

# What is a Software Profit Stream™?

Dec 08, 2022

# Our Agenda

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# Welcome



## Luke Hohmann

- Serial entrepreneur, author
- 20+ years of Scrum & Agile
- CINO at Applied Frameworks
- SAFe® Principal Contributor



## Carlton Nettleton

- Co-creator of the AF Online Academy
- 15+ years of Scrum & Agile
- SVP of Product at Applied Frameworks
- Certified Scrum Trainer®

# Welcome



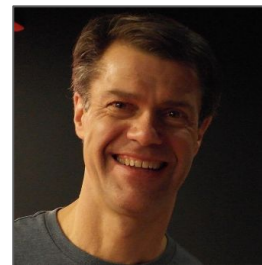
## Laura Caldie

- SVP Sales & Marketing at Applied Frameworks
- Webinar Host
- SAFe Program Consultant (SPC)



## Carlton Nettleton

- Co-creator of the AF Online Academy
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# Value Streams

# History

- 1910's Henry Ford
- 1950's Taiichi Ohno
- 1990's Womack & Jones

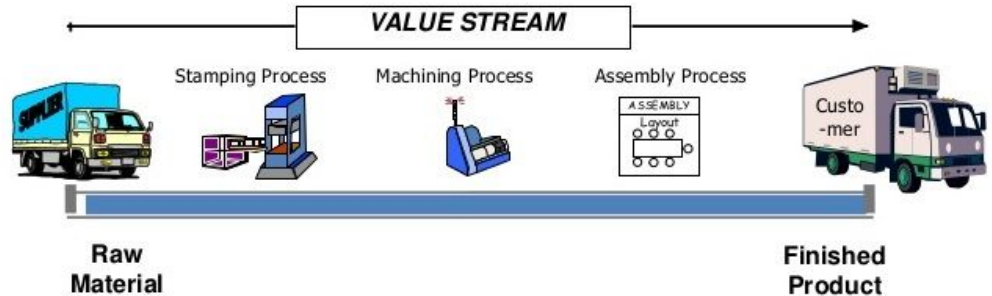


# What is a value stream?

A value stream is the sequence of activities that an organization undertakes to design, produce, deliver, and as needed, maintain and/or extend a product or service to a customer.

## Value Streams are everywhere!

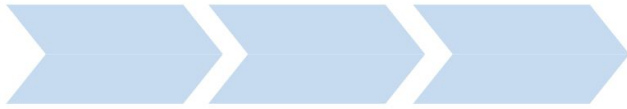
They define everything from buying milk to a new couch, upgrading the software in your car to recycling your old smartphone.



This value stream (simplistically) describes how an appliance is made.

# Value Streams and SAFe®

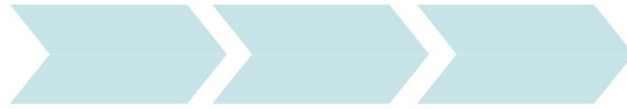
Value Streams are an integral part of the Scaled Agile Framework.



## Operational Value Streams

Operational Value Streams define how a customer interacts with the enterprise. In SAFe, the sequence of activities involved in the value stream are drawn as chevrons.

*OVS ARE USED TO MODEL PROFIT*



## Development Value Streams

Development Value Streams capture the 'behind-the-scenes' activities that support and/or create some or all of the solutions offered to a customer.

*DVS ARE INPUTS INTO COST MODELS*



# Operational vs. Development Value Streams

## Operational

- Fulfillment of an order from the website to the dealership.
- Process to schedule & complete a routine maintenance.

## Development

- Design & build the powertrain.
- Design & build the software to support Porsche Financial Services.



# The virtues of Value Streams

1. Mapping the sequence of steps:
  - a. Helps identify bottlenecks and inefficiencies
  - b. Promotes innovation by removing or substantially improving specific steps
2. Promotes customer-centricity and Design Thinking
3. Changes the focus on “delivering a result” to **providing value**

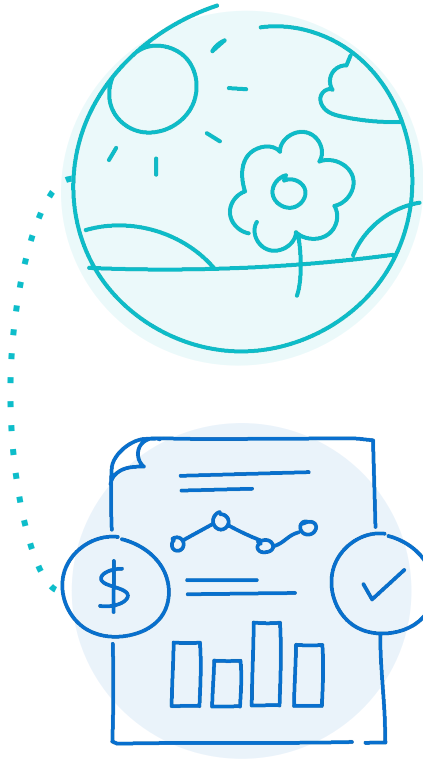
# Where value streams can be less valuable

1. Failing to **quantify** value
2. Failing to **charge customers** for the value provided
3. Failing to create a **repeated pattern of success** to support a sustainable business, i.e. one that makes a **profit**.

*What more do you want to know?*

# Software Profit Streams

How might we make Value Streams more valuable?

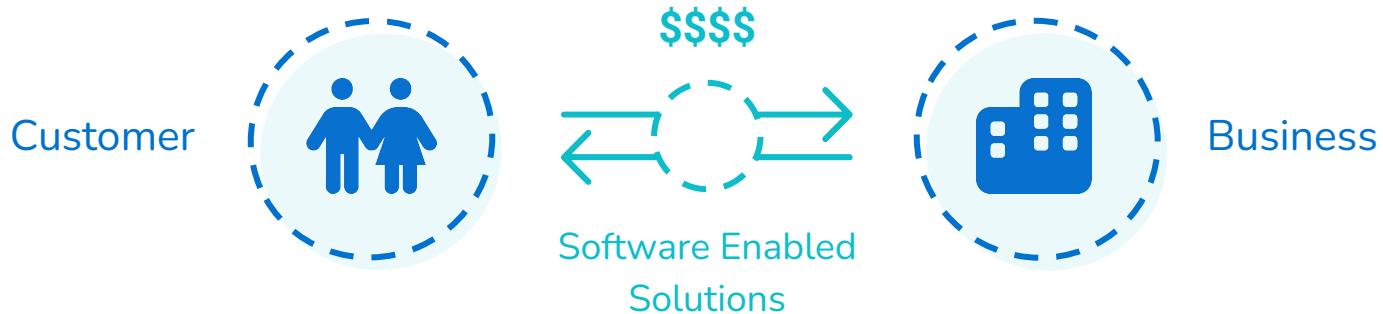


Just as mother nature relies on the energy from the sun to **sustain** life on earth...

Every business relies on **profit** for sustainability.

# PROFIT DRIVES SUSTAINABILITY

Profit creates a virtuous cycle between a business and the customer it serves.



A profitable business can invest in the ongoing development of its solution.

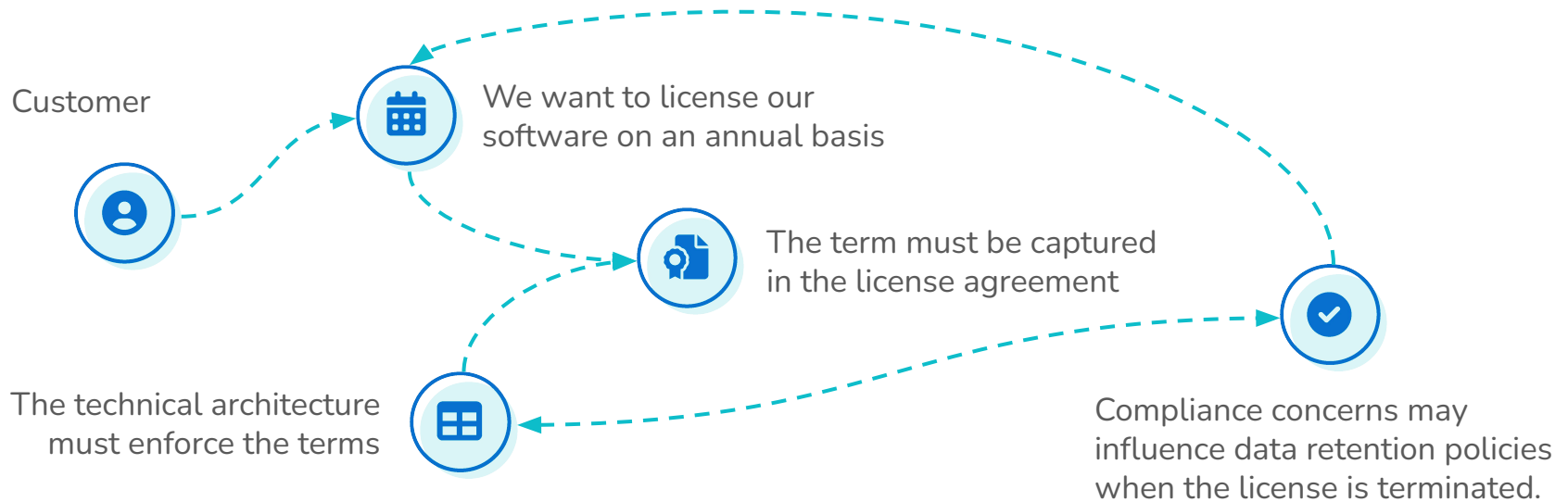
A software  
business model  
is a system.



# Systems Thinking

Designing a sustainable  
**Software-Enabled Solution (SWES)**  
involves making *-and remaking-*  
a system of interdependent choices.

# Systems Thinking



The choices we make can be captured as a set of nodes and relationships.  
Our path through this system is dynamic.

# Profit Streams are the evolution of value streams

A Profit Stream is a value stream designed to create a sustainable business.  
This means that a Profit Stream must:

- ✓ Quantify the **economic value** of the solutions they create...
- ✓ Be sold through **pricing** and **licensing** choices that...
- ✓ Ensure the **revenue** generated from these solutions exceed the **costs** required to serve customers...

**Profit Stream Design** integrates three aspects of sustainability, all of which are interdependent and evolve over time.



**SOLUTION  
SUSTAINABILITY**



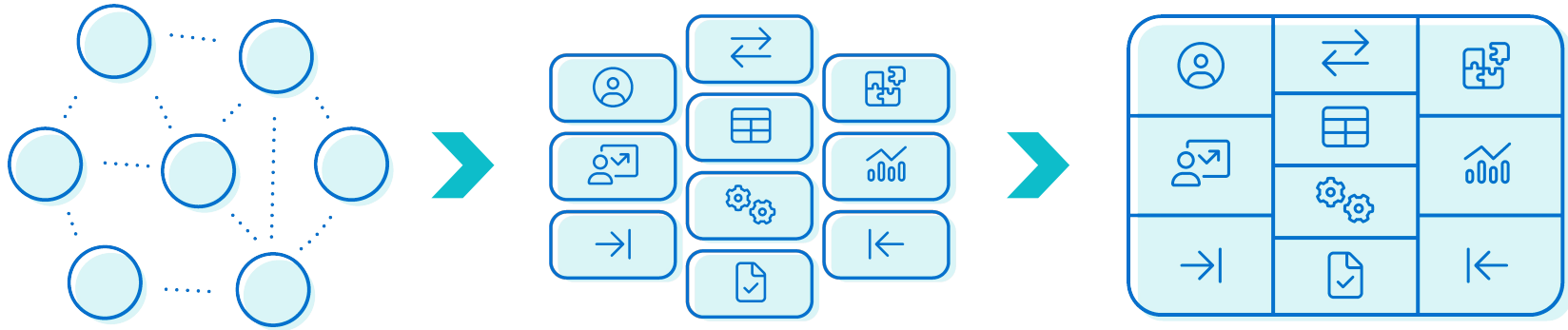
**ECONOMIC  
SUSTAINABILITY**



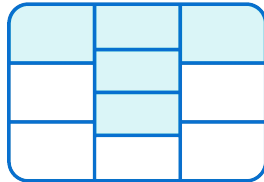
**RELATIONSHIP  
SUSTAINABILITY**

# The Profit Stream Canvas

By organizing the elements of our system as a canvas we create a highly compact representation that promotes **holistic innovation, collective wisdom, and collaboration.**

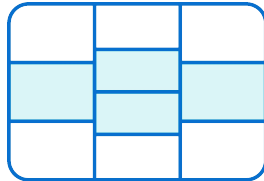


**The Profit Stream Canvas** helps you design Profit Streams.



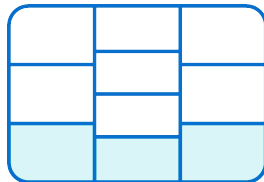
### **Solution Sustainability**

Delivering value to your customer over time.



### **Economic Sustainability**











You are making a profit. Your customers assessment of value is greater than their total cost of ownership.



### **Relationship Sustainability**

How are you designing long-term relationships that benefit all stakeholders?

# The Profit Stream™ Canvas

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



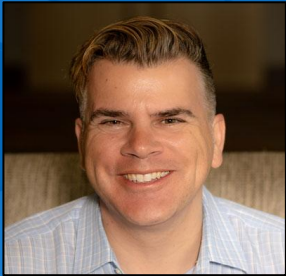
# Discussion

# Book Available April 2023

[lhohmann@appliedframeworks.com](mailto:lhohmann@appliedframeworks.com)  
[cnettleton@appliedframeworks.com](mailto:cnettleton@appliedframeworks.com)



# Upcoming Webinar



## How to Read a Software License Agreement



Presented by:  
Carlton Nettleton, SVP Product  
Laura Caldie, SVP Sales