



With the abundance of competition in the marketplace, what innovative tactics will companies be taking to differentiate themselves (i.e. price cutting, vertical focus, channel development)?

There is a major disrupting force transforming many multi-billion dollar industries including manufacturing, technology, media, retail and telecommunications. What is it? It's the shift from product-centric to customer-centric business models and from an economy based on ownership to one based on subscribing. Some call this The Sharing Economy, The Consumption Economy, or The Intent Economy. We call this revolution "The Subscription Economy." Whatever its name, the idea is the same: success is no longer about delivering the best product at the best price and hoping that customers come back and buy more. Today, the winner in any market space is the one that owns the customer relationship. The new leaders of the Subscription Economy are focused on creating mutually beneficial, long-lasting relationships with customers, who pay revenue commensurate with the value they receive over time.

As a backdrop, in the pre-internet, and pre-global logistics 20th century, a vast distance existed between the manufacturer and an often anonymous consumer. In this world, competitive advantage came from scale – determined by who could build the biggest factory, the broadest distribution system, the most stores. The goal of a company was to drive as many units as it could through its part of the supply chain, and drive down the marginal cost of the product, thus gaining a price or quality advantage over competitors.

But, with the rise of the Internet and with a global logistics system, the supply chains of the past century are fast becoming obsolete. The abundance of real-time market information on everything from product reviews, pricing and availability has pulled back the curtain on the buying process for customers. Customers now have more choices, aren't tied to localism, and can instantly take their business elsewhere. As a result, the power in the vendor/customer relationship has shifted to the customer, leveled the playing field and created new game rules for companies. Competitive advantage now comes not from scale, but from the ability to create enduring customer value through relationships built over time.

That's why the leaders in the Subscription Economy are focused on staying relevant to

customers and continuing to deliver real value to them on an ongoing basis. And in this new world, here are three innovative ways to own the customer relationship:

1. Build direct access to customers to disrupt traditional product distribution channels.

The best way to own customer relationships is to get direct access to your customers. Thus, the companies that have the most open and direct relationship with their customers will have the most success. A few years ago, could you imagine a company with 5 employees threatening to take share from Proctor and Gamble? Today, Dollar Shave Club is gunning to make a serious dent in the \$12.5B shaving industry. They started with an innovative idea – that customers hate buying razor blades and feel gouged by retail prices, and built a direct subscription delivery model where you can get a month's supply of razors for \$1 a month. Great idea but, until recently, they wouldn't have been able to amass a large customer base without having the retail distribution and shelf space, nor the advertising budget. But an entertaining video that cost only \$4k to produce went viral and gained 4 million views on [YouTube](#) in a month while driving 12,000 paid subscribers to the service in just two days after launch.

In the mobile space, carriers used to be kings. Customers had to go through them for everything – to purchase content, change plans. Now the vendors that interact more directly with the customers by delivering them substantive value, e.g. Apple (and app developers), earn more customer loyalty and revenue over time. When a customer downloads and updates an app, they do it through the app developer and Apple, not the carrier. This builds loyalty and stronger relationships with these parties than with AT&T. Apple has effectively cut AT&T out of the equation and has stolen control of their customers.

2. Broadening your offering value with product line extension is the best way to expand customer relationships.

Often the best way to expand customer relationships is to evolve your offerings to fit a customers' broader needs. For example, DriveCam started out selling a video camera for

vehicles but as they expanded their business they began to better anticipate their customers' needs. They saw their core value proposition as increasing driver safety for fleets. Now, DriveCam has extended their line to invest in software that analyzes drive behavior and flag bad driver habits even before an accident has happened.

In the security sector, BI Incorporated initially saw its business as selling ankle bracelets, limiting the scope of their customer relationships. But, when they expanded their offering to more broadly serve correctional facilities, they shifted their company identity to a larger security focus and began to target adjacent needs. BI now also sells breathalyzer tests – enabling a new opportunity to interact with and expand their customer relationships.

3. Develop flexible pricing and packaging models that keep customers coming back.

Don't just optimize pricing and packaging to acquire new customers. Also focus packaging to retain and monetize your customers over time. The media industry has been significantly disrupted over the past decade by strong competitive forces and the proliferation of free content that has threatened the entrenched advertising model. To stop the bleeding, many publishers put up paywalls as a tollgate to extract revenue from readers. But customers don't want a one-size-fits-all payment plan. Some publishers have figured out how to nimbly offer the right content packages for customers. The Times, for example, offers [subscription tiers](#) that cater to different customer segments. Do you only want digital content that can be read on all your devices? Want paper delivery but don't need the tablet app? Want full access to print and digital? There's a package tier to keep you hooked.

Meanwhile, in the tech industry, Box.net has evolved to a B-to-Any model, offering packaging and pricing models for different segments of consumer and business customers. They offer a freemium model to seed new customers for its collaboration service, which starts free for up to 10gb of sharing and then has more advanced package options for higher usage demands. For consumers, the service is free, but for businesses, the company charges based on usage. Box has customers covered with flexible packages that meet a diverse set of needs.

Conclusion

Owning customer relationships is the model of success in the new economy. Whether you're an upstart manufacturer hoping to disrupt a major market leader or a cloud application vendor hoping to launch new adjacent services, your ability to meet and continually service the needs of your customers ultimately determines your results. Every business, regardless of industry, should find ways to build direct access to their customers, deliver valuable content, and create flexibility in their packaging and pricing models.

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