



It feels like we've been reading about the switch from product to service for a long time. Even in the late 90s the most admired business leaders were saying things like "We're not in the X business, we're in the service business" while everyone nodded along. Which makes you wonder—is there anything significantly new about the sudden explosion of subscription models? Yes and no.

In some ways this is just the continuation of a trend. It's the logical endpoint of the realisation that, to quote Theodore Levitt, "Customers don't want quarter-inch drills. They want quarter-inch holes." Your product is a means, not an end, and customers don't necessarily want to own it.

If you put together an increasing focus on making things easy for customers, the geographic and social reach that the internet allows even quite small businesses, and the increasing difficulty of differentiating on product alone, then I think these

new business models are the inevitable consequence. It's a challenge and an opportunity for almost all of us.

Access over ownership

There has been a clear trend towards access over ownership, particularly in business to business relationships, for a long time. This trend is driven partly by customer demand (if I can lease instead of buying outright it makes my upfront costs lower and makes me more flexible, whether we're talking about a photocopier or a van), and also by the desire of suppliers to resist the pressure of commoditisation by building stronger relationships with customers.

The importance of financial flexibility is obvious in many business to business situations. If I'm a logistics company and I lose (or win) a big contract then I need to be able to change my fleet size very quickly,

and renting or leasing alongside buying is a crucial part of managing that without running into a cashflow nightmare.

Business to consumer markets less often have that dynamic, with notable exceptions being the big ticket items of housing and cars, but there is evidence that the increased flexibility offered by access models over ownership is starting to take hold for consumers as well. Kevin Kelly describes it like this, in his book 'Inevitable':

"I feel like a hunter-gatherer who owns nothing as he wends his way through the complexities of nature, conjuring up a tool just in time for its use and then leaving it behind as he moves on."

The logic of accessing services at need, rather than buying them, is pretty inescapable if suppliers can find a way to make it easy and cheap enough. Let's take a couple of examples, one that is well under way, and one that is likely in the near future.

