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.

Software as a Service

Software as a Service is a trend towards software being sold on the basis of an ongoing monthly fee rather than a one-off upfront cost. Take Adobe, whose high-end creative software used to cost hundreds or thousands to buy outright. Their product is now only sold through monthly subscriptions that vary from £10-£50 a month. That makes it much easier to try, but also much easier to leave. The barriers to entry are lowered, but so are the switching barriers. On balance I think that must be good for customers. Microsoft has gone a similar route with Office 365, and it's a trend that we can expect to spread to pretty much all software.

Mobility as a Service

Your car, as you've probably noticed, spends most of its life gathering rust in a car park while it depreciates in value. Cars are expensive to own, expensive to run, and catastrophic for the environment and public health. So why do we put up with them? Because they're convenient, whereas public transport doesn't get us to and from exactly the right place or at quite the right time. Mobility as a Service describes a range of ways in which the sweet spot between private and public transport might be met through autonomous vehicles, ride-sharing, journey-planning and other technologies.

Subscription models and the customer

Where subscription models really seem to have taken hold for consumers is in small, regularly purchased, high-margin items such as razor blades (Harry's, Dollar Shave Club), coffee (Pact, Blue Coffee Box), beer (BeerBods, Beer52). These businesses rely on finding the right combination of convenience, price, and trust to sustain long-term relationships with customers.

As Harvard Business Review points out, moving to a subscription model means that churn and engagement become much more important metrics than acquisition – ***"how long they stay is more critical than how many walk through the front door."***

Running a successful subscription business is about much more than moving to a monthly fee, it's a total shift in mindset to put customer experience before anything else. It's a model built around the customer-first, loyalty strategy, view of business success that Customer Insight has always believed in. BeerBods provides a great example of how powerful that can be.

The challenge for you

What does it mean for you? It depends, for now, what business you're in, but these trends will affect almost everyone in the end. Here are some questions you need to address:

- ***What is the key customer need that we address?***
- ***What technology trends might change the way that need is served?***
- ***How could that need be addressed under a subscription/access model?***
- ***If we operated under a subscription/access model, how would we differentiate ourselves?***