Quantifying the **Cost of Delay**

Workshop Design

by

Joshua Arnold and **Özlem Yüce**

of

BLACK SWAN FARMING

Delivered by

The Vistaprint Agile Transformation Team

Quantifying Cost of Delay

1. Why is it the “one thing” to quantify?
2. Where do we start?

2 years
104
weeks

Oceanic AIRLINES

LOST LUGGAGE FORM

PLEASE PRINT CLEARLY

Passenger name: _____ Booking #: _____

Departure city: _____ Departure date: _____

Hotel name: _____ Room #: _____

Number of bags: _____ Description of luggage: _____

Daytime phone: _____ Evening phone: _____ Cell phone: _____

Email address: _____

Did you leave valuables in the safe of you hotel? ☐ Yes ☐ NO

As soon as we have located you belongings, you will be contacted either directly or by our travel agent to make arrangements for pick-up.

Ad2941 10/05

As difficult as it may be to believe, the major airlines have actually improved their mishandled-baggage record in the recent past.

Estimating value via

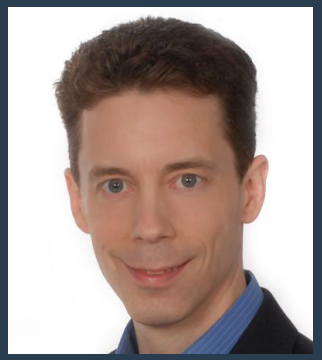
Willingness To Pay

Scarcity forces us to

CHOOSE

and it is choice that defines

VALUE



JP

David

Julie

Daryl

Staci

Chris

Sean

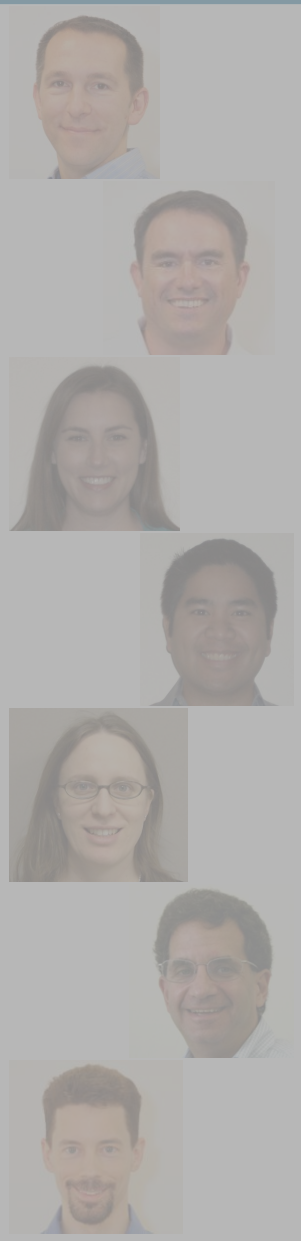
vistaprint®

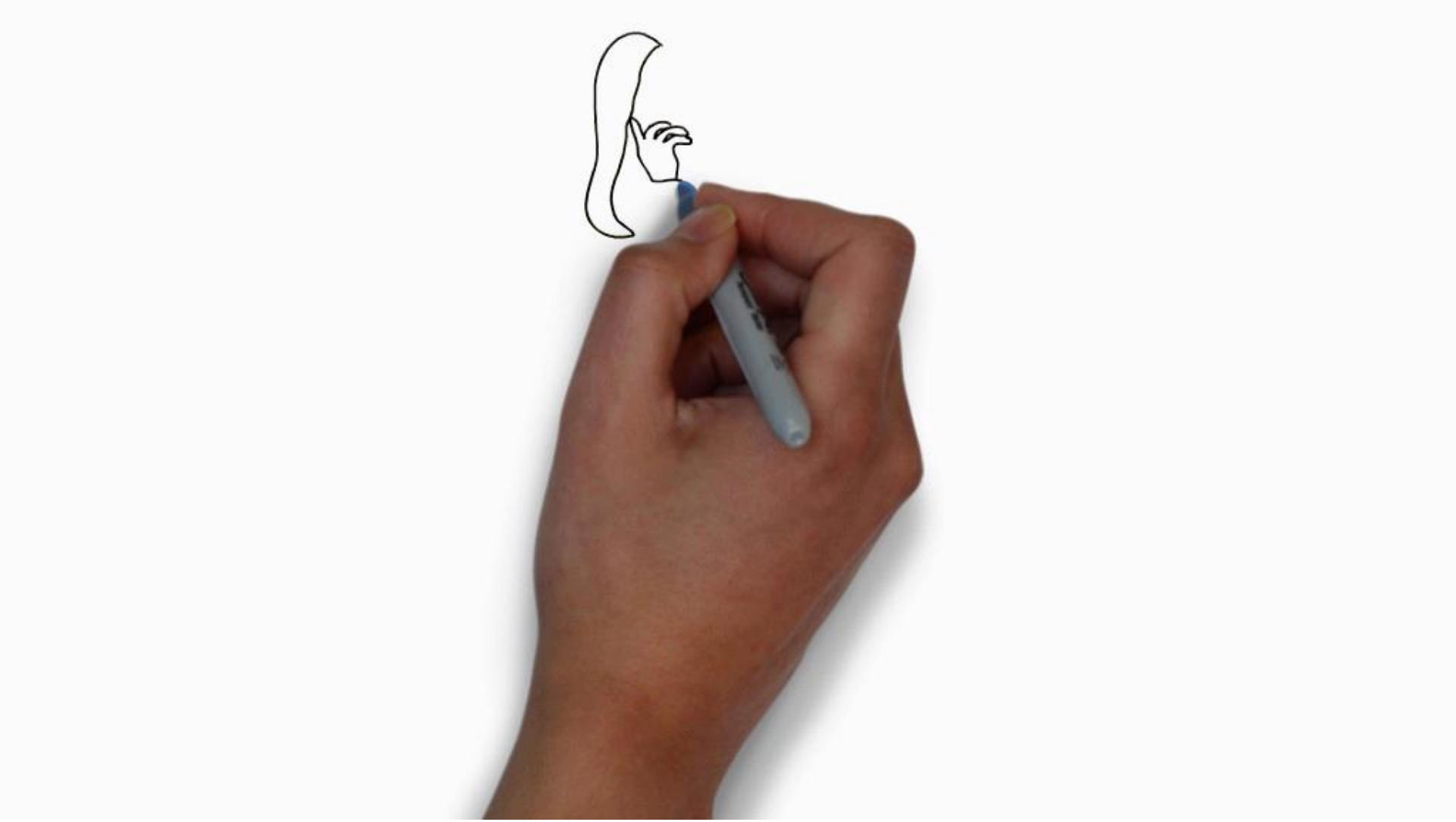
INTRO	THEORY	1	2	REFLECT
	Value Urgency	L'Unreal	NSOS	
10m	10m	5m	5m	2m

Building Blocks

GET GOING	SHARE	WRAP UP	REFLECT
vistaprint +	Compare & Contrast Identify key assumptions		
15m	10m	5m	2m

Get Going

INTRO	THEORY	EXERCISE 1	EXERCISE 2	REFLECT
	Value Urgency	L'Unreal	NSOS	
10m	10m	5m	10m	2m

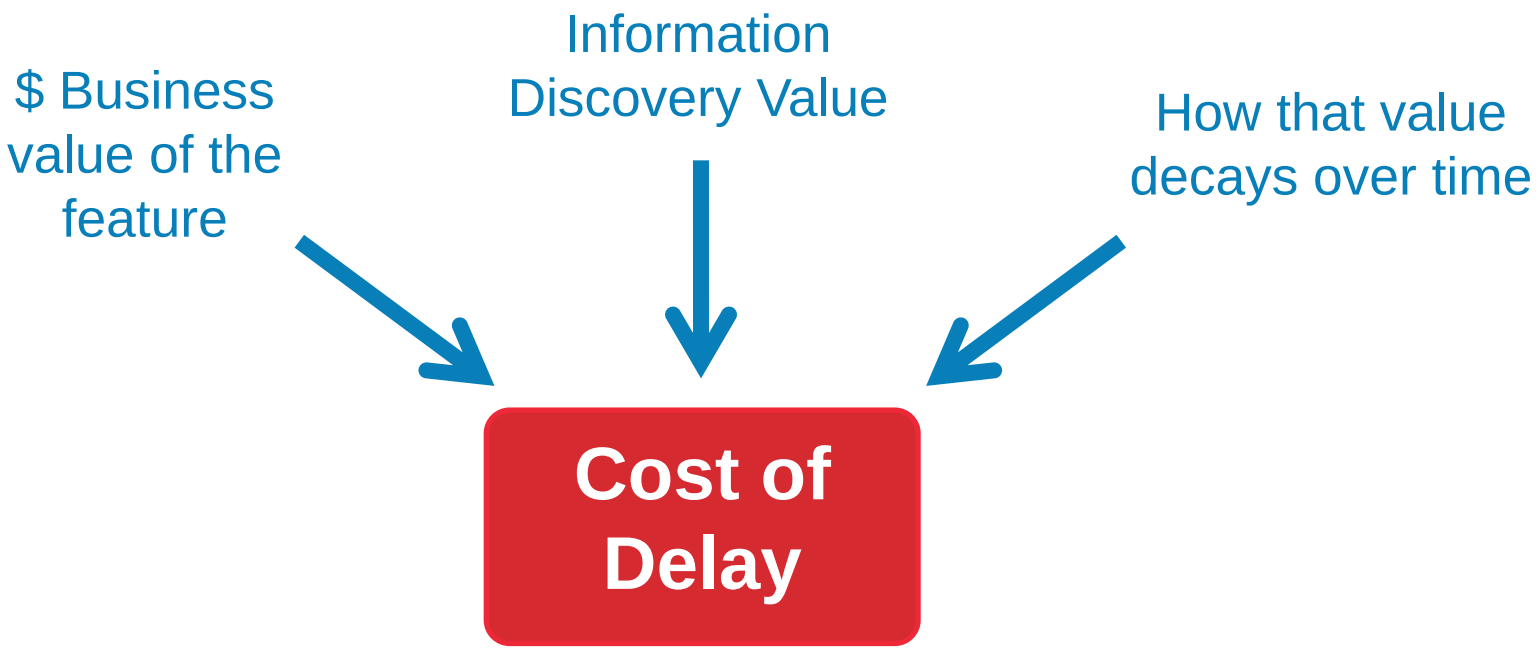


Introducing the context for **Cost of Delay**

BLACK SWAN FARMING

from Joshua Arnold

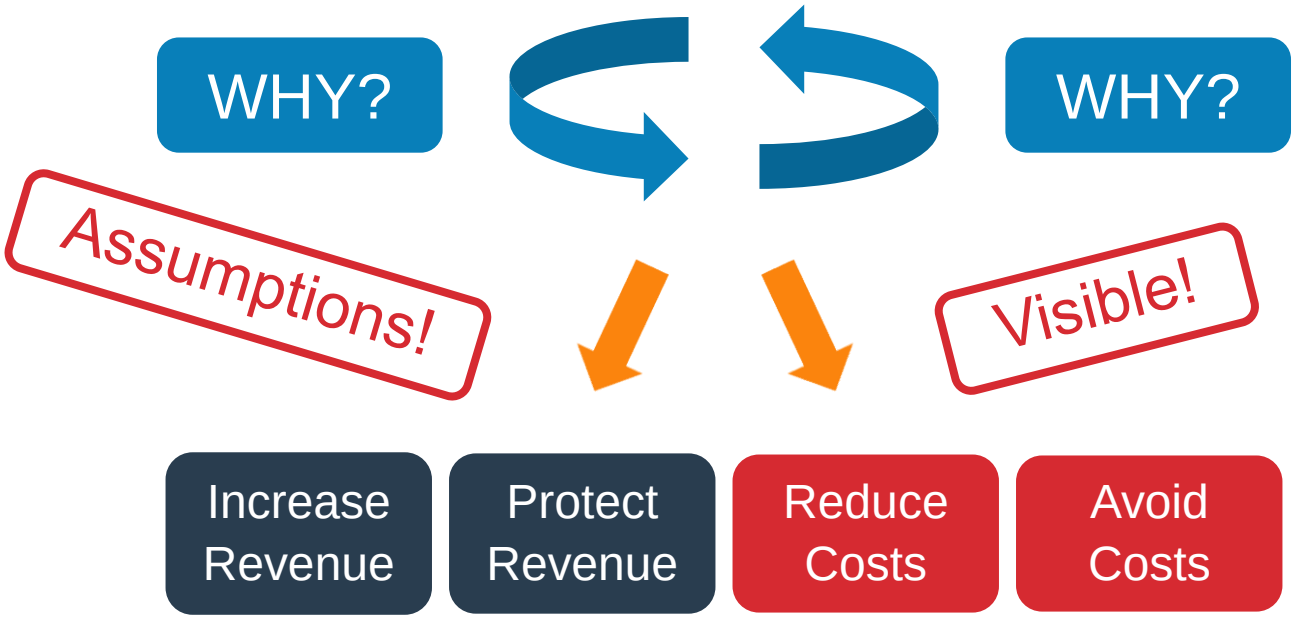
Cost of Delay: Putting a price-tag on time



A framework for thinking about **value**

Increase Revenue	**Increasing** sales to new or existing customers. Delighting or Disrupting to increase market share and size
Protect Revenue	Improvements and incremental innovation to ***sustain*** current market share and revenue figures
Reduce Costs	Costs that we are *currently* incurring, that can be **reduced**. More efficient, improved margin or contribution
Avoid Costs	Improvements to ***sustain*** current cost base. Costs we are not currently incurring but may do in the future

Ask: Why should we do this?

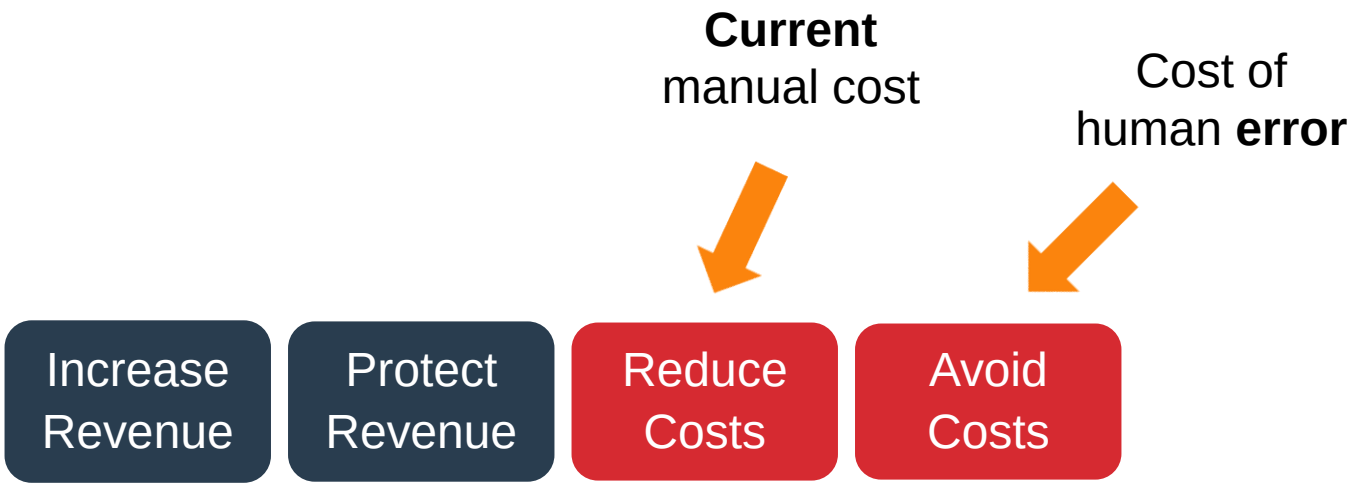


If we can’t estimate the value, is it worthless?

A couple of tactics for getting to $

① Make the value equal to cost of *alternatives*

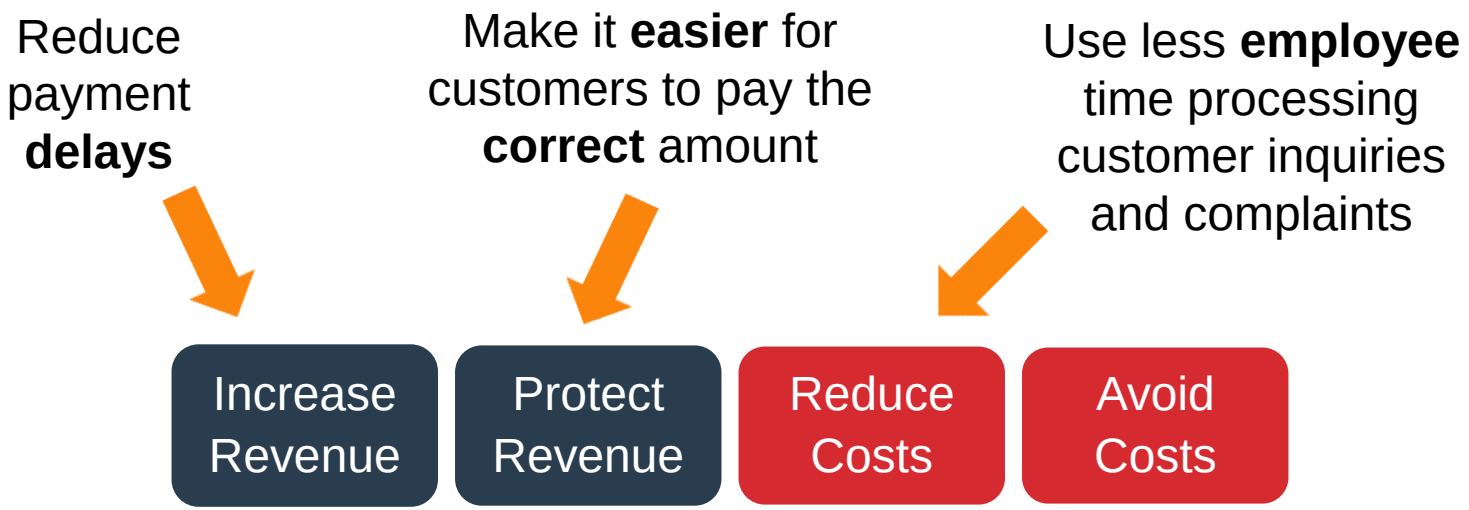
Example: Automating a process



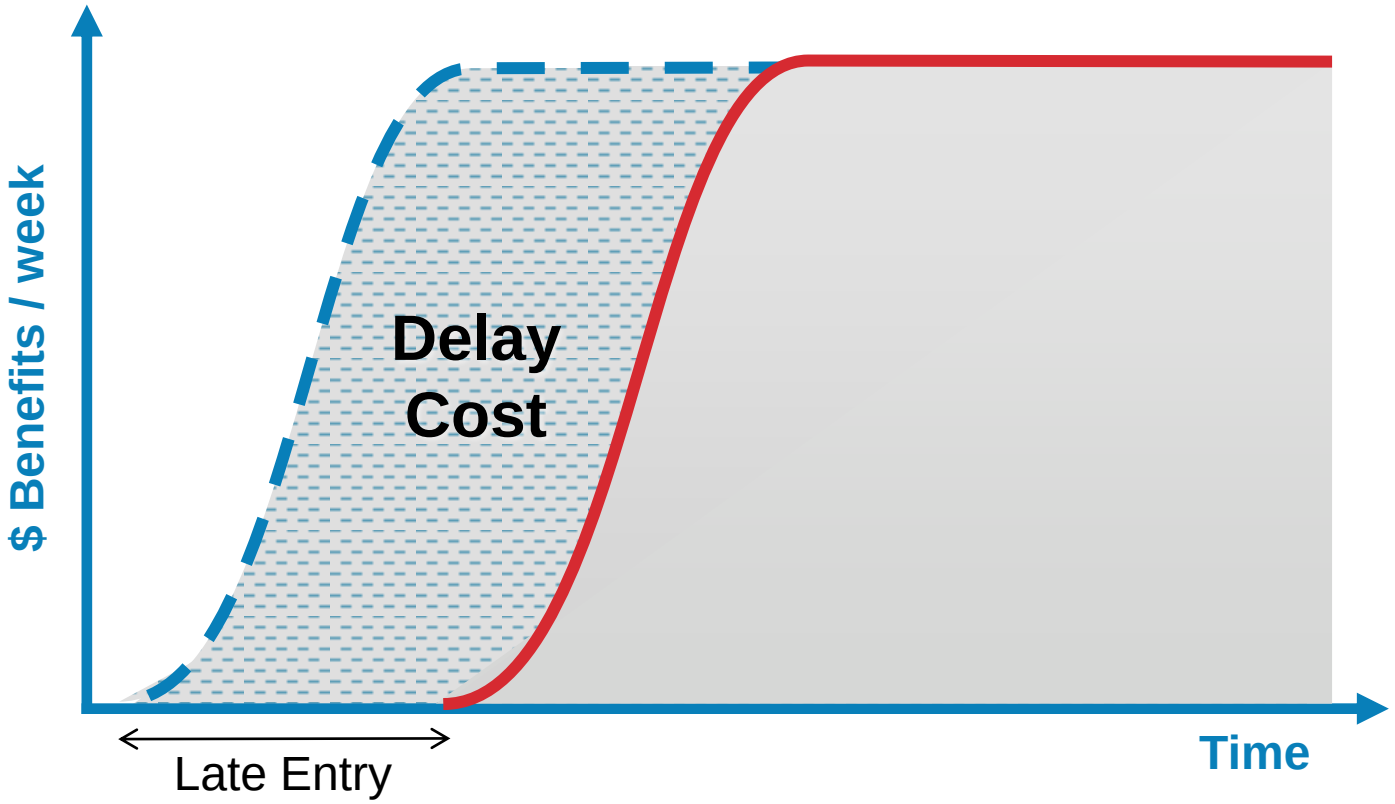
A couple of tactics for getting to $

② Estimate the value of the *effects of the change*

Example: Improving invoice clarity and accuracy

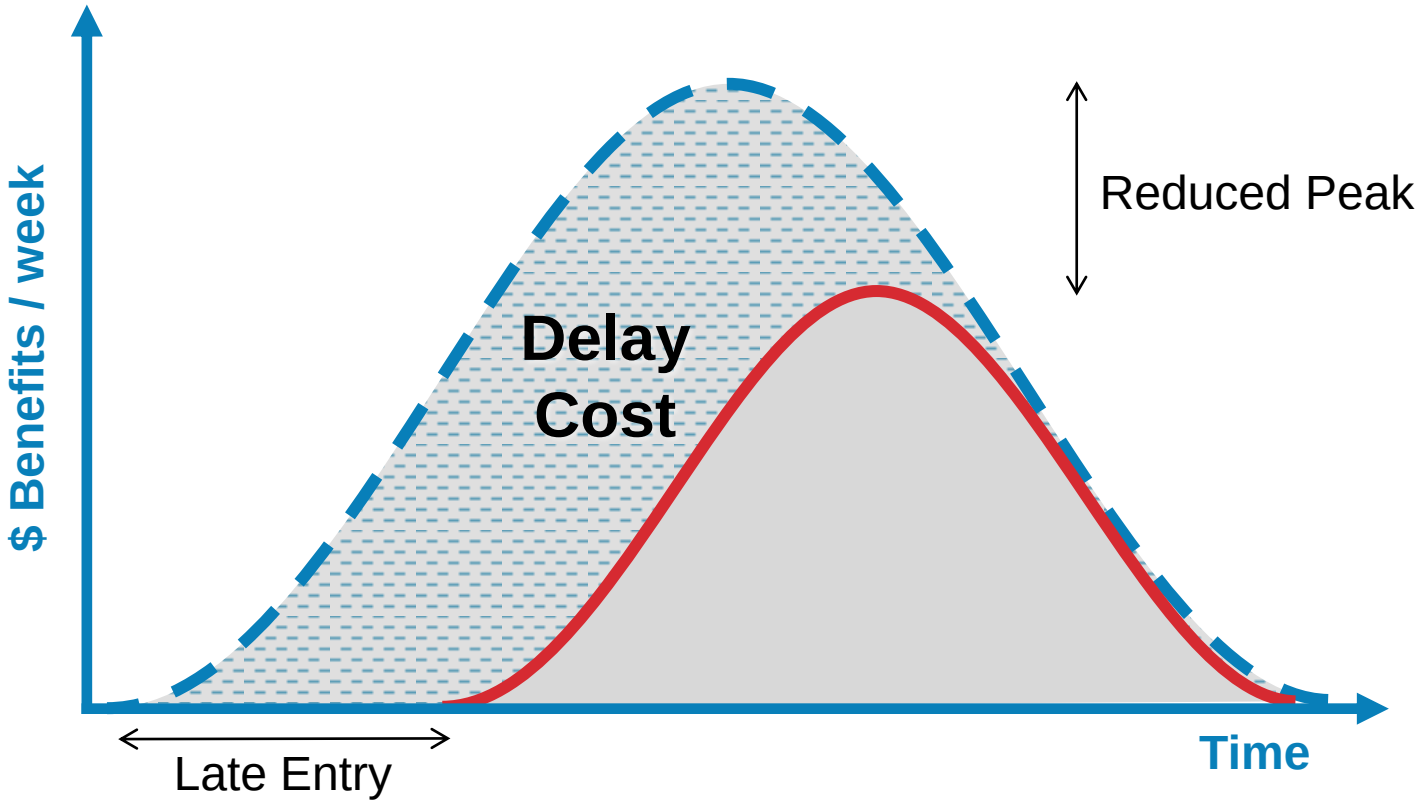


① Urgency profile (Long Unaffected)



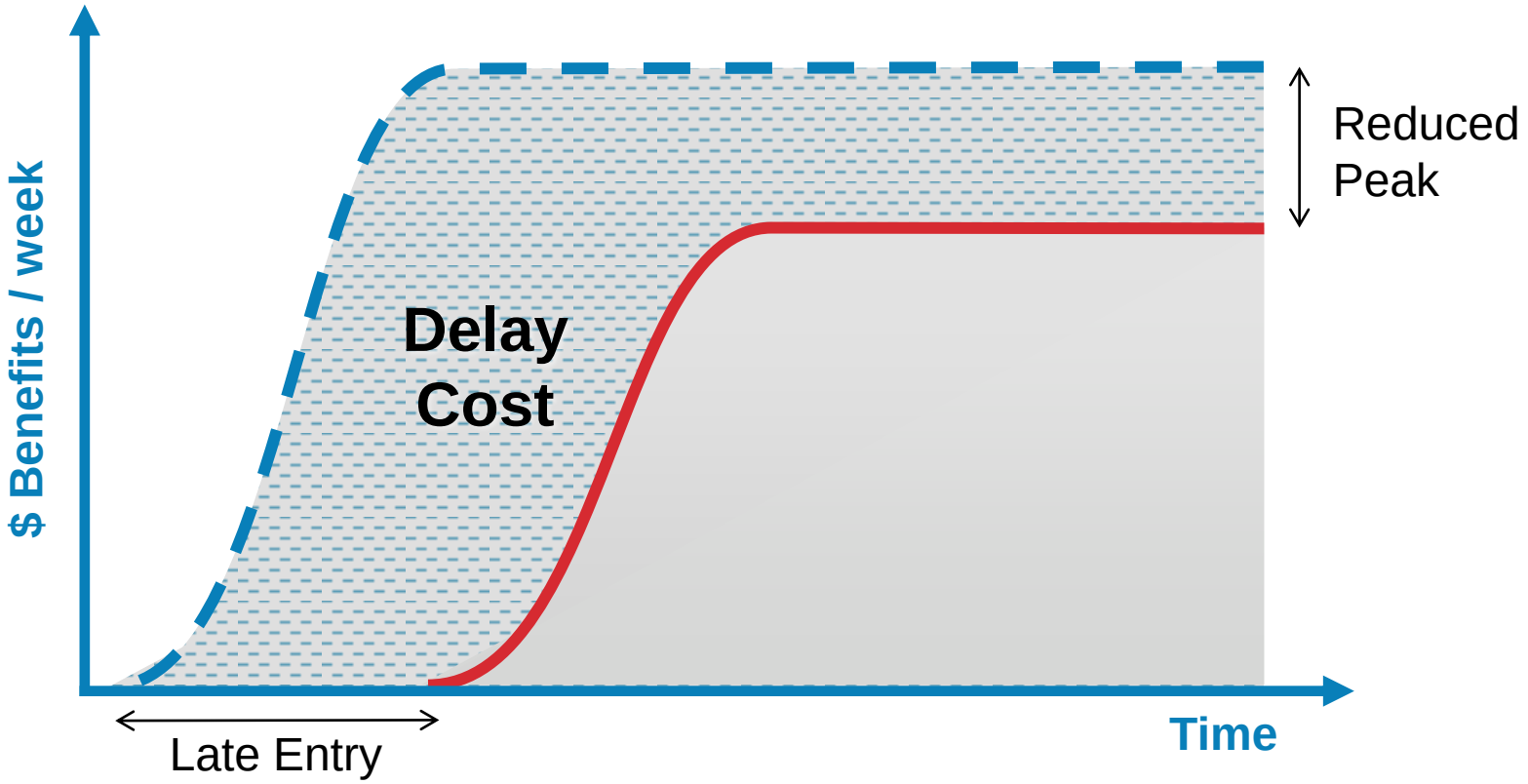
For ideas with a very long-life, with peak unaffected by delay

② Urgency profile (Short Affected)



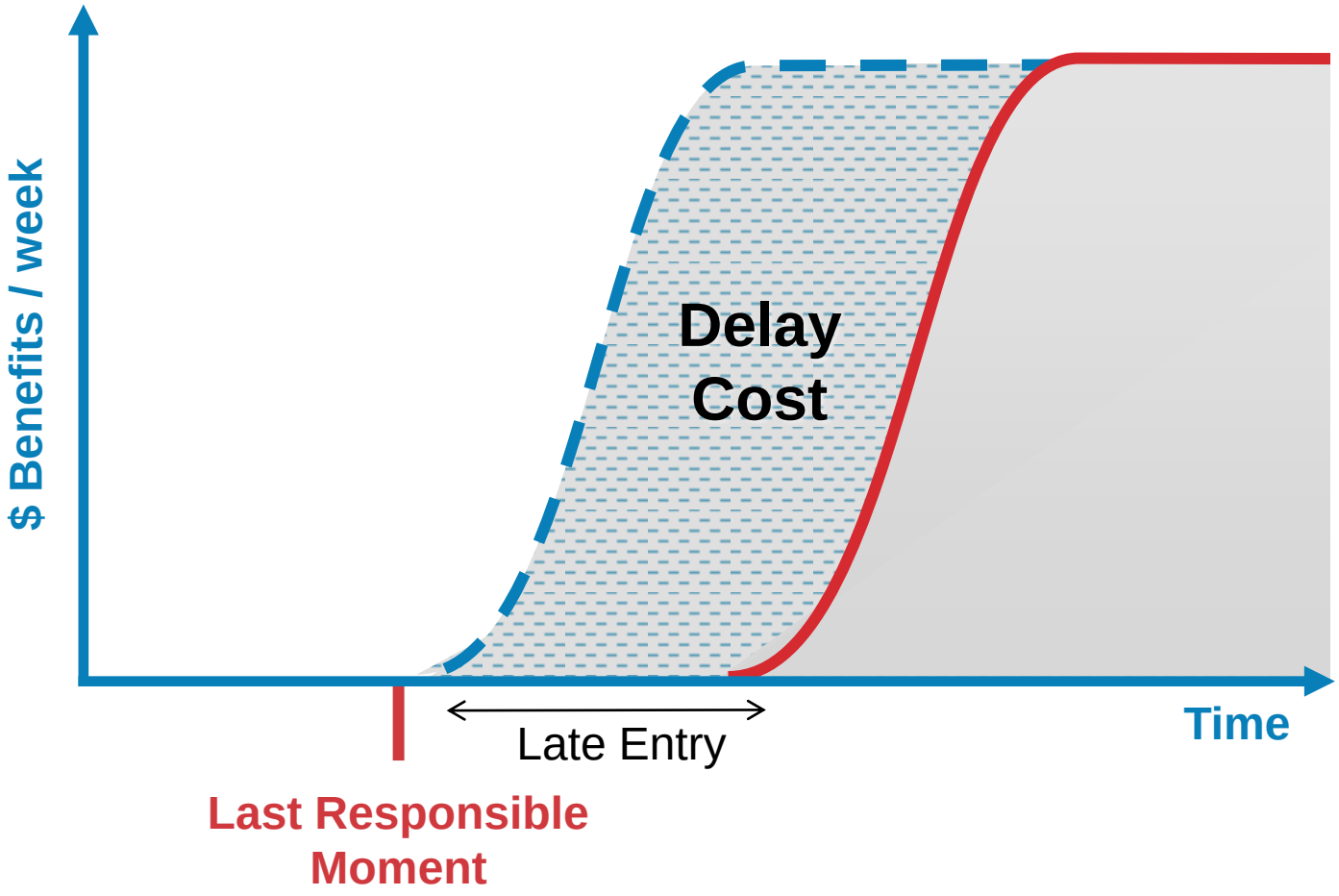
2. Short benefits horizon, and reduced peak due to late delivery

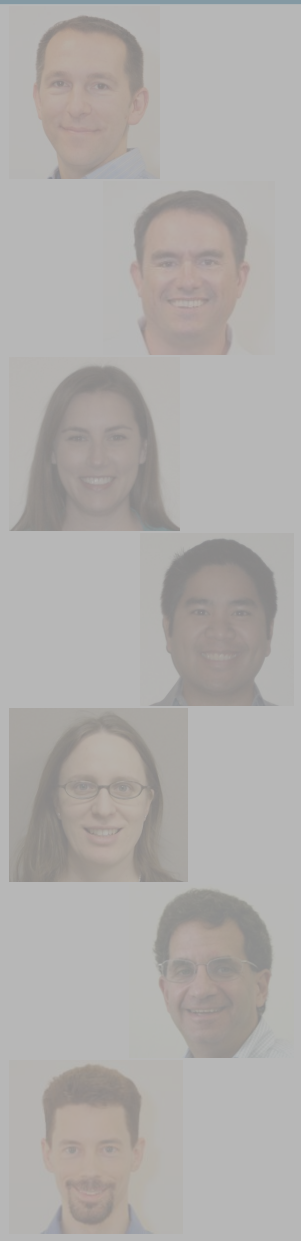
③ Urgency profile (Long Affected)



For ideas with a very long-life, with reduced peak due to later delivery

④ Urgency profile (Seasonal/Date driven)



INTRO	THEORY	EXERCISE 1	EXERCISE 2	REFLECT
	Value Urgency	L’Unreal	NSOS	
10m	10m	5m	10m	2m

Exercise 1: L'Unreal

You work for L'Unreal, a manufacturer of professional hair-care products. For inventory management purposes, L'Unreal requires weekly stock-take of the quantity of raw materials in the warehouse. Currently, this occupies a team of 12 people for five hours each week. The cost of a warehouse employee to the company is roughly $20 per hour.

Mark, a new guy who recently joined the *L'Unreal* team, has come up with a way to instead automatically scan the barcodes as they arrive and leave the warehouse. In order to create a sense of urgency for making this change, he has come to you to help him work out the Cost of Delay.

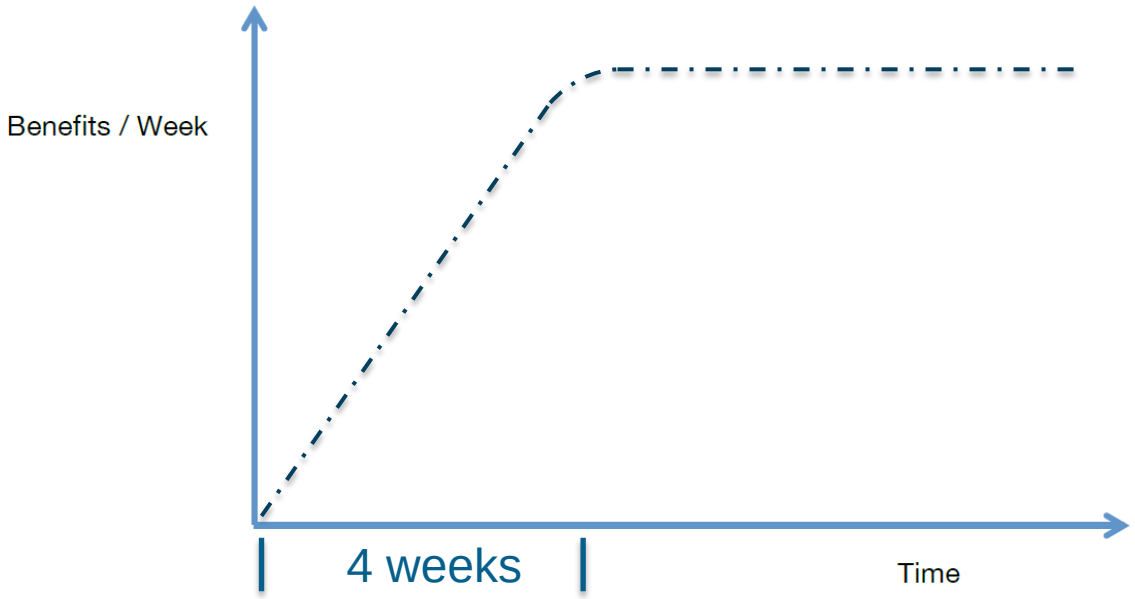
1. Which of the four benefit type(s) does this idea contribute to?

Increase Revenue / Protect Revenue / Reduce Cost / Avoid Cost

Exercise 1: L'Unreal

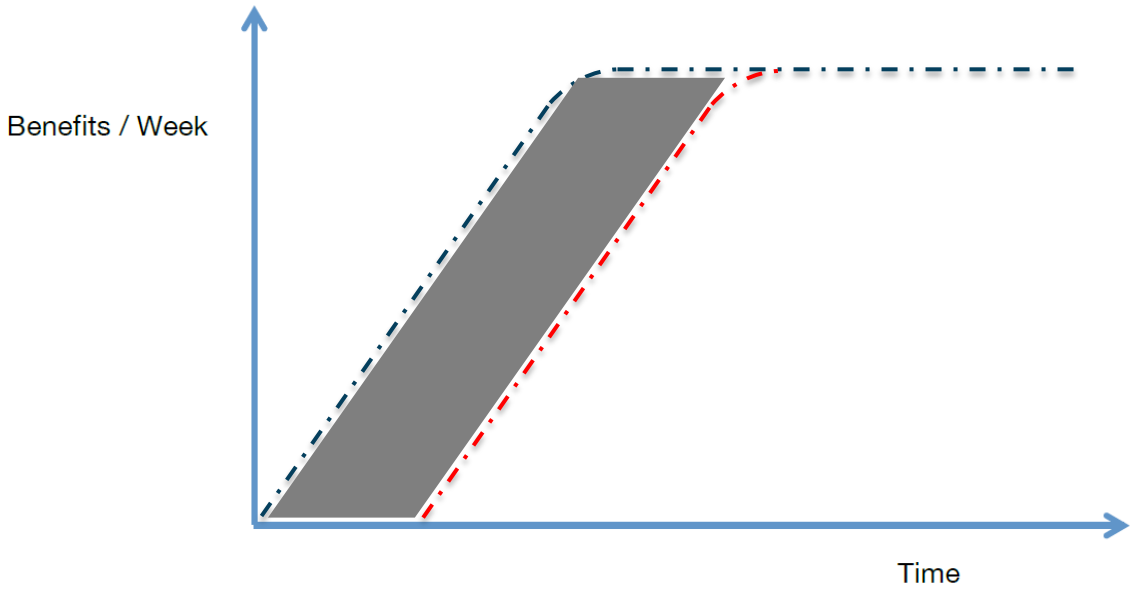
2. It is estimated that it will take four weeks to get the new system fully up and running. During this time, people will be gradually redeployed onto other tasks.

   Assuming work starts today, draw what you think the ramp-up of benefits might look like. (Notice that the Y-axis is the *benefits per week*, not cumulative benefits).



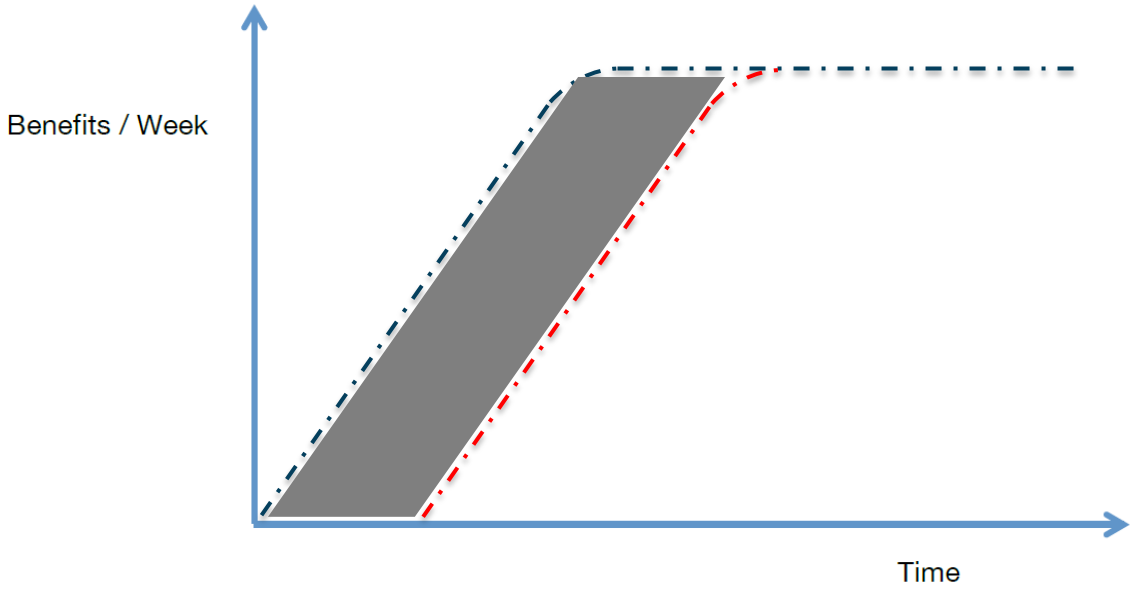
Exercise 1: L'Unreal

3. Due to a senior executive being away on vacation, approval of the implementation has been delayed by a couple of weeks. On the same chart above, now draw a second curve, showing how the benefits will ramp up taking into account this two-week delay. Shade the difference between the two curves to highlight the delay cost.



Exercise 1: L'Unreal

4. Which of the four urgency profiles does this example most closely resemble?



1. Long Life, Unaffected Peak

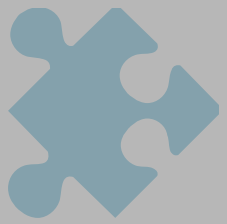
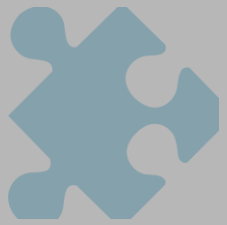
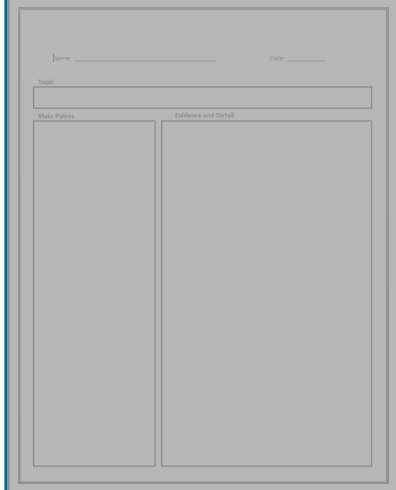
Exercise 1: L'Unreal

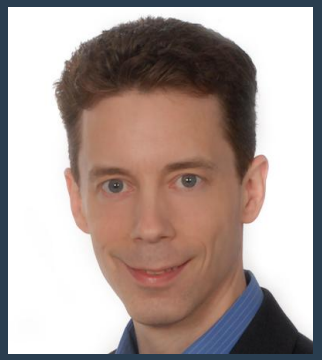
5. What is the Cost of Delay for this idea, expressed in dollars per week?

12 ppl x 5 hrs/wk x 20 $/hr = **$1200/wk**

6. What is the total Delay Cost incurred if this is delayed by two weeks?

$1200/wk x 2 wks = **$2400**

INTRO	THEORY	EXERCISE 1	EXERCISE 2	REFLECT
	 Value  Urgency	L'Unreal	NSOS	
10m	10m	5m	10m	2m



JP

David

Julie

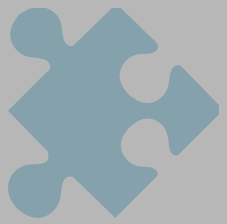
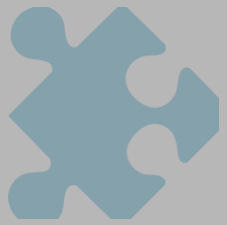
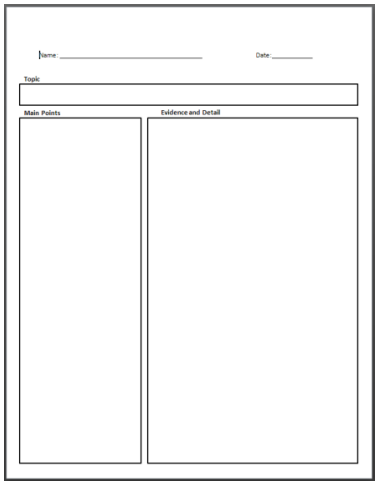
Daryl

Staci

Chris

Sean

vistaprint®

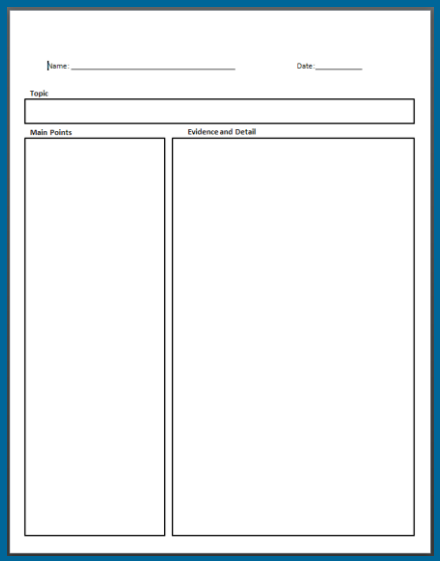
INTRO	THEORY	EXERCISE 1	EXERCISE 2	REFLECT
	 Value  Urgency	L'Unreal	NSOS	
10m	10m	5m	10m	2m

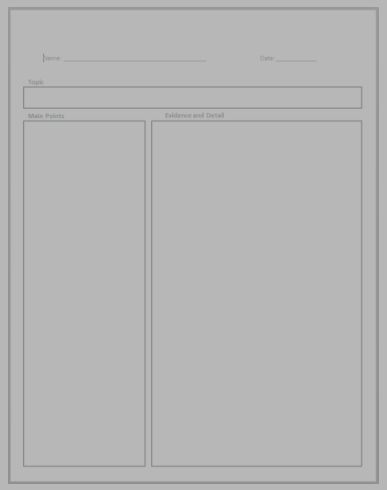
Reflections: Building Blocks

Using your graphic organizer, jot down…

What you learned so far

Any questions you have



GET GOING	SHARE	WRAP UP	REFLECT
vistaprint® +	Compare & Contrast Identify key assumptions		
15m	10m	5m	2m

Imagine you work for Vistaprint

One of your colleagues has a bright idea to offer business cards on LinkedIn. Using profile data (name, job title, phone number, email) you will display a customized business card alongside users' profile.

Users will be able to easily design and order business cards using their details on LinkedIn saving them time.

https://www.linkedin.com/

Search for people, jobs, companies, and more... Advanced

Home Profile Network Jobs Interests Business Services Upgrade

Free Kanban Board - Visual Process Management. No More Spreadsheets. Get started! | Read More »

Özlem Yüce

Owner, Change agent and Transformation coach at Agile At Heart Ltd

London, United Kingdom | Information Technology and Services

Current Agile At Heart Ltd.
Previous Maersk Line
Education Middle East Technical University

Complete your profile Edit

500+ connections

uk.linkedin.com/in/ozlemyuce/ Contact Info

Background

Summary

I am a passionate, highly skilled and knowledgeable consultant, coach and trainer of Lean and Agile principles and practices. With over 6 years of international experience in this field I provide advice and guidance to senior leaders and teams helping them to improve the way they work. I help organisations to innovate faster by changing the way people think and act in the complex environments that they work in.

I am continuously looking for the opportunities to implement a lean and agile approach and would love to find out what benefits I could bring to your business, please do contact me at ozlem@agileatheart.com and I will get back to you straight away.

Experience

People You May Know

Mariia Nezhdanova 2nd
customer service - Maersk Line
Connect · 10

vistaprint

Create a unique business card. Customize with your photo or logo on premium paper stocks and promote your business.

Who's Viewed Your Profile

7 Your profile has been viewed by 7 people in the past 3 days.

15 You have shown up in search results 15 times in the past 15 days.

TITLE

LinkedIn business cards

~~CD3 PRIORITY SCORE~~

~~THE WHY (DESCRIBE THE PROBLEM, JTBD)~~

~~THE WHAT (POTENTIAL SOLUTION TO THE PROBLEM)~~

INCREASE REVENUE	PROTECT REVENUE
REDUCE COST	AVOID COST

THE HOW (THE BENEFITS FOR THE ORGANISATION)

URGENCY PROFILE

COST OF DELAY ($/wk)

WHAT ARE THE KEY ASSUMPTIONS WE NEED TO VALIDATE?

BlackSwanFarming.com © 2014

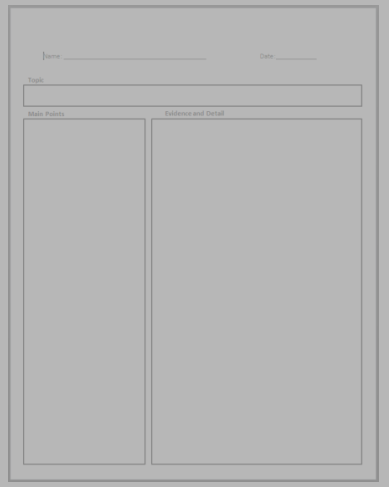
Imagine you work for Vistaprint

One of your colleagues has a bright idea to offer business cards on LinkedIn. Using profile data (name, job title, phone number, email) you will display a customized business card alongside users' profile.

Users will be able to easily design and order business cards using their details on LinkedIn saving them time.

15 mins!

GET GOING	SHARE	WRAP UP	REFLECT
vistaprint® +	Compare & Contrast Identify key assumptions		
15m	10m	5m	2m



Variables

Cost of Delay

=

Total Addressable Market

x

Conversion Rate

x

Number of orders per user per year

x

Profit per order

÷

52

Cost of Delay

=

Total Addressable Market

x

Conversion Rate

x

Number of orders per user per year

x

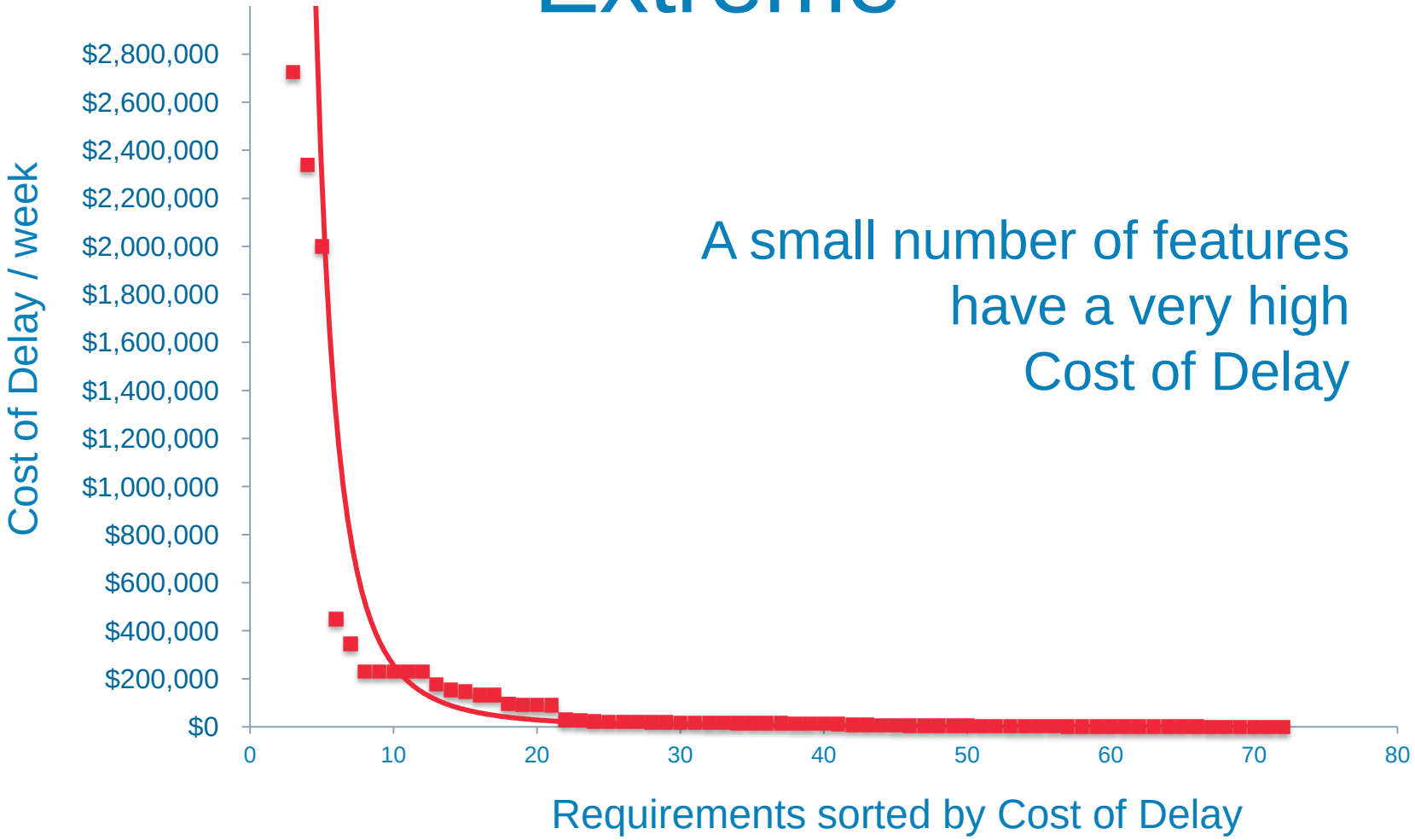
Profit per order

÷

52

GET GOING	SHARE	WRAP UP	REFLECT
vistaprint +	Compare & Contrast Identify key assumptions		
15m	10m	5m	2m

Black Swans: Value is Rare, Extreme



A small number of features have a very high Cost of Delay

Building blocks

(help you quantify the “one thing”)

Confidence

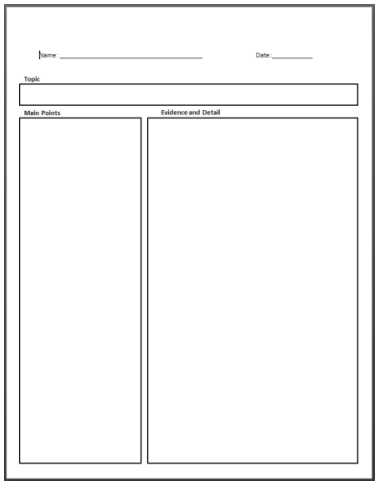
(it’s not as hard as you think)

Conversation, not precision

(surface assumptions, share understanding)

Design Better Experiments

(enable better trade-off decisions)

GET GOING	SHARE	WRAP UP	REFLECT
vistaprint +	Compare & Contrast Identify key assumptions		
15m	10m	5m	2m

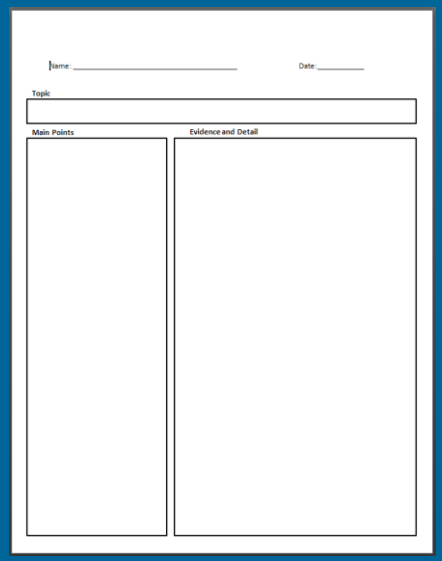
Reflections: Real World Example

Using your graphic organizer,

jot down…

What you learned so far

Any questions you have



Without information about

VALUE

the system optimizes
for other things

Want more?

Sean Barrett
sbarrett@vistaprint.com
@swb151

http://www.blackswanfarming.com

"The Principles of Product Development Flow"
by Don Reinertsen

http://www.reinertsenassociates.com

http://www.leadingagile.com/2015/06/an-introduction-to-cost-of-delay/

BLACK SWAN FARMING

vistaprint