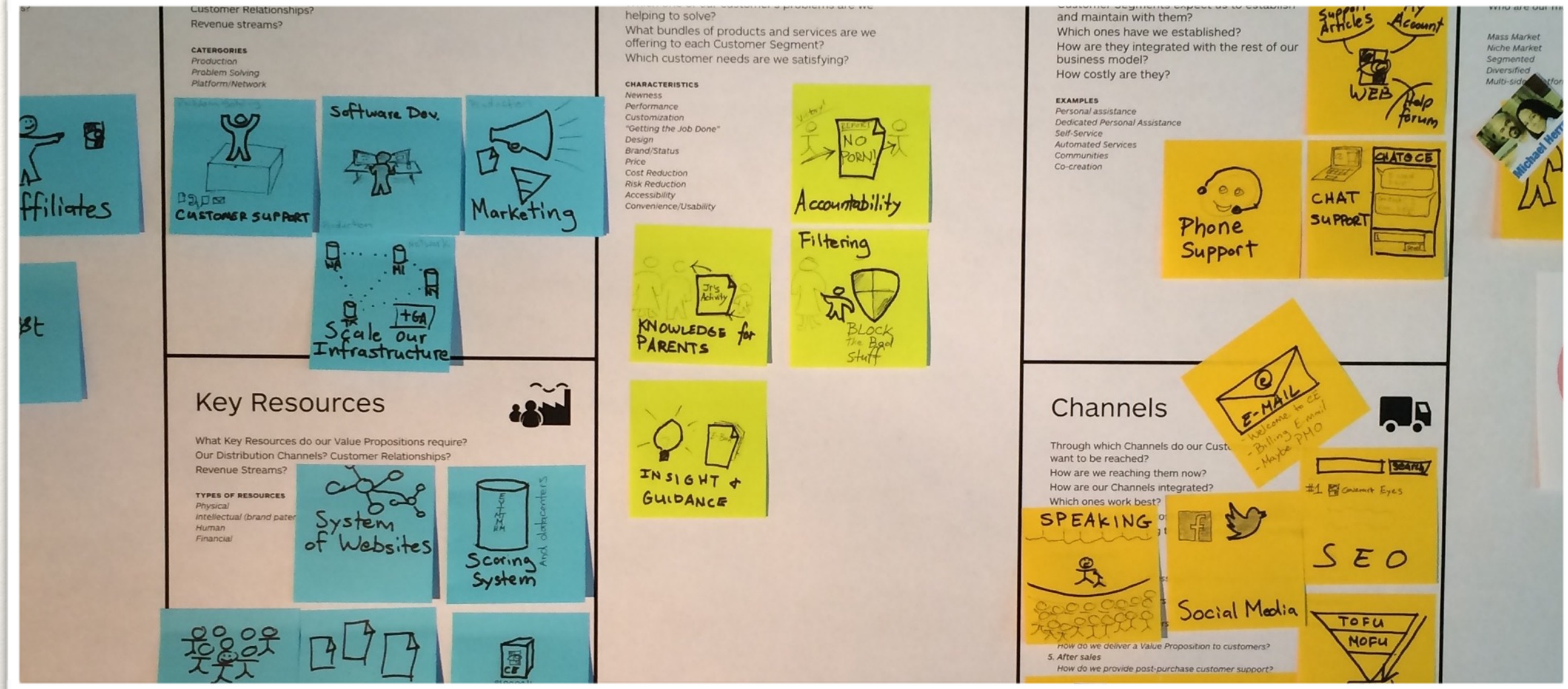


Flip Sides of the Coin

Service Strategy & the Business Model

Davin Granroth
COO, Covenant Eyes, Inc.

Q&A: [iue.cnf.io](iue.cnf.io)

"Always design a thing by considering it in its next larger context—a chair in a room, a room in a house, a house in an environment, an environment in a city plan."

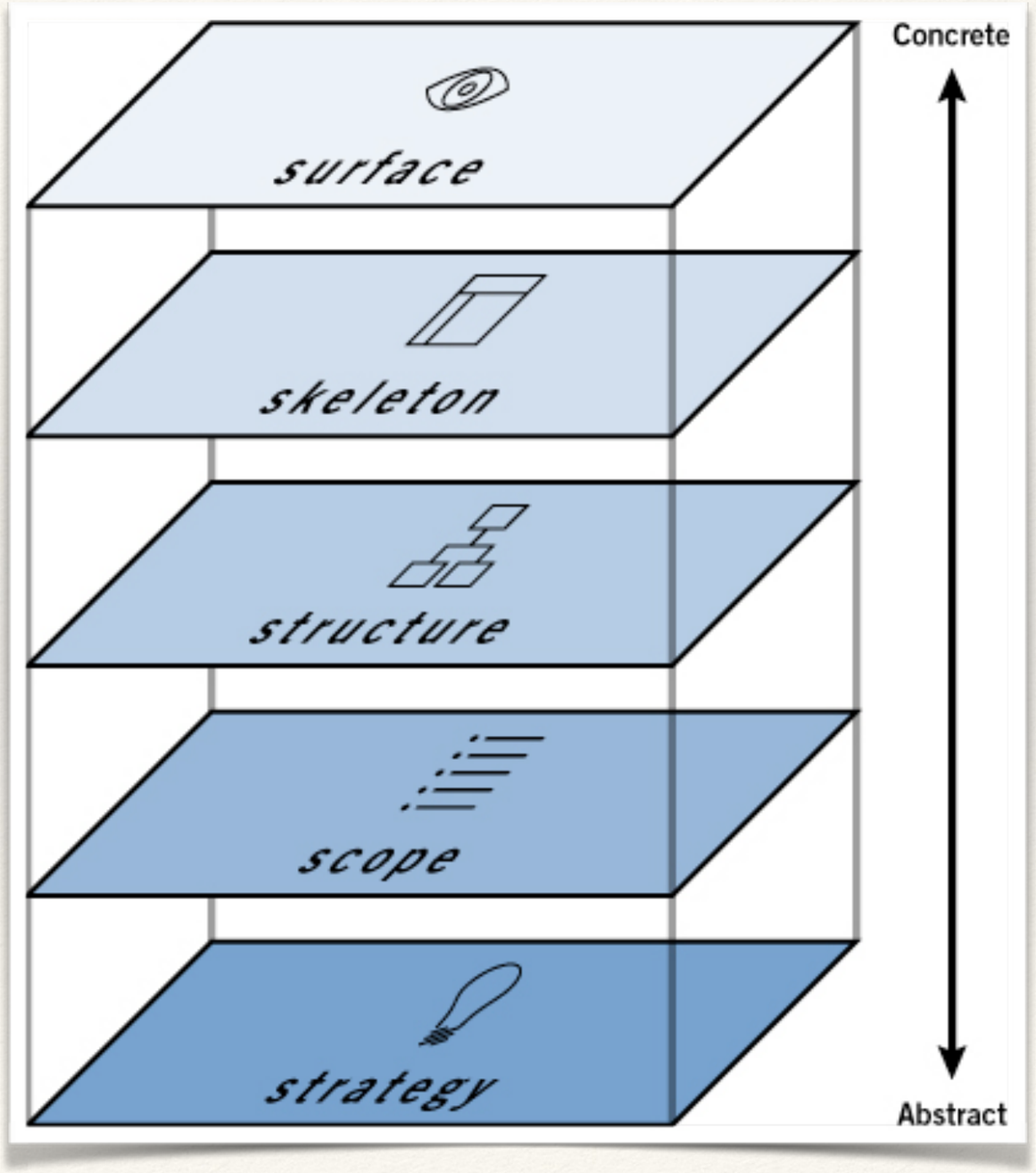
–Elial & Eero Saarinen

Jesse James Garrett

The Elements of User Experience

Garrett's book now feels classic, but the chart still works!

Even when we start projects in the middle of the stack, our design instincts walk us back to **strategy**, to understanding the complexities and solving for the better questions.



Internet Accountability and …

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Smarter parenting means knowing what your kids do online and talking to them about it. Learn how Internet Accountability helps.

Learn more

Protect your entire family online for just $13.99/month.

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The Problem

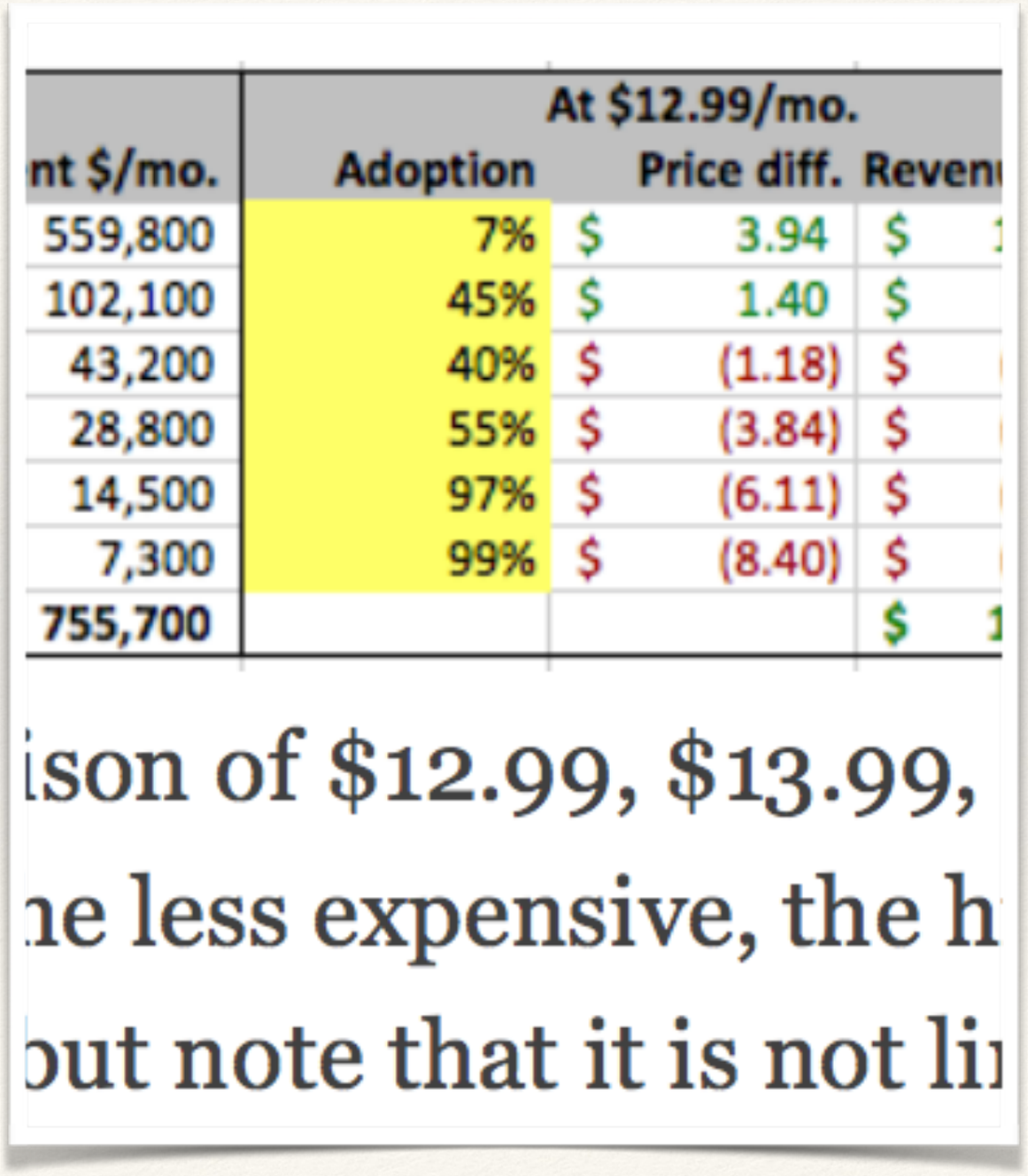
- An account for a family like this should have 5 usernames, 1 per person tuned just right.
  - Dad & Mom = 2 parent users
  - Kids = 3 child users
- But for about 90% of our accounts…
  - Dad, Mom, 3 kids = **1 generic user, shared by all**
  - **This leads to confusion and accusations. Bad news!**

But why!?

- The psychology of marginal cost, we empathized.
  - First username = $10.49 (Not cheap!)
    - And each extra username = $3.50
      - With 1 username, parents saw immediate value.
      - So why add more? We're nickel-and-diming them!
- How could we remove the cost barrier so parents would add usernames for each person and thus get the best value?
  - Oh, and without losing $$ for the company?

So we designed solutions

- We used spreadsheets to model adoption rates at different pricing levels and how that would impact revenue.
- The key: Have one price for a family account so parents don't feel like they are being nickel-and-dimed.
- Make sure the usernames are set up with great defaults for parents and kids to simplify account set-up and get value faster.



nt $/mo.	At $12.99/mo. Adoption	Price diff.	Reven
559,800	7%	$ 3.94	$
102,100	45%	$ 1.40	$
43,200	40%	$ (1.18)	$
28,800	55%	$ (3.84)	$
14,500	97%	$ (6.11)	$
7,300	99%	$ (8.40)	$
755,700			$

ison of $12.99, $13.99,

ne less expensive, the h

but note that it is not li

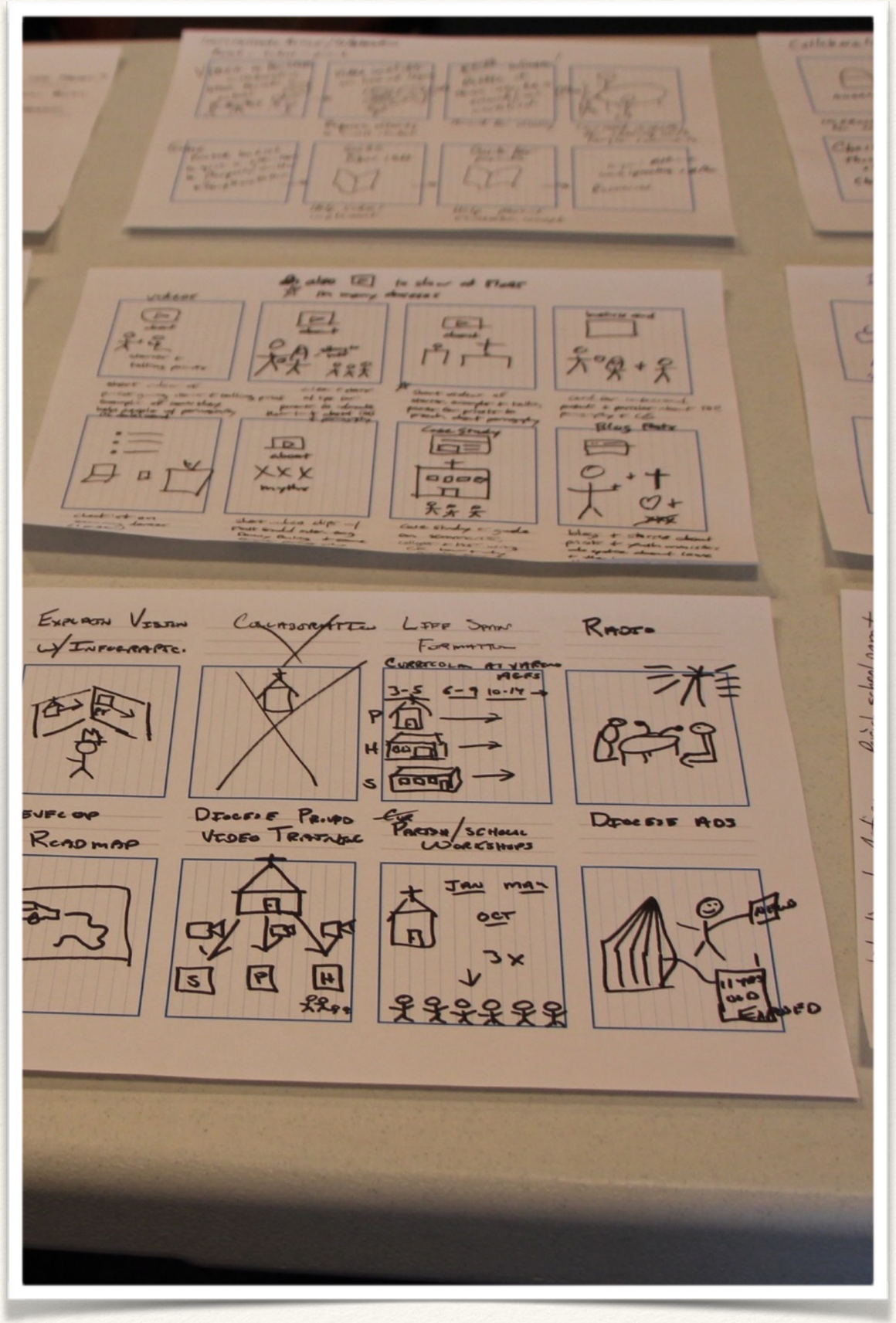
Design Changed the Business Model

- After 14 months, we now have > 17,000 family accounts with about 63,000 usernames.
  - So this family now really does have 5 usernames!
- For the company, over 1/3 of our accounts now make 30% more revenue. That's huge.
- This was a business model change, and **it took designers to figure it out**.

What Are We Talking About?

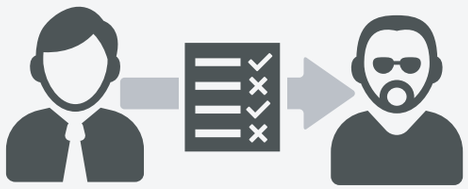
Raw Material: UX

Service Strategy
- User Story / Journey Mapping
- Service Blueprints
- Scenarios
- Design Studio Sessions
- Cross-channel information architecture
- Layers of Strategy



Service Strategy Layers

Service Value



Accountability

Education

Account Structures

Blocking

Age Based Content Rating System

Service Channels

Speaking

Support

Ebooks

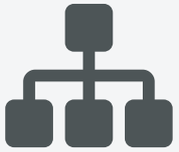
Emails

OSX

Windows

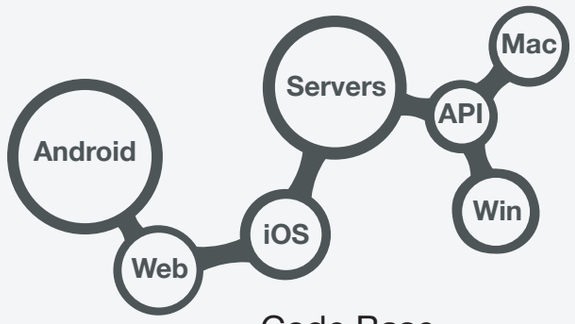
Android

iOS



Web Sites

Service Infrastructure



Code Base

Databases & Data Centers
Network

Email Systems

Hubspot

Rating System

ToFu

Created May 20, 2015 by Nate Schloesser

Based on Service Layers - DRG, October 9, 2014

What Are We Talking About?

Raw Material: Strat

Michael Porter's writings
- Esp., *What is Strategy*
- Unique differentiating value
- Systems activity diagrams
- Customer segment classes

Business Model Canvas

Value Proposition Design

Playing To Win by Lafley & Martin

Michael Alman

Accountability User, Filter User

"I'm grateful, but I have had a hard enough time rebuilding trust with people who I have let down. I don't need CE making that a more difficult task for me." – Accountability Report Survey Response

Demographics

Age: 45
Family: Married, 5 yr old son, 10 yr old son
Occupation: Mechanical Engineer
Devices: Windows 7 at work and home, Chrome browser, Android phone, Nintendo Wii
Location: Phoenix, AZ
Tech comfort: High

Goals

Put his porn addiction behind him
Earn back the trust and respect of his wife
Protect his boys from his problems
Raise his boys to be good men

Viewed Materials

"Your Brain on Porn"
"Break Porn Addiction: 5 Lessons I Learned Along the Way"

Searches

"How to help someone with a porn addiction"
"facts about pornography"
"how to overcome pornography"

References:
Covenant Eyes Accountability Report Survey
Reasons for Cancellation v2 Reponses

After struggling with Internet pornography for several
genuine desire to change. At first I simply wanted to k
viewed porn at the office and on the home computer,
just how deeply the problem would come to threaten
I *thought* I could stop at any time, I *thought* I had con

Once my wife Mary found out and confronted me, I b
badly this was hurting the both of us. I felt guilty abou
told Mary that I would stop. But as I slipped back into
guilty and ashamed and tried to hide it from her. Sinc
suspicious, it didn't take Mary long to find out. This ti
more hurt, betrayed, and angry. We fought, and I aga
I would stop. This happened a few more times, and e
marriage was damaged more and more. Finally, wher
take my sons and leave, I realized how desperately I r

I confided in Tom, a long-time friend from church, and
Tom had also secretly struggled with porn use earlier
an idea of what I was going through. Tom introduced
Eyes, and we agreed to become mutual Accountabilit
myself recover from this addiction.

I explained my plan to Mary, insisting that this time re
different. Mary said that she would need to get my re
she needed Covenant Eyes on every computer, even
she insisted that I use the filter. She made it clear to n
completely lost her trust, and that it would be a long
begin to trust me. Mary is my Filter Guardian, which is
when I have to ask for filter changes, but I don't dare

It has been almost a year now since I have looked at
working hard at overcoming my addiction. I am truly g
Covenant Eyes because of how much it has helped m
sometimes my reports flag websites that I haven't visi
or are ad sites. I have called in to Covenant Eyes and
computer accessed those files and so they get report
explain this to Mary, it sounds fishy and she doesn't k
believe. I am really frustrated: it is hard enough rebuil
wife without the reports making it seem like I did thing

Mary and I are learning more about this porn problem
little about our concerns for raising our sons. How ca
little boys from this problem as they grow into young
have tried to protect our boys from my problem, but I
ten year old already knows.

What Is Strategy?

The Idea in Brief

The myriad activities that go into creating, producing, selling, and delivering a product or service are the basic units of competitive advantage. **Operational effectiveness** means performing these activities better—that is, faster, or with fewer inputs and defects—than rivals. Companies can reap enormous advantages from operational effectiveness, as Japanese firms demonstrated in the 1970s and 1980s with such practices as total quality management and continuous improvement. But from a competitive standpoint, the problem with operational effectiveness is that best practices are easily emulated. As all competitors in an industry adopt them, the **productivity frontier**—the maximum value a company can deliver at a given cost, given the best available technology, skills, and management techniques—shifts outward, lowering costs and improving value at the same time. Such competition produces absolute improvement in operational effectiveness, but relative improvement for no one. And the more benchmarking that companies do, the more **competitive convergence** you have—that is, the more indistinguishable companies are from one another.

Strategic positioning attempts to achieve sustainable competitive advantage by preserving what is distinctive about a company. It means performing *different* activities from rivals, or performing *similar* activities in different ways.

The Idea in Practice

Three key principles underlie strategic positioning.

1. Strategy is the creation of a unique and valuable position, involving a different set of activities. Strategic position emerges from three distinct sources:

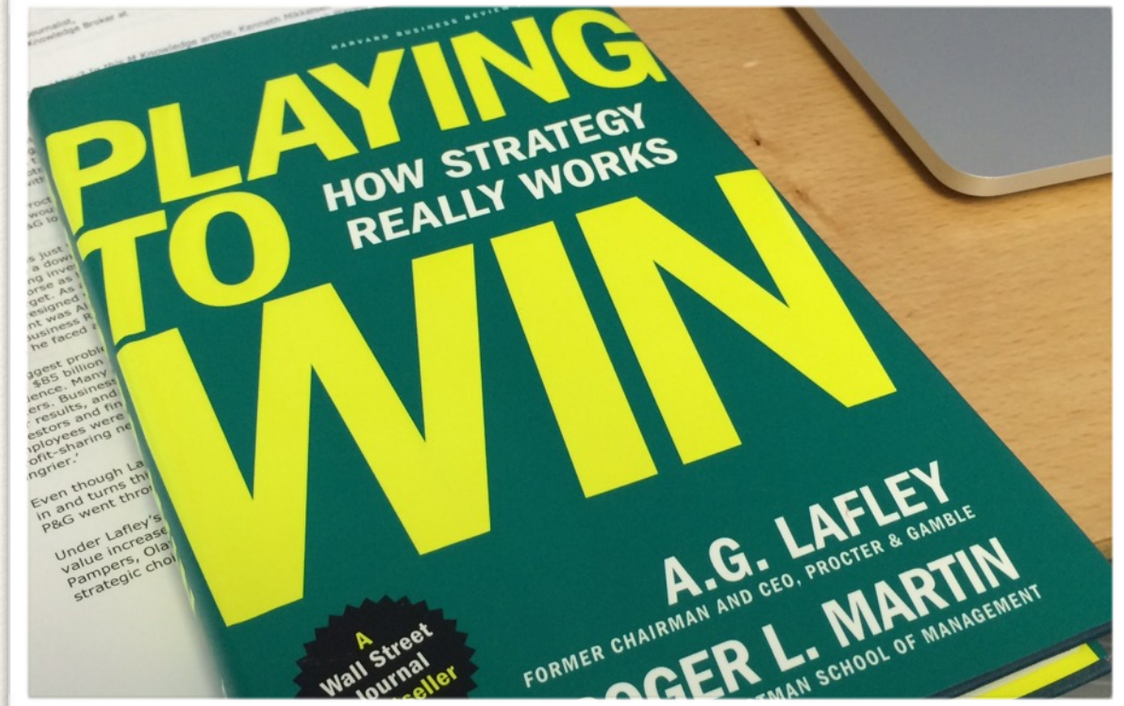
- serving few needs of many customers (Jiffy Lube provides only auto lubricants)
- serving broad needs of few customers (Bessemer Trust targets only very high-wealth clients)
- serving broad needs of many customers in a narrow market (Carmike Cinemas operates only in cities with a population under 200,000)

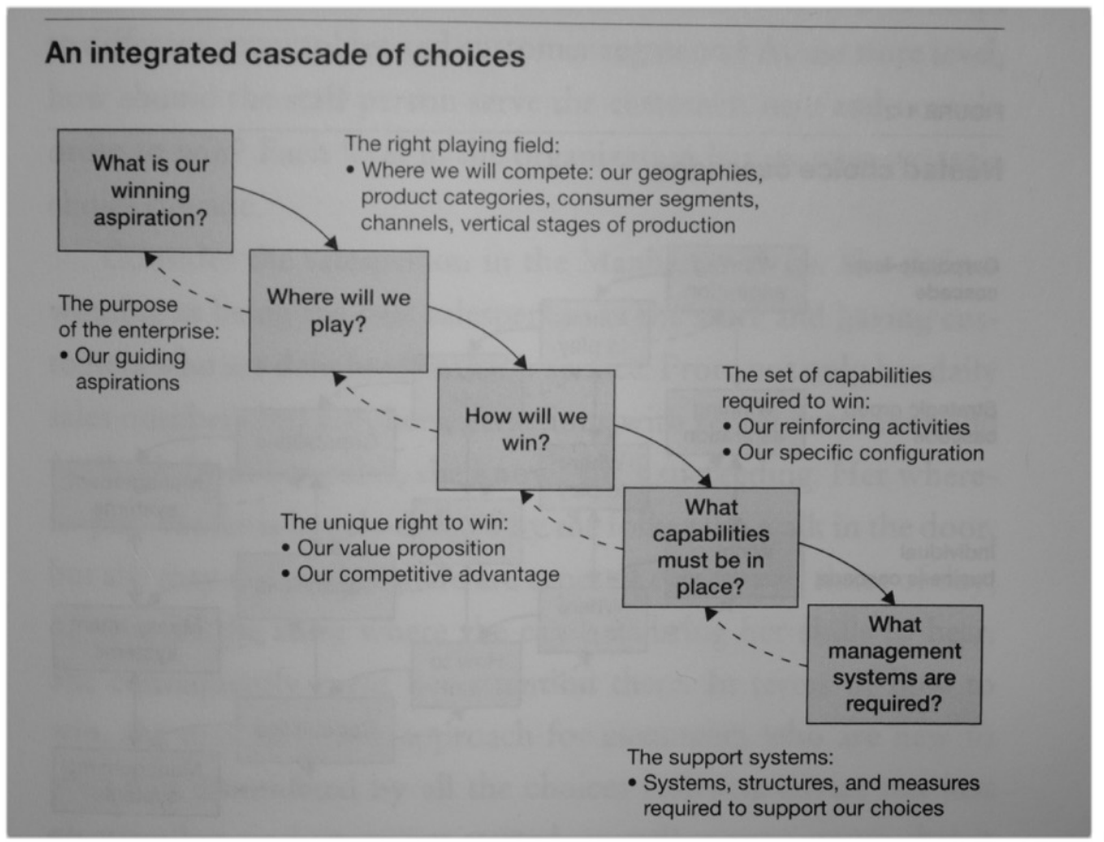
2. Strategy requires you to make trade-offs in competing—to choose what *not* to do. Some competitive activities are incompatible; thus, gains in one area can be achieved only at the expense of another area. For example, Neutrogena soap is positioned more as a medicinal product than as a cleansing agent. The company says "no" to sales based on deodorizing, gives up large volume, and sacrifices manufacturing efficiencies. By contrast, Maytag's decision to extend its product line and acquire other brands represented a failure to make difficult trade-offs: the boost in revenues came at the expense of return on sales.

3. Strategy involves creating "fit" among a company's activities. Fit has to do with the ways a company's activities interact and reinforce one another. For example, Vanguard Group aligns all of its activities with a low-cost strategy; it distributes funds directly to consumers and minimizes portfolio turnover. Fit drives both competitive advantage and sustainability: when activities mutually reinforce each other, competitors can't easily imitate them. When Continental Lite tried to match a few of Southwest Airlines' activities, but not the whole interlocking system, the results were disastrous.

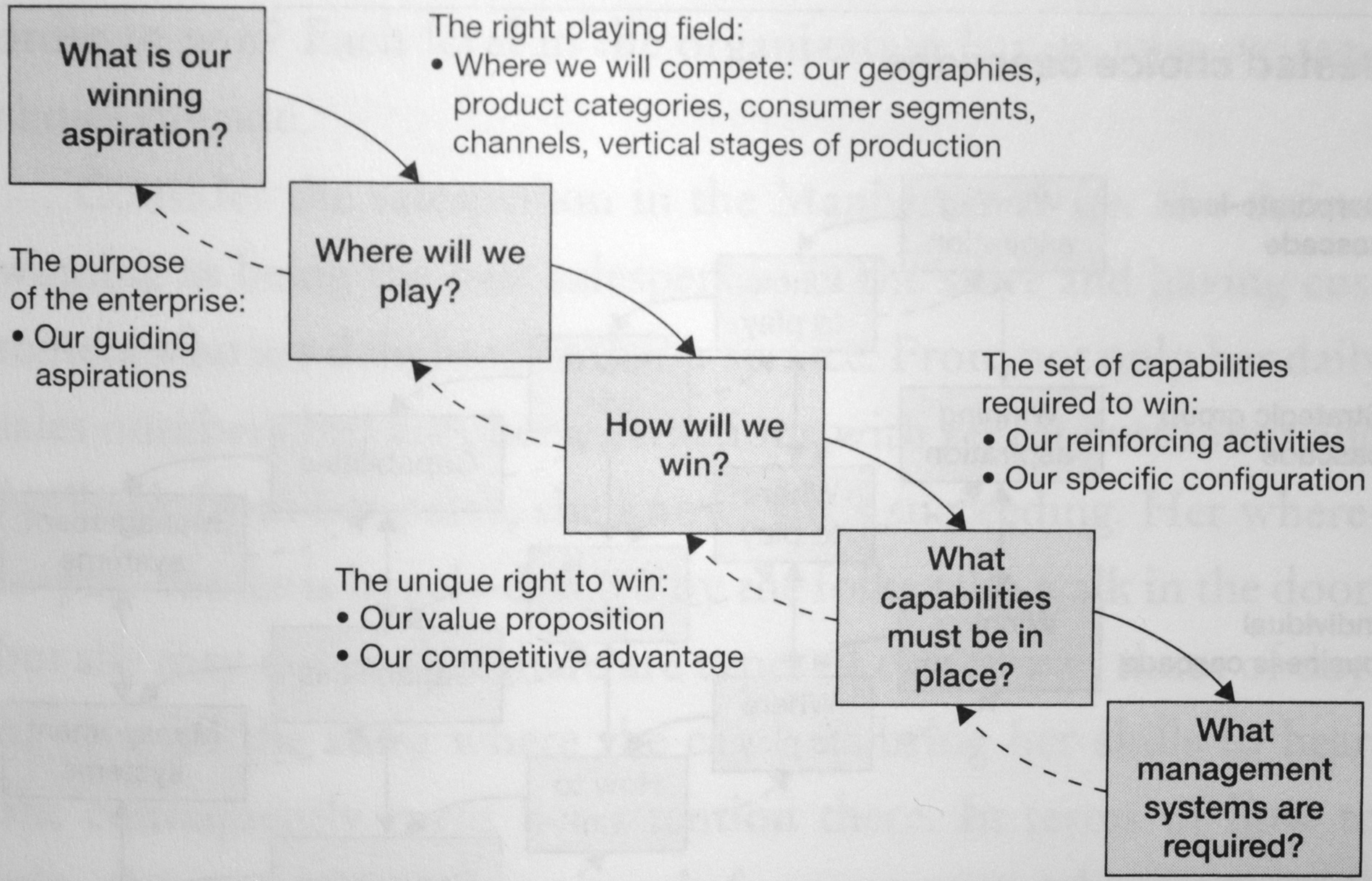
Employees need guidance about how to deepen a strategic position rather than broaden or compromise it. About how to extend the company's uniqueness while strengthening the fit among its activities. This work of deciding which target group of customers and needs to serve requires discipline, the ability to set limits, and forthright communication. Clearly, strategy and leadership are inextricably linked.

Purchased by: Chris Taphouse CHRIS.TAPHOUSE@COVENANTEYES.COM on September 16, 2013





An integrated cascade of choices



The Business Model Canvas

Designed for:	Designed by:	Date:	Version:

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	

Cost Structure	Revenue Streams

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The makers of Business Model Generation and Strategyzer

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The Business Model Canvas

Designed for:	Designed by:	Date:	Version:

Key Partners

Key Activities

Key Resources

Value Propositions

Product/Service Design

Service Strategy Layers

Cross-channel Design & IA Service Blueprints Taxonomies Et cetera

Customer Relationships

Customer Segments

Research & Personas

Cost Structure

Revenue Streams

Pricing Strategy

UX Item

Strategy Item

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Customer Segments

Research & Personas

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2. Where Will We Play?

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3. How Will We Win?

4. What Capabilities Are Needed?

5. What Management Systems Are Required?

Cross-channel Design & IA
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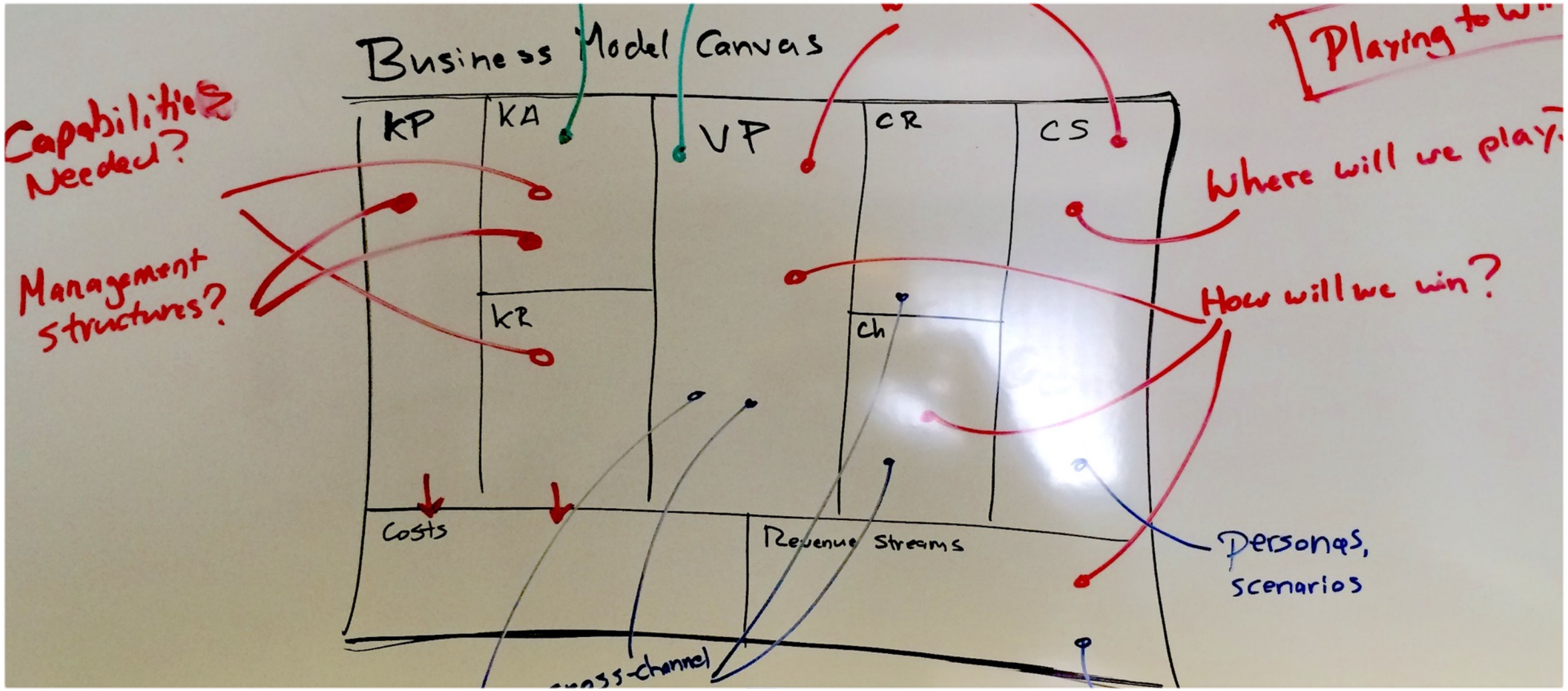
Strategy & Service Design Are Entwined

- Strategy sets up the problem.
- Service Design brings a way to understand a problem's complexities and design real solutions.



And done. Thoughts, questions?

Service Strategy is Service Design

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