T8.2 Business Modelling in transport and mobility services

Paul Curtis
Vectos

17 March 2017
1100-1200 (CET)
# Structured Teleconference Agenda – Stakeholder Mapping

<table>
<thead>
<tr>
<th>WHAT</th>
<th>WHO SPEAKS</th>
<th>TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation: Business Modelling in transport and mobility</td>
<td>Paul Curtis (Vectos)</td>
<td>1100-1140 CET</td>
</tr>
<tr>
<td>Q&amp;A Funchal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q&amp;A Las Palmas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q&amp;A Rethymno</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q&amp;A Limassol</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q&amp;A Malta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q&amp;A Elba</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Business Modelling of mobility services

Agenda and Objectives

• Background to Tasks 8.1 and 8.2

• What is a business model?

• How to build your own BM: Introducing the CANVAS Business Model template

• Business Model examples

• How this can be applied to DESTINATIONS Measures: products and services

• Review of your “top three” DESTINATIONS measures. Are these the best choices? Any changes?
Business Modelling of mobility services

BACKGROUND to WP8

• This presentation is acting as a bridge between Task 8.1 and 8.2.

• To keep momentum whilst we await appointment of expert subcontracting partner and to “hit the ground running” upon appointment.

• Task 8.2.1 Kick Off Training on methods for service design and business modelling. “A first analysis is done in Task 8.1 to identify for each site the measures which need a supporting business model to develop”.
  • Task 8.1.1 Stakeholder mapping exercise complete. Key part of business modelling (potential investors / key partners / competitors…). Two webinars on BM

• The KOTs will explain the methodologies and tools for service design and business modelling.

• The KOTs will enable Site Managers with key stakeholders to create desirable products and services (and revenue generating) which meet user needs

• Business Model Canvas – industry standard tool used to create sustainable business solutions.
Business Modelling of mobility services

BACKGROUND to WP8

Task 8.2.2 Coaching to design services and business models at the DESTINATIONS sites

• “Business models will be carefully crafted for those measures which have been identified in T8.1 as having a particular requirement for both their success during the project lifetime, and for expansion after 2020”.

Task 8.1.2: Unlocking private sector funding and investment.

• “Drawing from the stakeholder map produced in T8.1, VECTOS will work with the 6 sites to build a Local Investment Plan to exploit public and private sector investment potential to scale up the measures beyond their scope in this project
  • LIPs are developed separately to the business models – to enhance the scale of services, through extra investment
Business Modelling of mobility services

What is a business model?

• ‘A plan for a successful operation of a business or service’

• This plan will normally include identifying:
  • Sources of revenue
  • Who are your customers (your market)
  • What customer problem or challenge you will solve (your value)
  • How you will reach, acquire and keep customers
  • Products to be developed
  • What your costs are and what your profit margin will be
  • What your competition is
  • Strategic goals (your goal may not be just about making money: EG environmental /social objectives)

•Basically you develop a business model to demonstrate how you will make money out of new company / service/ product. Making it sustainable.

• In DESTINATIONS business models generally best for a new product or service with revenue stream potential.

• Development of technology, open data and sharing economy has opened the door to many new business models such as for success apps
Purpose of business models in transport and DESTINATIONS

- Need for system level collaboration between all stakeholders of the mobility eco-system to come up with strong business models

- Business models will help take measures from pilot to full service level

- Having reviewed key stakeholders for each measure, we have a clearer picture of the potential each may offer in making a successful business model and to avoid risk
  - Joint ventures with partners
  - Alliances with competitors
  - Potential investors
  - Shared resourcing
  - Differentiation of service in the market
  - Communication channels
  - Customer base
Business Modelling of mobility services

Successful Business Models?

- Uber
- Ryanair
- Citymapper
- Airbnb
Business Modelling of mobility services

Build your own business models for DESTINATIONS measures:

**CANVAS Template**

- CANVAS business model template is a versatile and visual tool: Industry standard
- Consists of 9 interrelated building blocks defining a product’s potential value
- Understand how the various components of a business affect each other.
- Easy to share with project team to add / experiment / change

<table>
<thead>
<tr>
<th>KEY PARTNER</th>
<th>KEY ACTIVITIES</th>
<th>VALUE PROPOSITION</th>
<th>CUSTOMER RELATIONSHIPS</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KEY RESOURCES</th>
<th>CHANNELS</th>
<th>REVENUE STREAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Business Modelling of mobility services

CANVAS Business Model

CANVAS
Business Model Canvas explanatory video at:
https://youtu.be/QoAOzMTLP5s
Nine propositions should be considered in the following order

1) Customer Segments
The complete target market for the product, made up from different segments.
  - What do these customers think, feel, do?

2) Value Propositions
Overall view of a product / service’s value.
  - Should be unique from competition both quantitatively (e.g. cheaper than competition) or qualitatively (more convenient)
  - What problem are your solving / gap filling?
  - What’s compelling about the proposition? Why do customers buy, use?

3) Channels
How will new services be communicated to the customer segments? By the organisation or through their partners?

4) Customer Relationships
How will you interact with the customer during service delivery?
  Human touch (ticket office)? Self service (Internet booking)
Business Modelling of mobility services

Nine propositions should be considered in the following order

5) Revenue Streams (Important component)
How does the business earn revenue from the service?
- Charge per use of service / subscription for regular use (EG Bike Share)
- Renting (EG car sharing)
- Advertising (EG on website / apps)
- Free for base services, but charge for additional (EG Bike Share free first 30 minutes)
Business Modelling of mobility services

Nine propositions should be considered in the following order

6) Key Activities
(New) activities that business needs to deliver to provide new service
- Issuing tickets, enforcement, app updates

7) Key Resources
How much / what mix of organisation assets are needed to provide product / service sustainably:
- Human, financial, physical, intellectual.
- Use existing or need new resources?

8) Key Partnerships
Key stakeholders in starting up and operation of product / service.
- What partnerships need to be formed to reduce risks?
- Alliances with competitors or Joint Ventures with partners?

9) Cost Structure
What are main costs of new product / service?
- Which of your resources / activities are most expensive?
- Can costs be brought down by certain measures?
Business Model Example: Uber

**KEY ACTIVITIES:**
- Product Development & Management
- Marketing & Customer Acquisition
- Hiring Drivers
- Managing Driver Payouts
- Customer Support

**KEY PARTNERS:**
- Drivers with their Cars
- Payment Processors
- Map API Providers
- Investors

**KEY RESOURCES:**
- Technological Platform
- Skilled Drivers

**VALUE PROPOSITION:**
- Minimum Waiting Time.
- Prices Lesser than the Normal Taxi Fares.
- Cashless Ride.
- Can see The ETA and Track The Cab on Map.

**DRIVERS:**
- Additional Source of Income.
- Flexible Working Schedules and can Work Part Time.
- Easy Payment Procedure.
- Drivers get Paid to be Online, even without can Requests.

**CUSTOMER RELATIONSHIP:**
- Social Media
- Customer Support
- Review, Rating & Feedback System

**CUSTOMER SEGMENTS:**
- Those who do not own a Car
- Those who do not want to drive themselves to a Party or Function.
- People who like to Travel in Style and want to be Treated as a VIP.
- Those who want a Cost-Efficient Cab at their Doorstep.

**CHANNELS:**
- Websites
- Mobile App for Android
- Mobile App for iOS

**USERS:**
- People who own a Car and want to Earn Money.
- People who Love to Drive.
- Those who Wish to be called Partners Instead of Drivers.

**COST STRUCTURE:**
- Technological Infrastructure
- Salaries to Permanent Employees
- Launch Events & Marketing Expenditure

**REVENUE STREAMS:**
- Car Rides on per Km/Mile basis.
- Surge Pricing
- UberX, Uber Taxi, Uber Black, Uber SUV etc.
- Uber Cargo, Uber Rideshare etc.
<table>
<thead>
<tr>
<th>Site</th>
<th>Business Model 1</th>
<th>Business Model 2</th>
<th>Business Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAD</td>
<td>MAD 6.2 - Green credits: A Business Model for Mobility, Sustainability and Tourism</td>
<td>MAD 2.2. Smart metering / sensing and user generated content to improve planning and mobility service</td>
<td>MAD 7.2 – Attractive Public Transport</td>
</tr>
<tr>
<td>LPA</td>
<td>LPA 4.1 - Public e-bike system</td>
<td>LPA 6.1 - Green credits scheme</td>
<td>LPA 5.1 - D4 Service: The Smart Distribution System or LPA 4.2 - Fast charging EV</td>
</tr>
<tr>
<td>RET</td>
<td>RET 5.1 - Sustainable freight logistics plan</td>
<td>RET 5.2 - Cooperative mobility - Business case on UCO to biodiesel chain-demonstration on an urban waste collection truck</td>
<td>RET 6.3- Green Mobility Card or RET 7.1- Introducing electric vehicle for PT or RET 4.2- Building a sharing mobility culture</td>
</tr>
</tbody>
</table>
## DESTINATIONS Business models

<table>
<thead>
<tr>
<th>Site</th>
<th>Business Model 1</th>
<th>Business Model 2</th>
<th>Business Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIM</td>
<td>6.2 - Combined tourist and mobility products: Green Label Award and Tourist Mobility Card</td>
<td>7.2- Creation of an electric bus hop on hop off service</td>
<td>7.4- Mobility application and travel planner for smartphones 6.4- Smart parking guidance system</td>
</tr>
<tr>
<td>MAL</td>
<td>6.4- Smart parking management system for Valletta</td>
<td>7.1- Integration of ferries into the Public Transport</td>
<td>6.1- Green Mobility Hotel Award 6.3- Promoting sustainable mobility among tourists (Green Mobility App)</td>
</tr>
<tr>
<td>ELB</td>
<td>4.1- Shared ELBA Mobility Agency</td>
<td>4.2- Car/scooter/bike/boat (CSBB) sharing</td>
<td>5.1- Island freight logistics for tourist services</td>
</tr>
</tbody>
</table>
### Developing a Business Model mobility app

#### Key Partners
- IT providers
- PT operators
- Tourist agencies
- Hotels

#### Key Activities
- Engagement with PT operators
- Open Data management
- Marketing
- Maintenance and upgrading of app

#### Key Resources
- IT Developers

#### Value Propositions
**For local authorities:**
- Reduce road congestion
- Comfort for tourists
- Attractive DESTINATION

**For users**
- Convenience, real time
- Door to door

#### Customer Relationships
- Customer service via phone / online chat

#### Customer Segments
- Current car users
- PT users
- Citizens
- Tourists
- Commuters
- Leisure travellers

#### Channels
- Mobile phone app
- Website
- Via tourist information

#### Cost Structure
- R&D work on app will incur main cost
- Mitigate by using open data and making partnerships with key stakeholders

#### Revenue Streams
- Freemium model (free to use basic journey planning, cost for real time data?)
- Advertising on the app / website
- PT providers sponsorship (thanks to increase passengers from app)
- Participating tourist attractions / hotels
Check each response in the Building Model Canvas against the following criteria:

- Does it work? Do the revenues outweigh the cost? Try estimating revenues and cost for the first month of sales.

- What are the risks to your business model? What parts of your business model are most critical for your business to grow in a profitable manner?

- Are there things that can or should be changed to strengthen the business model or reduce its risk?

- How do you know what you wrote in each building block is true? Have you made an assumption or do you have solid evidence—in the form of documented facts?
  - In the cases you have facts, label the response as “Fact” and make a note of your evidence.
  - In the cases you have made assumptions, label the response as “Assumption.”
Questions for Site Managers / Measure Leaders

1. Has your understanding changed on which 3 measures do you wish to develop business models for?

2. Do you think it would be a useful exercise to complete CANVAS templates for these top three to get a feel for them / judge if these merit BMs the most?
Thank you

Paul Curtis – Vectos
Paul.Curis@vectos.co.uk