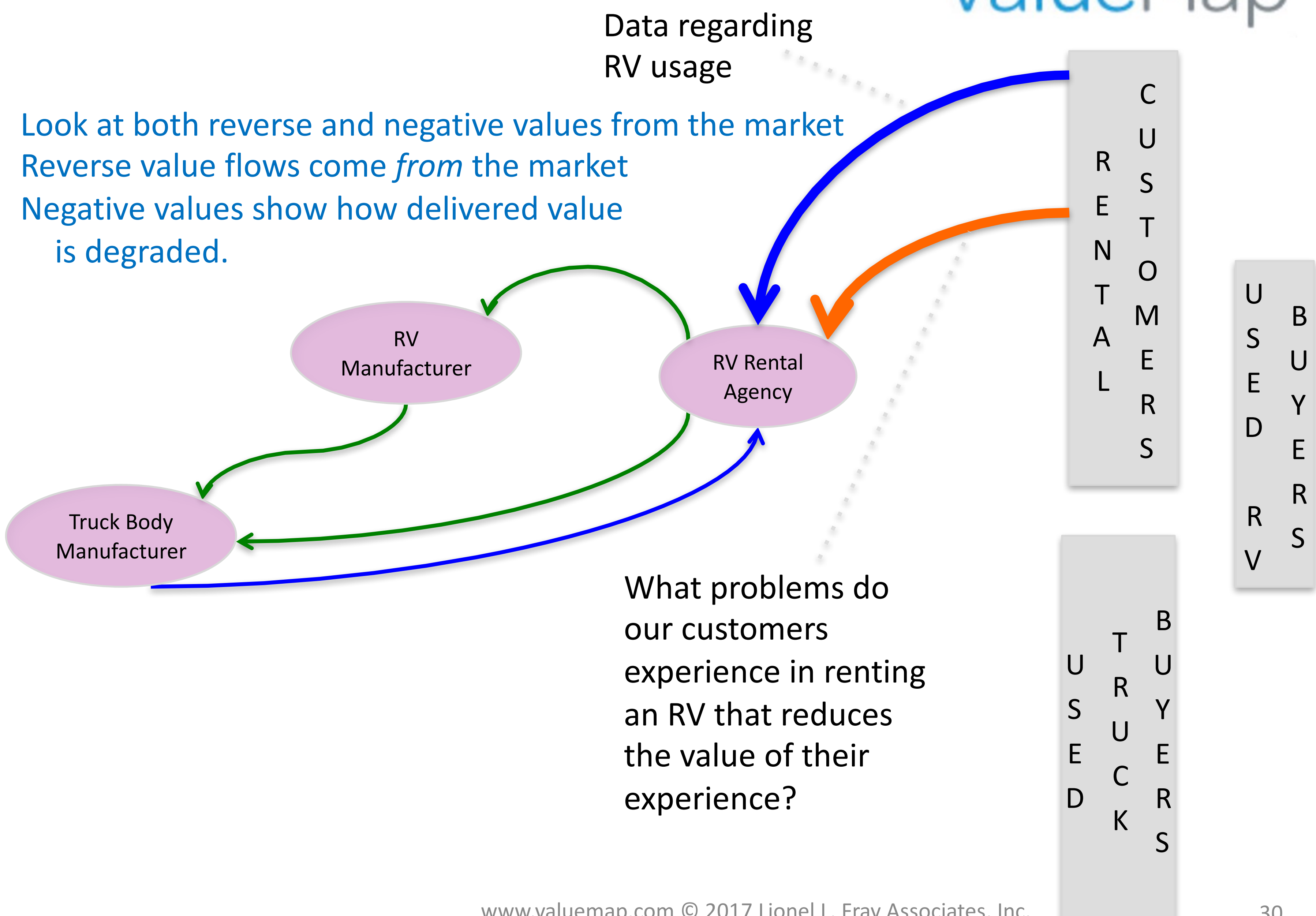
Now it's 20 years later
2012

- Cruise America is still #1 in the RV rental market
- But, competition is growing
- What to do?

    - Let's go to the Value Map

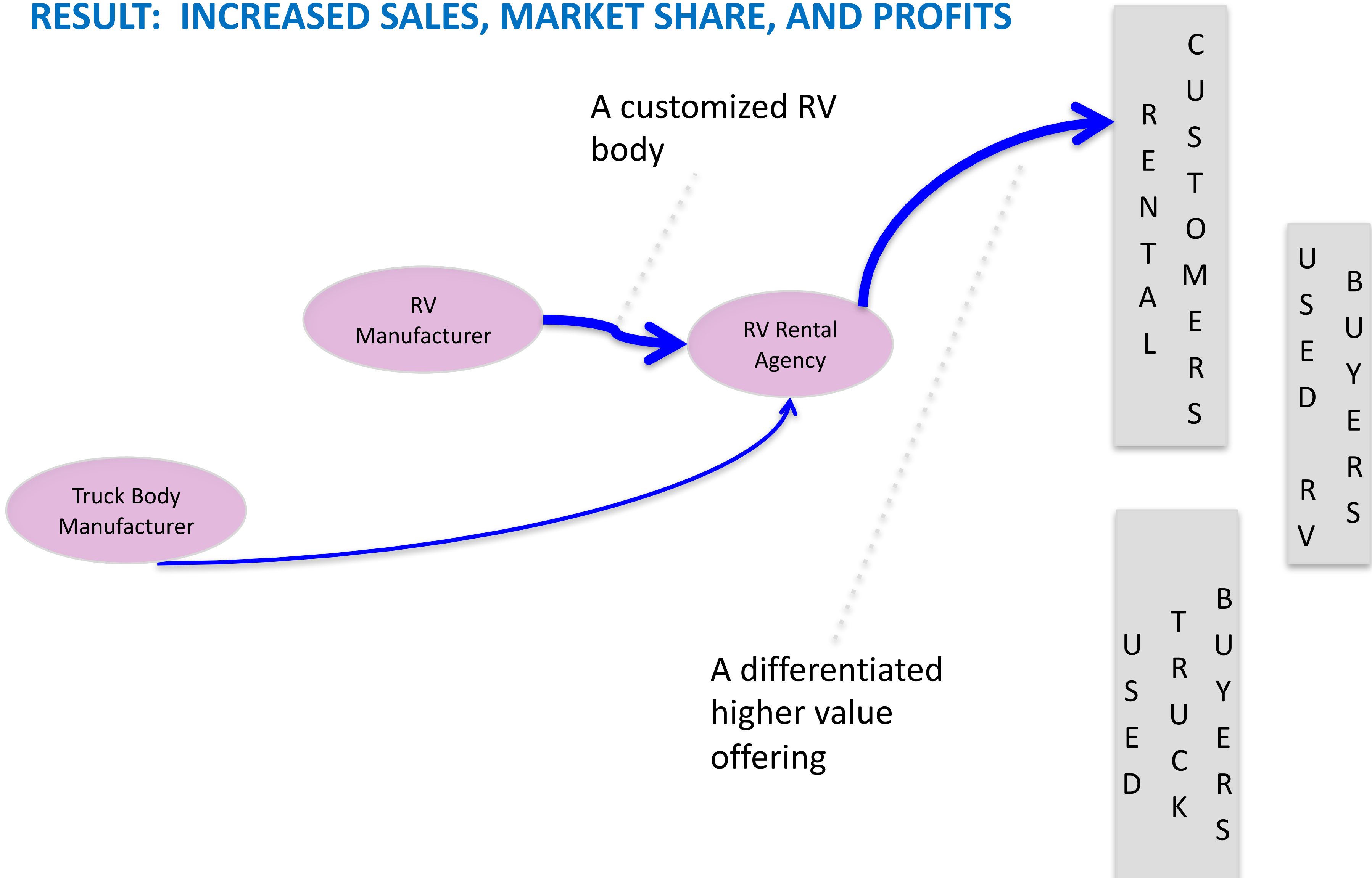
ValueMap

- Look at both reverse and negative values from the market
- Reverse value flows come *from* the market
- Negative values show how delivered value
  is degraded.



ValueMap

RESULT: INCREASED SALES, MARKET SHARE, AND PROFITS



Now it's Today

ValueMap

- Cruise America is still #1 in the RV rental market
- But competition is growing again, now coming from a new source—RV rentals by *private* owners
- RVshare, a new company, is coordinating the owner rentals

Why is this a Threat?

- This is a different kind of business model using the value of another kind of underutilized asset—the RV itself
- It works because owners use their RV's less than 10% of the time, and can rent at lower prices
- This "peer-to-peer" business model is analogous to what Airbnb and Uber are doing
- The risk for Cruise America: the potential for being disrupted

And it's coming from Megatrends

ValueMap

- New technologies make peer-to-peer business models possible
  - The internet
  - Iphones
  - Lots of software platforms
  - Availability of computer cloud at low cost
  - Examples: Uber, Airbnb
- Digital Travel Aids get more sophisticated
  - TripAdvisor, Yelp, Kayak, Expedia, et. al.
  - Travel planning tools

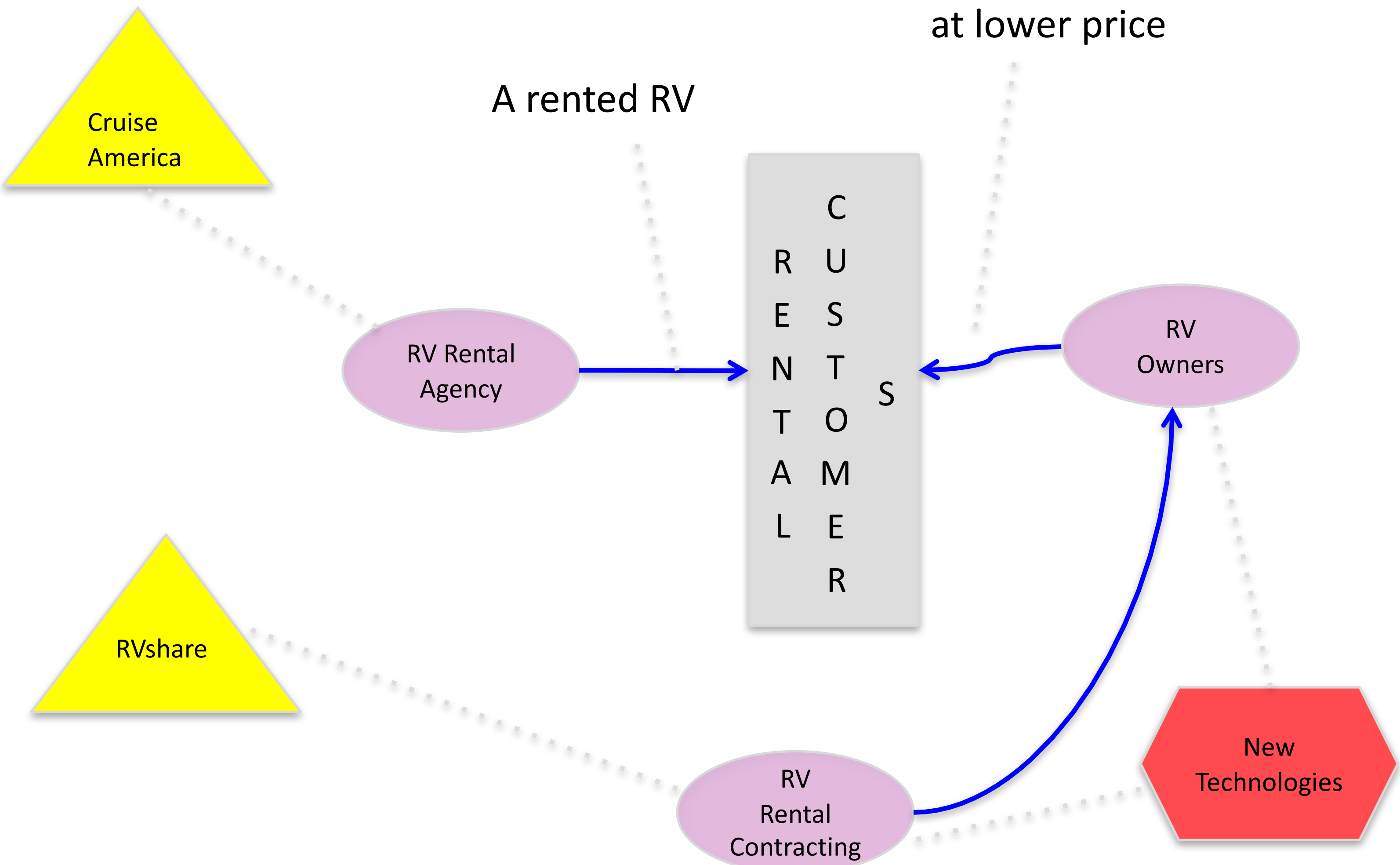
What can Cruise America Do?

STOP and THINK!

What does the Value Map suggest?

ValueMap

- Use the Value Map to see the change,
- Introduce a complementor—new technologies—
- Understand their effects



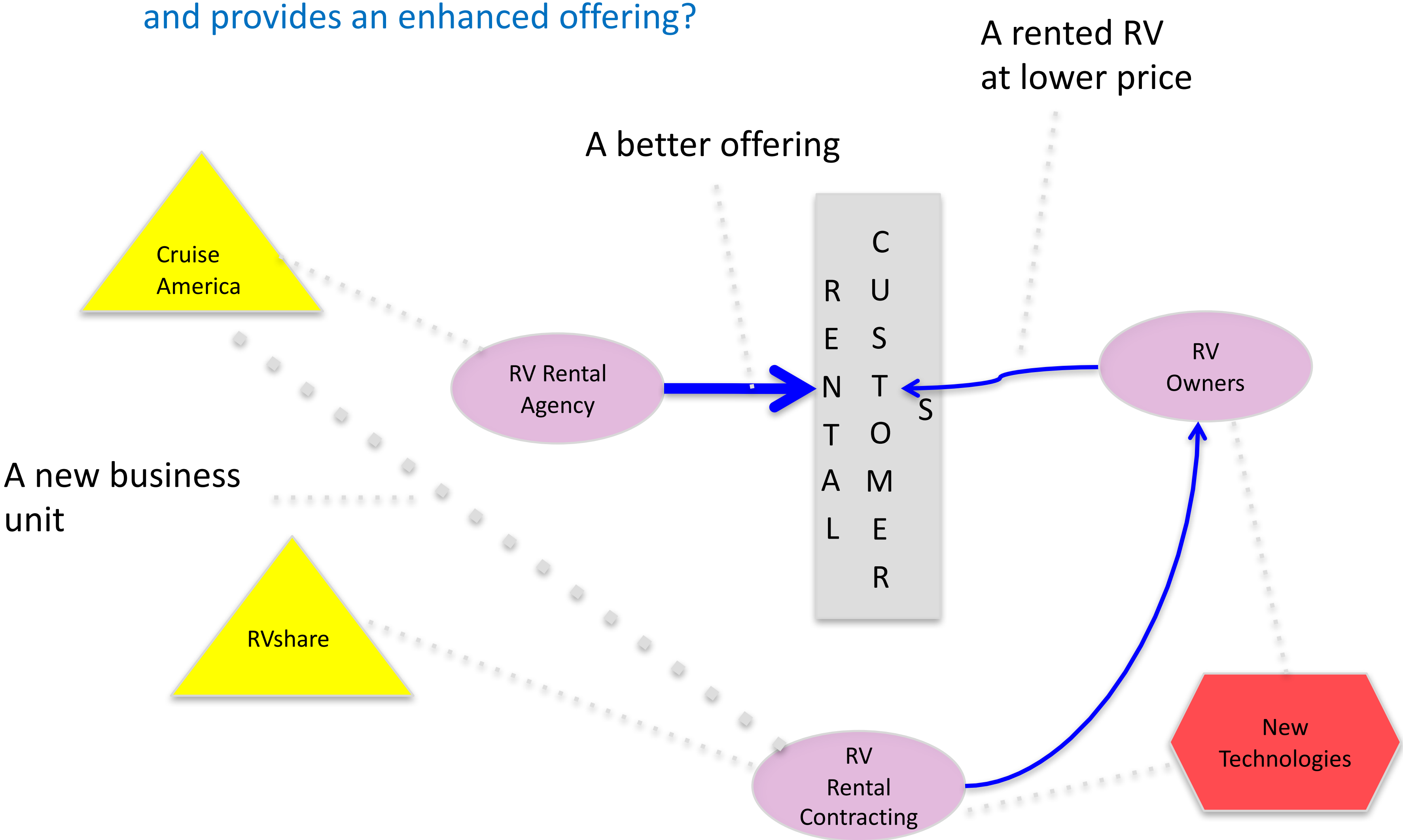
Options for Cruise America

- Do nothing? !!
- Evolve the business model by broadening the market from RV rentals to RV Vacation Services?
- Get into the peer-to-peer business?
- Co-market CA rentals and RV share rentals from one online platform?
- Co-market trip planning (eg TripTik, TripAdvisor) and services (e.g., wifi, road service, insurance, activities, etc.) with established providers?
- Invest and build in-house services?
- Others?

  - Does the Value Map help you see?

ValueMap

- What if CA enters the peer-to-peer business and provides an enhanced offering?



Process Summary to Improve your Strategy

ValueMap

- Identify and map value flows, markets, and user values
- Identify funds flow…follow the money
- Identify negative values and quantify
- Look upstream and downstream for value flows
- Identify complementors and competitors
- Add the effects of digital megatrends to your map
- Check the map, what could competitors do?
- "Only the paranoid survive" --Andy Grove

For your own business, ask yourself….

- Do you really know ALL your key value flows?
- Are there any hidden negative value flows?
- Are you extracting the most reverse values you can from your market space and social media?
- Are you capturing value at each stage, and in the right amounts?
- How does your Value Map differ from your competitors'?
- Are you investing the right amounts of value captured, and in the right places?
- Are you making the best use of new technologies?
- How will your Value Map evolve over the next several years?
- Are you and your key people motivated to reach the right value goals?