Addressing Unmet Needs in the Small and Medium Enterprises through use of Emerging Technologies: A Business Plan

By
Shreyas Gupta
PGDCM, IIM Calcutta
B.Tech, IIT Varanasi

By
Mahesh Chayel Mohinder-Singh
PGDCM, IIM Calcutta
M.Sc. (Integrated), CEG, Anna University

SUBMITTED TO THE MIT SLOAN SCHOOL OF MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF SCIENCE IN MANAGEMENT STUDIES AT THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY JUNE 2015

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Signature of Author: ____________ Shreyas Gupta
MIT Sloan School of Management
May 8, 2015

Signature of Author: ____________ Mahesh Chayel Mohinder-Singh
MIT Sloan School of Management
May 8, 2015

Certified by: ____________________________
James P Dougherty
Senior Lecturer, MIT Sloan School of Management
Thesis Supervisor

Accepted by: ____________________________
Michael A. Cusumano
SMR Distinguished Professor of Management
Program Director, M.S. in Management Studies Program
MIT Sloan School of Management
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Submitted to MIT Sloan School of Management on May 8, 2015 in Partial Fulfillment of the requirements for the Degree of Master of Science in Management Studies.

ABSTRACT

The Small and Medium Enterprises in India face a major problem with Travel & Expense management due to higher prices, low return-on-investment, higher transition costs and steeper learning curve.

In order to address this unmet need and huge opportunity, we are building ‘T-Desque’ a cloud-based travel solution for the Indian market. Our vision is to make the entire travel related processes seamless, efficient and cost effective. Our product will focus on the following modules:

- Travel Requisitions, Approvals & Reimbursement to streamline existing manual/semi-manual process

- Rewards to incentive for employees to be prudent on official travel

- Spend Visualization for better visibility and control on travel spend

Our key differentiator will be the rewards module, which will be a one of its kind offering which incentivizes employees to be prudent during business travel. This module will also help employers contain travel costs and be our source of monetization.

Thesis Supervisor: James P Dougherty
Title: Senior Lecturer, MIT Sloan School of Management
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ACKNOWLEDGEMENTS

We would first like to thank Prof. Jim Dougherty who has not only been provided guidance for this particular business plan but also gave feedback on the overall philosophy of how startups need to run. His critical guidance at various junctures helped to bring a concrete direction to the business plan. Initially, we started with a different hypothesis but his emphasis on customer feedback and talking to the real customers got us to understand the market and hence change our hypothesis in the right direction.

We are also thankful to Prof. Josh Forman for his advice at the critical juncture of the project and advising us on building the application and its architecture.

This joint thesis would not have been possible without the support of our network of friends at MIT who provided continuous support in brainstorming ideas through endless discussions on how to make this a successful product. Finally, we would like to thank our family and friends who have been equally supportive in this entire journey.

Shreyas Gupta and Mahesh Chayel Mohinder-Singh
TABLE OF CONTENTS

1. India Market Opportunity ..................................................................................................................... 11
   1.1 Business Travel Market - India ........................................................................................................... 11
   1.2 Travel and Expense (T&E) Automation Adoption- India................................................................. 13
   1.3 Travel and Expense (T&E) Automation Market - Customer Segments, India ............................... 13
   1.4 Travel and Expense (T&E) Automation – Major Players, India ....................................................... 15
   1.5 Travel and Expense (T&E) Automation – Products and Positioning .............................................. 16
2. Market Findings ..................................................................................................................................... 19
   2.1 Primary Research ................................................................................................................................. 20
3. Business Model ...................................................................................................................................... 27
   3.1 Business Model – Product Offering....................................................................................................... 27
   3.2 Business Model - Target Segments ...................................................................................................... 31
   3.3 Business Model – Product Pricing ...................................................................................................... 33
   3.4 Business Model –Sales/ Distribution Strategy ................................................................................ 35
4. Product Development ............................................................................................................................ 36
   4.1 Product Development – Use Cases ...................................................................................................... 36
   4.2 Product Development – Feature List and Prioritization ................................................................. 37
   4.3 Product Development – Flow Diagram ............................................................................................... 38
   4.4 Product Development – Mockups ....................................................................................................... 41
   4.5 System Architecture .......................................................................................................................... 50
   4.6 Hosting the Application ....................................................................................................................... 51
5. Next Steps .............................................................................................................................................. 52
6. Appendix ................................................................................................................................................ 53
   6.1 Appendix - Project Plan/ Milestones .................................................................................................... 53
   6.2 Appendix - Interview Questionnaire .................................................................................................. 54
7. References .............................................................................................................................................. 56
## TABLE OF EXHIBITS

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India Business Travel Market- Size and Growth [in Bn Dollar]</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>India Business Travel Market - Spend Across Categories [%]</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Travel and Expense Software Market - India [%]</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>Market Segmentation</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Comparison of T&amp;E Vendors</td>
<td>16</td>
</tr>
<tr>
<td>6</td>
<td>Interviewees designation</td>
<td>20</td>
</tr>
<tr>
<td>7</td>
<td>Frequency of travel</td>
<td>21</td>
</tr>
<tr>
<td>8</td>
<td>Travel expense budget as % of revenues</td>
<td>21</td>
</tr>
<tr>
<td>9</td>
<td>Prevalence of smart phone amongst employees</td>
<td>22</td>
</tr>
<tr>
<td>10</td>
<td>Automated vs. Semi-Automated vs. Manual T&amp;E process</td>
<td>22</td>
</tr>
<tr>
<td>11</td>
<td>Nature of solution for company with non-manual systems</td>
<td>23</td>
</tr>
<tr>
<td>12</td>
<td>Typical approval times</td>
<td>23</td>
</tr>
<tr>
<td>13</td>
<td>Current issues and unmet needs</td>
<td>24</td>
</tr>
<tr>
<td>14</td>
<td>Reasons for not implementing a T&amp;E solution</td>
<td>25</td>
</tr>
<tr>
<td>15</td>
<td>Satisfaction with current solution</td>
<td>25</td>
</tr>
<tr>
<td>16</td>
<td>Priority of desired features</td>
<td>26</td>
</tr>
<tr>
<td>17</td>
<td>Product differentiation</td>
<td>27</td>
</tr>
<tr>
<td>18</td>
<td>User Categorization</td>
<td>29</td>
</tr>
<tr>
<td>19</td>
<td>Indian IT buying behavior simulation</td>
<td>31</td>
</tr>
<tr>
<td>20</td>
<td>Use case diagram</td>
<td>37</td>
</tr>
<tr>
<td>21</td>
<td>Product Flow Diagram</td>
<td>40</td>
</tr>
<tr>
<td>22</td>
<td>Travel requisitions summary</td>
<td>42</td>
</tr>
<tr>
<td>23</td>
<td>Employee New Travel Requisition</td>
<td>43</td>
</tr>
<tr>
<td>24</td>
<td>Employee Rewards and Reimbursements</td>
<td>44</td>
</tr>
<tr>
<td>25</td>
<td>Booking decision</td>
<td>45</td>
</tr>
<tr>
<td>26</td>
<td>Edit Requisitions</td>
<td>46</td>
</tr>
<tr>
<td>27</td>
<td>Bill Requisitions</td>
<td>47</td>
</tr>
<tr>
<td>28</td>
<td>Upload Employee Entitlement</td>
<td>48</td>
</tr>
<tr>
<td>29</td>
<td>Update Employee entitlement</td>
<td>49</td>
</tr>
<tr>
<td>30</td>
<td>System Architecture</td>
<td>51</td>
</tr>
</tbody>
</table>
1. India Market Opportunity

1.1 Business Travel Market - India

According to World Bank estimates, India’s GDP is expected to grow at more than 6% (Bank, 2015) in the coming years. A stable and pro-business political climate, sound fundamentals, and a slew of policy measures have led to an increased sense of optimism and improved investor confidence. This growth is likely to impact India’s corporate travel market which is one of the biggest in Asia. The market was pegged at $22B in 2012 and expected to grow at more than 13% CAGR through 2017 ((GBTA), 2012) (Exhibit 1).

This end market growth presents an opportunity for Travel and Expense Management automation.

Exhibit 1: India Business Travel Market- Size and Growth [in Bn Dollar]

Travel and Expense (T&E) remains the largest spend category after payroll.
This spend can be broadly split into select categories such as airfare, lodging, ground transportation etc. In India, lodging and airfare constitute the two biggest spend categories making up more than 55% of total spend ((GBTA), 2012). Ground transportation and dining are two other prominent spend categories.

We hypothesize that other spend categories may not be too big a concern for organizations due to smaller dollar value.

Exhibit 2: India Business Travel Market - Spend Across Categories [\%]
1.2 Travel and Expense (T&E) Automation Adoption– India

Travel and Expense (T&E) automation is still in its early stages in India (Innovation, 2014). Paper forms and manual/ semi-manual processes dominate the entire travel requisition, approval and payment process.

Exhibit 3: Travel and Expense Software Market - India [%]

We hypothesize that the break down in Exhibit 3 (Advisors, 2013), represents the top 20% of the overall Indian market and the “other” 80% is not represented. This suggests that the top 10% of the overall Indian market has automation. The remaining 90% of the market (long tail) has a manual/ semi-manual process.

1.3 Travel and Expense (T&E) Automation Market - Customer Segments, India

We can segment the Indian market based on its IT buying behavior. We segment the market into 3 tiers of layer: Sophisticated Buyers, Value Buyers and Commodity Buyers [Exhibit 4].

Sophisticated Buyers

The top 1% of the Indian market is what we call as ‘sophisticated buyers’. We describe the characteristics of this segment as one that understands the value of IT automation in day to day operations to achieve
scale and efficiency. For these organizations, travel automation is already in place. They either have an in-house IT team to build the required system or they are served by prominent vendors such as SAP. They typically are large organizations (>10,000 employees) with significant travel costs.

Exhibit 4: Market Segmentation

**Characteristics**

- Approx. top 1% of the Indian market
- Travel automation in place, served by major T&E vendors
- IT Savvy, understands the value that IT brings
- Approx. next 9-10% of the Indian market
- Travel is a significant cost but travel automation is near zero
- Feels there is limited ROI on system implementation
- Requires very strong business case for sale
- Long tail of businesses
- Not IT Savvy
- Generally skeptical of new system implementations and believes “current processes work”

**Value Buyer**

The next 9-10% of the market is comprised of what we call ‘value buyers’. This segment feels that there is a limited return on investment (ROI) on system implementations. Hence, this segment requires a very strong business case for IT implementations. For organizations in this segment, travel is a significant cost but travel automation is near zero. For some organizations who do have travel automation, those are handled by mid-market vendors.

**Commodity Buyer**

This segment comprises the long tail of Indian businesses. These businesses are not very IT savvy and generally are skeptical of new system implementations as they believe that “current processes work.” For them travel may not be a significant cost due to the dynamics of the business or low employee count.
1.4 Travel and Expense (T&E) Automation – Major Players, India

Current players in the travel and expense automation market can be classified in three categories: prominent T&E vendors, mid-market T&E vendors, and travel aggregators (Leaders, 2014).

**Prominent T&E Vendors**

The prominent vendors (e.g., SAP-Concur) have developed an elaborate system focusing on the top end of the market. These vendors are deeply entrenched in large organizations, and their solutions are well integrated with other business IT systems. These systems have an elaborate feature set, implementation requirements and plans, and significant costs. They partner with systems integrators such as Deloitte, Accenture etc. to implement and customize the solution based on client requirements.

**Mid-market T&E Vendors**

There are a significant number of mid-market T&E vendors which normally provide a ‘lighter’ version of software, typically hosted on the web. These are typically off the shelf solutions, with minimal customization possibilities. The positive side of these solutions is the ease and swiftness of implementation along with lower costs.

**Travel Aggregators**

Travel aggregators (e.g., Cleartrip for Business) are platforms which partner with sellers (airlines, hotels, ground transportation etc.) to provide solutions and services to businesses. They provide minimal T&E solutions, services and support, just enough to take care of very basic business requirements. The major positives of their solutions is that these are light, web hosted, already bundled with other offerings and extremely cost efficient.
1.5 Travel and Expense (T&E) Automation – Products and Positioning

From a product offering perspective, a typical T&E automation consists of the following modules or areas (Advisors, 2013):

1. Pre-Trip Requisition and Authorization
2. Travel Booking
3. Expense Reporting and Reimbursement
4. Spend Visualization
5. Rewards

In the exhibit 5 below, we compare these parameters across the three types of players.

Exhibit 5: Comparison of T&E Vendors

<table>
<thead>
<tr>
<th></th>
<th>Pre Trip Requisition and Authorization</th>
<th>Travel Booking</th>
<th>Expense Reporting and Reimbursement</th>
<th>Spend Visualization</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prominent T&amp;E Software vendors e.g. SAP-Concur</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
</tr>
<tr>
<td>Mid market T&amp;E Vendors</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
</tr>
<tr>
<td>Travel Aggregators e.g. ClearTrip for Business</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
</tr>
</tbody>
</table>

Pre-Trip Requisition and Authorization

This functionality focuses on ensuring compliance of travel policies such as spending limit, preferred vendors, manager approvals etc. This module is configurable so that rules/ policies specific to the
organization can be implemented. It helps prevent an employee from making unauthorized spends and
helps managers manage and approve travel requests based on budget constraints and spend limits.
Prominent T&E vendors such as SAP-Concur as well as travel aggregators (e.g. Cleartrip for Business)
provide this functionality [Exhibit 5].

**Travel Booking**

This functionality provides employees a single tool to book and manage various parts of their trip
including airline tickets, hotel accommodation, ground transportation etc. through approved vendors. This
provides organizations with an additional lever to control vendors used, giving the companies a potential
possibility to negotiate volume discounts. Again, prominent T&E vendors such as SAP-Concur as well as
travel aggregators provide this functionality [Exhibit 5].

**Expense reporting and Reimbursement**

The automation of expense reporting process can improve reimbursement cycles and overall accuracy of
the process. This includes data extraction from expense reports, approval from managers based on pre-
determined rules, reconciliation by accounts and reimbursement to employees account or credit card.

While the prominent and mid-market T&E vendors provide this functionality, travel aggregators do not
[Exhibit 5].

**Spend Visualization**

Spend visualization provides organization to understand their spend trends and categories, and better
manage costs. Companies can access real time data and view it various levels – by employee, project or
department or geography. This visualization can help organizations eliminate wasteful expenditure
through cost control measures and audits. While the prominent and mid-market T&E vendors provide this
functionality, travel aggregators do not [Exhibit 5].
Rewards

The rewards module is a solution that helps companies manage and reduce their business travel spend. It uses inputs such as company travel policy, employee entitlements, and real-time trip data (airline flight rates, hotel rates etc.) to come up with tailored budgets based on real-time market rates.

The rewards module aligns incentives between the employer and the employee. When employees share in the savings they generate, they treat the company’s money as if it is their own. This gives travelers an incentive to spend less as they get to keep a portion of the savings. This functionality is currently not being offered by any player [Exhibit 5].
2. Market Findings

The T&E software market has significant local variations; however, the major customer needs and pain points remain the same. The major findings of our analysis are as below:

1. A large segment of prospective users in our target segment believes that their T&E expenses could be reduced.

2. Loss of productivity due to inefficient T&E process is another major concern.

3. The chances of error, fraud and non-compliance of corporate policies are much higher in manual or semi-automatic solutions.

4. Trend analysis on top of T&E software are desired features to ensure visibility over spend and to contain costs.

5. A major group of respondents cite “No RoI” and “Lack of Budget” as a primary reason for not implementing T&E solution.
2.1 Primary Research

Our primary research was done in the India market and we interviewed 23 candidates across major cities including New Delhi, Mumbai and Bengaluru. We got responses primarily from the finance executives as we believe they would be the right customers for us in a company and who understand the benefits such a solution would bring [Exhibit 6]. The companies we targeted had an approximate employee count between 200-1000 employees across all functions.

Exhibit 6: Interviewees designation

<table>
<thead>
<tr>
<th>Designation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controller/ Finance Executive</td>
<td>48%</td>
</tr>
<tr>
<td>CEO/MD</td>
<td>10%</td>
</tr>
<tr>
<td>CIO</td>
<td>8%</td>
</tr>
<tr>
<td>Others (HR, Employees)</td>
<td>34%</td>
</tr>
</tbody>
</table>

This sample set is large enough according to us to get the right kind of indication of market needs and the features requirement. We asked a set of questions to each of the respondents, the summarized answers are provided below:

Frequency of Travel

Among the respondent companies, on an average close to ~57% employees travel once a quarter at the least [Exhibit 7]. This provides an opportunity for significant productivity gains for such companies.
Travel Expense Budget as % of Revenues

Most of the companies have travel expense budget as % of Revenues maintained under 5% based on the results of the survey. This can be a potential challenge for us as we try to make a business case for our solution. Our solution may not appeal to companies with non-significant travel costs.
Prevalence of smart phone amongst employees

Exhibit 9: Prevalence of smart phone amongst employees

The survey results show a very high use of smartphone among users, but it still is not 100%. However, when we validated our hypothesis with the travelling employees, we found that nearly all of them have smartphones.

Automated vs. Semi-Automated vs. Manual T&E process

Exhibit 10: Automated vs. Semi-Automated vs. Manual T&E process

Even today a large number of businesses do not have a completely automated process for travel and expense management.
Surprisingly, most of the companies still use old in-house or on-premise solutions though they have a high initial cost. Further, we also found that the prevalence of cloud-based solutions is still low.
Another concern from our secondary research was that the approval time delays were high. This claim was reemphasized by the primary research data, which points towards more than 2 days average for approval process. Our product presents an opportunity to improve productivity of the whole process.

**Current issues and unmet needs**

*Exhibit 13: Current issues and unmet needs*

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No major problem</td>
<td>12%</td>
</tr>
<tr>
<td>Ease of use</td>
<td>12%</td>
</tr>
<tr>
<td>Compliance/ Issues during audit</td>
<td>18%</td>
</tr>
<tr>
<td>No control over T&amp;E spend</td>
<td>28%</td>
</tr>
<tr>
<td>Loss of productivity/ inefficient process</td>
<td>40%</td>
</tr>
<tr>
<td>Limited visibility into spend</td>
<td>42%</td>
</tr>
</tbody>
</table>

The data from Exhibit 13 points to the major reasons of why we would go after the finance team as the customers for our product. Besides lack of productivity, visibility and control over T&E spend remain major pain points.
**Reasons for not implementing a T&E solution**

*Exhibit 14: Reasons for not implementing a T&E solution*

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>10%</td>
</tr>
<tr>
<td>Lack of understanding of current solutions</td>
<td>8%</td>
</tr>
<tr>
<td>Lack of technical resources to manage</td>
<td>12%</td>
</tr>
<tr>
<td>Lack of budget</td>
<td>27%</td>
</tr>
<tr>
<td>No Rol</td>
<td>28%</td>
</tr>
<tr>
<td>Satisfied with current process</td>
<td>15%</td>
</tr>
</tbody>
</table>

Exhibit 14 points to 55% of the respondents surveyed cited ‘Lack of budget’ and ‘No Rol’ as a prominent reason for not implementing a T&E solution. This presents an opportunity for us to come up with innovative pricing to ensure a phenomenal business case for customers.

**Satisfaction with current solution**

*Exhibit 15: Satisfaction with current solution*

<table>
<thead>
<tr>
<th>Area</th>
<th>Dissatisfied</th>
<th>Neutral</th>
<th>Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>31%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Visibility</td>
<td>31%</td>
<td>31%</td>
<td>36%</td>
</tr>
<tr>
<td>Control</td>
<td>31%</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>Audit</td>
<td>32%</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>Compliance</td>
<td>31%</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>

It is quite evident that large dissatisfaction has built up due to the mobility and visibility of the data. There are issues related to audit and compliance but they seem less severe.
Priority of desired features

Exhibit 16: Priority of desired features

Integration with online booking tools 30%
Mobile capture of receipts/ Use of mobiles for filing and approval 30%
Integration with financial system 42%
Automated workflow 45%
Expense reporting and analytics 53%

The Exhibit 16 points to a need of basic features which are around financial management, productivity gains and process improvements.
3. Business Model

3.1 Business Model – Product Offering

We are building a cloud based travel requisition, reimbursement and rewards solution for specific SMBs in the Indian market. Our product (T-Desque) focuses on:

- **Travel Requisitions, Approvals & Reimbursement** to streamline existing manual/semi manual process
- **Spend Visualization** for better visibility and control on travel spend
- **Rewards** to incentive for employees to be prudent on official travel

Our rewards module is our unique differentiated offering as compared to the other existing solutions in the Indian market [Exhibit 17].

*Exhibit 17: Product differentiation*

<table>
<thead>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
</tr>
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<td>Mid market T&amp;E Vendors</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Travel Aggregators e.g. ClearTrip for Business</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>T-Desque</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Rewards - Overview

The rewards module is a solution that helps companies manage and reduce its business travel spend. We take the following inputs – company travel policy, employee entitlements, and real time trip data (airline flight rates, hotel rates etc.) and use these into our algorithm. Our algorithm then comes up with tailored budgets based on real-time market rates.

Our rewards module aligns incentives between the employer and the employee. When employees share in the savings they generate, they treat the company's money as if it is their own. Our solution gives travelers an incentive to spend less as they get to keep a portion of the savings.

Rewards Process

Here is a brief overview of the rewards process:

Step 1:

Employee books travel. Our system checks the entitlement at the back end to ensure compliance with corporate policies. These policies are configured when the system is implemented and are based on title/ band of employee.

There are several options for employees to save money. These have been described below (non – exhaustive). We estimate their savings potential based on Expected Frequency * Saving Amount. These include:

- Making reservations early (Saving potential- High)
- Not using up the entire expense/ allowance cap (Saving potential- High)
- Downgrading on flight/hotel (Saving potential – Medium)
- Not requesting accommodation for select days (Saving potential- Low)
We have also categorized the kind of users [Exhibit 18] in an organization who typically take different kinds of saving opportunities. These are:

\[Exhibit 18: User Categorization\]

- **Frugals**: These employees embrace the challenge and the perks of finding ways to spend less. They travel frequently and love the incentives of spending less. They slash flight and hotel costs by choosing early departure times and red eyes, staying at an Airbnb, or crashing with friends.

- **Road Warriors**: These employees travel frequently, but have limited incentives to spend less. They are typically enrolled in loyalty programs and get significant rewards. These “Road Warriors” can continue to earn loyalty points from their preferred vendors while simultaneously earning rewards for making simple choices like dropping down a hotel star class or booking a cheaper flight.

- **Infrequents**: These take comfort in getting clear, reasonable guidelines for how much to spend on a trip. Our solution incentivizes them to make small decisions (e.g. booking airfare in advance, bundling flights and hotels, etc.) that make a big difference in a company’s T&E expenses.
This savings analysis and potential adoption by different users helps organization understand the savings potential in their context. It also helps us make a business case when we pitch to employers.

**Step 2:**

T-Desque calculates the optimal the ‘anticipated’ cost for the trip using proprietary algorithms and the following three inputs – configured travel policy, employee entitlement and real time trip data. It then calculates savings achieved based on the ‘anticipated’ cost and actual costs of the trip.

**Step 3:**

Savings achieved get split between Employer-Employee-T-Desque in a predetermined ratio (say 75-20-5). This helps employer saves on travel spend and the employee gets credit through tax efficient reward points (e.g. Amazon rewards). This step also serves as our monetization strategy as we would be able to generate
3.2 Business Model - Target Segments

As discussed earlier, we have segmented the Indian market by IT buying behavior [Exhibit 19]. Some of the characteristics of the target segment, as relevant for us, include the following:

**Industry Type:** In the current growing Indian economy, it can be especially challenging to convince organizations to implement a solution to cut costs. This can only be done, in the current context, for companies which are operating in low/moderate growth environment.

**Travel as a % of total cost:** This parameter is extremely important for us in order to make a business case and an eventual sale to customers. The drivers for travel costs include size of the organization, typical travel frequency of employees, and nature of work. The value proposition would make sense only to those customers who have significant travel costs.

*Exhibit 19: Indian IT buying behavior simulation*

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>“Sophisticated Buyer”</th>
<th>“Value Buyer”</th>
<th>“Commodity Buyer”</th>
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<tbody>
<tr>
<td></td>
<td>&gt; Approx. top 10% of the Indian market</td>
<td>&gt; Travel is a significant cost but travel automation is near zero</td>
<td>&gt; Long tail of businesses</td>
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<td></td>
<td>&gt; Travel automation in place, served by major T&amp;E vendors</td>
<td>&gt; Feels there is limited ROI on system implementation</td>
<td>&gt; Not IT savvy</td>
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<td></td>
<td>&gt; IT Savvy, understands the value that IT brings</td>
<td>&gt; Requires very strong business case for sale</td>
<td>&gt; Generally skeptical of new system implementations and believes “current processes work”</td>
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<table>
<thead>
<tr>
<th>Ease of Access/Sale for T-Desque</th>
<th>Low</th>
<th>Increases</th>
<th>High</th>
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</thead>
<tbody>
<tr>
<td>Revenue Potential</td>
<td>High</td>
<td>Decreases</td>
<td>Low</td>
</tr>
<tr>
<td>Cost to Serve</td>
<td>Low to Medium</td>
<td>Increases</td>
<td>High</td>
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</table>
**Size of company/ Number of employees:** We plan to target organizations with employee count between 200 and 5000. For smaller organizations, there is limited incentive to try our solution due to several factors such as limited travel costs, limited management bandwidth, more focus on growth, satisfaction with current process etc. We do not want to target larger organizations as they are either served by prominent T&E vendors or use an in-built solution for T&E management.

**Current travel automation:** We want to target buyers where current travel automation is limited. It would be difficult to sell our solution to organizations that are already using a full T&E solution as there is a significant lock-in due to sunk costs, developed processes, familiarity with system etc.

**View on Systems Implementation:** We would ideally want to target customers who understand the value IT brings in terms of scale and efficiency. Organizations which might be wary of new system implementations due to limited ROI, will be a great fit for us as we offer a strong business case.

**Ease of Access for T-Desque:** It would be difficult for us to sell to larger organizations due to a lack of record/ experience and a client roster. Additionally, the selling process is long and complex and prior relationships play a significant part. The prominent vendors are already well entrenched in this segment. We do not have the resources to compete with them head on, at least for now. For smaller organizations, competition is relatively less and lack of prior experience is not a top concern.

**Revenue Potential and Cost to Serve:** These parameters are important criteria to ensure solid operating metrics and long term financial health. As we target smaller organizations, the revenue potential goes down while the cost to serve (sales, implementation, account management, ongoing support) goes up. Hence, we need to find a sweet spot to ensure profitability.
3.3 Business Model – Product Pricing

For a pricing model to be successful, it should strike the right balance between customer’s expectations of quality, timeliness, price and provider’s cost. There are several types of pricing models being used in the industry right now—Fixed pricing, Effort based pricing, Outcome-based pricing, etc. Each of these models have their own advantages.

*Fixed Pricing:*

Out of the above three models, fixed pricing model is most prevalent in the SaaS space. It could involve upfront costs, recurring costs or a combination of both. As SaaS based IT companies have no or limited implementation costs, upfront charge is not a norm. Typically, companies charge “per-seat” i.e. based on number of users in that organization using that service.

*Outcome Based Pricing:*

Outcome based pricing models are positioned as delivering specific value to businesses. The underlying premise is to align the incentives of the customer and service provider. This model requires deep appreciation of the customer’s business model and industry nuances. However, it presents a challenge of effectively measuring the outcome.

*Our Pricing Model:*

For our product, we plan to use an outcome-based pricing model. We plan to not take any upfront charge, but rather a percentage of savings as they accrue. This approach has its own merits and demerits:

Advantages:

- This pricing model make the business case extremely attractive. As seen in the Exhibit 14, approx. 55% of the interviewers cited “Lack of Budget” or “No RoI” as reason for not implementing a T&E solution. Our approach to pricing solves this problem.
• No upfront charge allows companies to try our offering without any significant investment. This is especially important in the early stages of the company as we try to establish our reputation and credibility and build a customer roster.

• Most of our competitors charge an initial implementation fee and a recurring fee based on the number of employees in an organization. Our pricing model gives us a leg up over our competition.

Disadvantages:

• Since we do not charge an upfront fee for the implementation, there is a chance that we do not get enough attention from management as they do not have their skin in the game.

• As organizations budget for various cost heads, they prefer costs which can be predicted and budgeted effectively. Hence, an outcome-based charge might deter some organizations as these charges are difficult to predict in advance.

• Another challenge that we face involves monitoring travel related costs for our client and calculate the corresponding savings. It is extremely critical that we are able to monitor and measure this cost effectively. This as a result would involve significant overheads for our product.
3.4 Business Model – Sales/ Distribution Strategy

We plan to develop a direct sales channel and a customer success team which would ensure successful implementation for the customers. Although we have considered alternate channels such as Value Added Resellers (VARs) and/or System Integrators, we believe it is extremely critical to develop an internal sales as well as a customer success team. These reasons are mentioned below:

Customer success and potential references:

Internal teams are more committed and incentivized to successful implementation which leads to happy customers. As a startup, we are dependent on a positive Net Promoter Score (NPS) and references. In order to achieve this, it is critical to have their own sales and customer success teams.

Opportunity to own customer relationships:

A successful implementation involves managing the politics of the client organization- finding the sponsor, ensuring integration with existing products, rolling out training and communication plans for increased adoption etc. With our own team, we can own the customer relationship end-to-end. We also get a leg up in terms of getting feedback for the product. This can be extremely critical for a startup.

Misaligned incentives of VARs/SIs:

For a startup, sales volume can be limited in the beginning. This severely limits interest of VARs/SIs as they make less money selling our product. This becomes less of a problem as the product scales. Additionally, the incentives of VARs/SIs are very monetary and short term focused, which is not aligned with long term customer success.

Hence, despite higher fixed costs, an internal sales and customer success team is more suitable for our complex, nascent product.
4. Product Development

4.1 Product Development – Use Cases

Detailing of use cases

There are 5 different users for our product:

Employees: Each employee of the company will have an account with T-Desque where he would be able to manage all his T&E related processes.

Approval managers: These users do not need an account. They would be able to approve/ reject any requests just in email and could also provide the feedback in email.

Finance team: These users will be able to make payments to the travel team and reimbursements to the employees. Further, analytics and spend analysis would also be available to the team in the next product version.

HR team: The team would be able to set up employee-manager relationships on the system. Also, they can setup the T&E budgets, approval criteria and any exceptions in the system. They would also be able to add and remove employees as they join/leave the organization.

Travel booking team: This team could be an in-house or 3rd party company, which would do the actual bookings for the employee.

UML diagram below depicts the interaction between each of the users of the system [Exhibit 20].
4.2 Product Development – Feature List and Prioritization

Feature list

Based on the requirements we observed in the primary and secondary research, there are multiple features which would be relevant for the customers.

The table below lists out all the features which would be necessary and classification into various versions of software.
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<th>Features</th>
<th>Priority (5 highest)</th>
<th>Version</th>
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<tbody>
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<td>Electronic reimbursement of expenses</td>
<td>5</td>
<td>1</td>
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<tr>
<td>Automated workflow for approval of expenses</td>
<td>5</td>
<td>1</td>
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<tr>
<td>Pre-trip authorization</td>
<td>5</td>
<td>1</td>
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<tr>
<td>Travel plan itinerary</td>
<td>5</td>
<td>1</td>
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<tr>
<td>Compliance with corporate policies</td>
<td>5</td>
<td>1</td>
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<tr>
<td>Expense reporting and analysis capabilities</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Imaging / faxing / mobile capture of receipts</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Integration with AP and financial systems</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Ability to use PDAs / mobile phones for approval</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Hotel e-folio data integration</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Integration with online booking tools</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Going ahead with the above features, we would be looking to create the version 1.0 software with only high priority items and then later bring in lower priority items in version 2.0.

Also, we would look to get feedback through validation testing and gauge the change in expectation from the prospective customers and add or remove the features based on further data we capture from the market.

4.3 Product Development – Flow Diagram

The flow diagram explains the situation from perspective of the major users in the whole process. The process flow includes:
Employee perspective: Employee should be able to carry out three tasks

1. Create travel requisition
2. Travel requisitions summary
3. Rewards & reimbursement

Travel desk: Travel desk needs to carry out booking and minimize interaction time frame with multiple parties. All the features are provided on a single page.

HR desk: The human resources team has to manage two important tasks

1. Create the employee-manager relationship along with permissible limits for an employee title.
2. Make edits whenever necessary to this table.

Travel desk: This team or company would need to do all the actual processing of tickets and reservations. The tasks involved are:

1. Booking actual tickets and making adjustments in the approximate ticket prices
2. Generating invoices
3. Uploading the invoices for finance team to process

The entire flow diagram has been depicted below [Exhibit 21].
Exhibit 21: Product Flow Diagram
4.4 Product Development – Mockups

The wireframe mockups have been created using Balsamiq (using www.balsamiq.com) and have been created using the minimalistic design method.

**Employee screens:**

Screen 1: Travel requisitions summary [Exhibit 22]

The employee logs in and is able to see the summary of the travel requisitions he has raised in the past and the ones that are currently open. He can click on any of the requisitions, which will open a new window and displays the details of that particular travel plan. The details included are flights, hotel and any other local travel/ meals which can be reimbursed by the employee.

The employee also has an option to update any of the open requisitions. The updates can be on date, flight, hotel or any special requests to the travel desk.

Also, at this summary page, the employee is able to look into the data visually and understand the amount that he has already been reimbursed and what is remaining in a more graphical format. The page also provides the data in a timeline phase, allowing the employees to take necessary steps with various departments.
Screen 2: Employee New Travel Requisition [Exhibit 23]

The employee is able to create a new requisition for a travel he wants to make in near future. The details needed mandatorily are Trip Name, Start and End dates, Cost Center and Manager Name (in case there is more than one manager for the person).

In trip details, the employee is able to select the parameters of the type of item (i.e. flight, hotel) and name of the flight/ hotel. After this, T-Desque uses its proprietary algorithm to determine an estimate of the amount expected for the trip and provides it to the user.

Employee can then change the contents and when satisfied, can send the form for approval to the manager. The manager receives the approval request in a mail with all the details, specifying whether the request is within limits set by HR or not. The manager can then reply to the mail with a Yes or No and provide
comments after which the status in the T-Desque is updated for the employee and he can update the request again and send for approval. Once the approval for manager is in, the employee can submit to the travel desk with further requests.

*Exhibit 23: Employee New Travel Requisition*

Screen 3: Employee Rewards and Reimbursements [Exhibit 24]

This screen helps employee in getting a summary of all his savings accrued as a result of using T-Desque. This feature according to us will provide constant motivation in using the software as it also brings in an element of gamification.

Two set of summary tables are provided to the employee, first one on the total rewards summary provides detail of the trips and the reward points collected for each of the trips.
The same page also provides option to reimburse the reward points through Amazon (we would look at expanding the reward point collection methods in version 2.0)

A graph also provides history of the rewards collected till date and the rewards that are still available for the employee to reimburse.

Exhibit 24: Employee Rewards and Reimbursements

Screen 4: Booking decision [Exhibit 25]

The booking decision by the employee is left to himself/herself and 3 options are provided.

1. Booking through the travel desk where all the selections made by the employee would be sent by default to the travel desk team.

2. The employee can also specify travel desk to book the tickets but with certain comments.

   If the employee is able to adjust either hotel or flight tickets and hence obtain a lower cost
to company, a portion of the savings would be transferred to the employee and remaining
to the company.

3. Employee also gets an option to make all the bookings by himself/herself and he could get
80% of the amount that would have been charged as per the estimates of T-Desque. In this
manner, employee can choose to book to a place he finds convenient and also could stay
at locations which may not be booked directly (i.e. friend’s places)

The options provide employee enough scope to carry out tasks which would save on time or money
depending on whichever is more convenient to him/her.

Exhibit 25: Booking decision
Travel desk screens

Screen 5: Edit Requisitions [Exhibit 26]

The screen provides an option to the travel desk team to update the travel requisitions with the right itinerary and input the amount charged by the travel desk. A file upload option will enable travel desk to upload the files directly to the site, which the employee can download or readily access from site whenever he wants.

The number of requisitions has not been limited by the amount of open requisitions. The travel desk team will have option to filter the data based on various parameters like company name, location and start/ end date apart from sorting the data based on the same parameters.

Exhibit 26: Edit Requisitions
Screen 6: Bill Requisitions [Exhibit 27]

The bill requisitions page enables the travel desk to carry out two major tasks.

1. Create invoices for the travel requisitions that have been completed by the travel desk team in a format required by companies which can be preset. As most companies require the documents in pdf format, we have kept that as default.
2. Send the invoices to the Accounts Payable team of the company as mail attachment. The finance team would only need to reply back to the email saying yes or no (with any comments). The travel desk team can then change based on the comments from the finance team.

We also seek to add a graphical display of the amount collected vs pending with a particular company and across various companies. This can serve as a dashboard for the travel desk companies.

Exhibit 27: Bill Requisitions
HR Screens

Screen 7: Upload Employee Entitlement [Exhibit 28]

This screen will be used by HR to update the first list of employee-manager relationships as well as enter the details of the limits of employee level entitlements. These entitlements can be entered based on employee band level or on each individual level.

The data can be uploaded through xls, csv format and then this would populate the online database. The HR would also mention the employee email-ids as these will the login credentials for employees to enter into the system.

Exhibit 28: Upload Employee Entitlement
Screen 8: Update Employee entitlements [Exhibit 29]

The HR will have option to edit all the data that had been entered through the templates as on need basis e.g. when an employee leaves or a new manager is added.

In case of too many changes, the upload case can be used by the HR instead of making changes here.

*Exhibit 29: Update Employee entitlements*
4.5 System Architecture

Since we go ahead with SaaS model, the whole software would not be on-premise and all the services would be available on a web browser and later though an app on mobile phones.

The system architecture was tuned to enable this part creating a multi-tenancy enabled service. This would enable the server to provide services to multiple users at the same time on a single instance. We would be utilizing unique web databases for each customer so that all the data resides in a separate logical bucket and the safety concerns of the users will also be addressed. Each customer's software configuration will also be stored separately in the unique database.

Few other aspects of the architecture would be:

1. Using the horizontal scaling method so that users would only need to access through a single interface though we could multiple hardware layers later on.
2. User authentication, rules and permissions would be built in the system apart from encrypting the data going through the servers to guarantee higher safety levels.
3. The platform would also provide large customization options and in future enabling to extend existing data objects thus providing scope to enable more features and extensions in future versions of T-Desque.

These issues are depicted below in Exhibit 30.
4.6 Hosting the Application

Finding a cloud hosting company which can provide application, configuration and operating system is a critical piece and we are looking at Amazon Web Services (AWS) and Rackspace for the same. Getting this stack of all services in a single location would be very helpful as that would enable

1. Easy scalability for the system.
2. Lower hardware and running costs.
3. Minimizing the downtime in case of any issue.
4. Using CDN to lower latencies as the number of users increase.

Further, the cloud team could also help to resolve issues related to setup and extra cost of training the team could be avoided.
5. Next Steps

We have detailed out our next steps and the corresponding timelines in the project plan which is attached in the appendix. We will complete the first iteration of the product by May 2015 and once we are done with the development and testing of the product, we will roll-out a pilot. We have already found a customer (~50 employees) in India who has expressed interest for this roll-out. We plan to use this opportunity to iron out issues in the first version of the product and get feedback on the product features/flow. This would also help us find and close any remaining bugs in the system.

Once our product stabilizes, we would reach out to Angels/VCs to raise an angel round. We plan to use the funds to support our sales and marketing efforts and to build a development team for developing the version 2 of the product.
### 6. Appendix

#### 6.1 Appendix - Project Plan/ Milestones

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<td>Reach out to organizations and conduct interviews</td>
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<td>Develop marketing material/ pitch deck for companies and investors</td>
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6.2 Appendix - Interview Questionnaire

Objective:
-To understand the existing travel management process followed by companies
-To understand existing pain points, validate idea and gain insight into feature development

Scope Coverage:
Size: Small and Medium Businesses
Geography: India
Stakeholders: Employees, Managers, HR, Accounts, CTO/CIO

Interviewee details:
- Industry
- Nature of business
- Size of your organization
- Geographic presence
- Your role
- Amount of travel

Theme 1: Understand ‘As Is’ process
1. What is the existing travel management process at your organization? Please detail out the following:
   - Travel requisition process
   - Approval process
   - Actual travel booking
   - Reimbursement filing
   - Disbursement
2. What are some of the biggest travel buckets for your organization (e.g. flights, hotels, per diem, meals, taxi/other transportation)?
3. Can you please provide rough split between In station vs Outstation travel
4. Do you have a detailed travel policy by seniority/bands across the organization? How do you determine entitlement? Please give an example of entitlement by level.

Theme 2: Validate Need/ Pain Point
5. Are there any pain points in the process right now (see example below)?
   - Manual data entry/ Inefficient process
   - Inability to enforce travel policies
- Wasteful expenditure
- Lack of visibility into spend
- Lengthy reimbursement cycle, lost receipts etc.

6. Do you feel you have control on travel expenses? Is there wasteful expenditure?
7. Do you feel your employees are prudent in spending when they are on official travel?
8. If yes, what are the ways you encourage employees to be prudent while spending? What are their incentives?
9. Do you feel there is a need to find ways to have better control on and visibility of travel expenses?
10. What is the value add of the ‘Travel Desk’ at your organization?

**Theme 3: Validate potential business opportunity**

11. What is the level of automation at your organization around travel management and reimbursement? What tools/software do you use?
12. Do you see value in investing in this kind of product (give very high level details of the product)?
13. If not, why?
   - Lack of budget
   - No visible Rol/ business case
   - No executive sponsorship/ interest
   - Current processes work
14. Who makes the purchase decision at your organization? What is the process?

**Theme 4: Feedback on Mockups for feature development**

15. Please take a look at these mock ups. Please provide input on flow/features.
7. References


