# Time's Up! From Transactions to Transformations: Charting Success with the Subscription Model

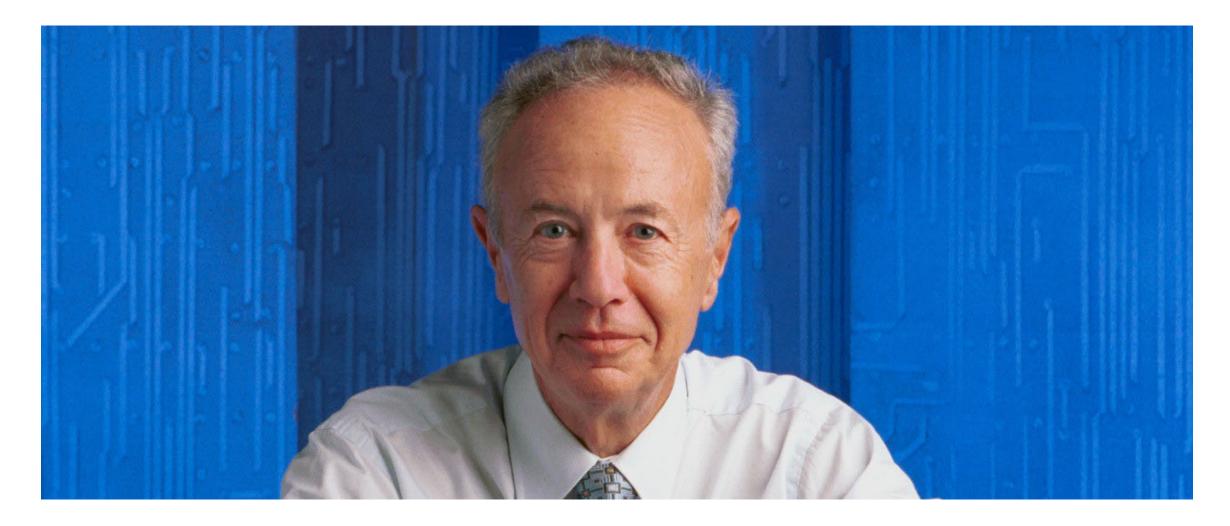
Ron Baker, Founder VeraSage Institute





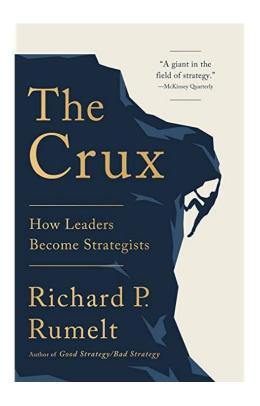
"Disruptive threats come inherently not from new technology but from new business models."

- Andy Grove, Founder, Intel





In essence, a business model explains where revenue will be earned when services are provided free of charge.





## The Evolution of CPA Firm Pricing

The Revenue Model Question: What are you asking your customers to pay you for?



Hourly billing: Prices the **inputs** 



Fixed fee: Prices the **outputs** 



Value Pricing: Prices the customer



Subscription model: A subscription is a periodic payment in exchange for recurring, frictionless, everincreasing value, and serial transformations



## Traditional vs Subscription P&L

#### TRADITIONAL MODEL

Net sales	\$ 100
Cost of goods sold	(40)
Gross income	60
Sale and marketing	(20)
Research and development	(20)
General and administrative	(10)
Net income	\$ 10

#### SUBSCRIPTION MODEL

Annual recurring revenue	\$	100
Churn		(10)
Net annual recurring revenue		90
Recurring costs		
Cost of goods sold		(20)
General and administrative		(10)
Research and development		(20)
Total recurring costs		(50)
Recurring profit		40
Sales and marketing		(30)
Net operating income		10
New annual recurring revenue		30
Ending annual recurring revenue	\$	120



## Subscription KPIs

#### Acid Test:

Do your customers know they subscribe?

Can they cancel at any time?

Are you continuously "plussing" your offer?

Do you track these KPIs?



MRR – Monthly Recurring Revenue



ACV - Annual Contract Value



CIV – Customer Lifetime Value



CAC – Customer Acquisition Costs



Churn rate = MRR beginning of month divided by amount of lost MRR in the month



**Recency** (last visit), **Frequency** (how often do they visit), and **Volume** (how many articles read)



CLV > 3 x CAC (3:1 ratio of lifetime value must be 3 times greater than cost to acquire. Most successful sub business have 8:1 ratios)



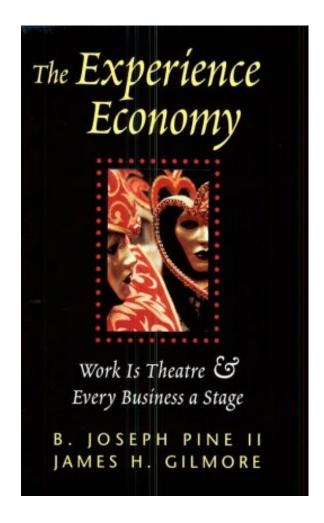


"A professional is someone who is responsible for achieving a result rather than performing a task."

- Michael Hammer



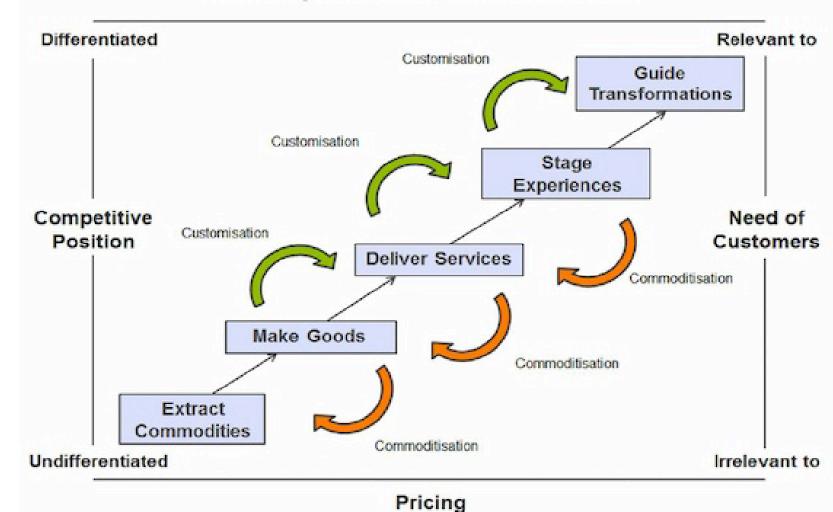
## You are what we charge for





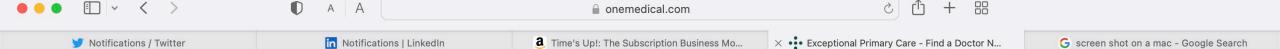
## The Progression of Economic Value

#### The Progression of Economic Value



Pine & Gilmore - Harvard Business Pre





amazon and One Medical have teamed up. Get your first year of membership for \$199 \$144. Learn more >

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Locations

For You Y

For Kids

For Business Y

Log in

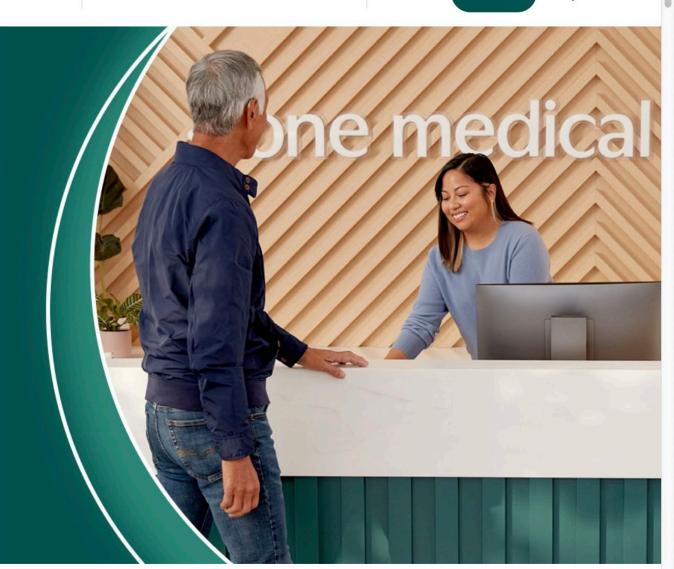
## Where healthcare happens 24/7

We make it easy to get primary care. Get your first year of membership for just \$144.\*

Sign up for \$144

Use code **ONEAMAZON** 

\*Terms and conditions apply. Offer ends soon.



### The Revenue Model

What are you asking your customers to pay for?



Launched: 2016

2021: 280K Subscribers 2023: 745K Subscribers

Churn 2023: 2.28%



### 3 Phases of transformations

O. Triage—can this person be transformed? (U.S. Army's pre-bootcamp)

1. Diagnosis: The gap between the status quo and the desired future state

2. Design a set of experiences that close the gap over time

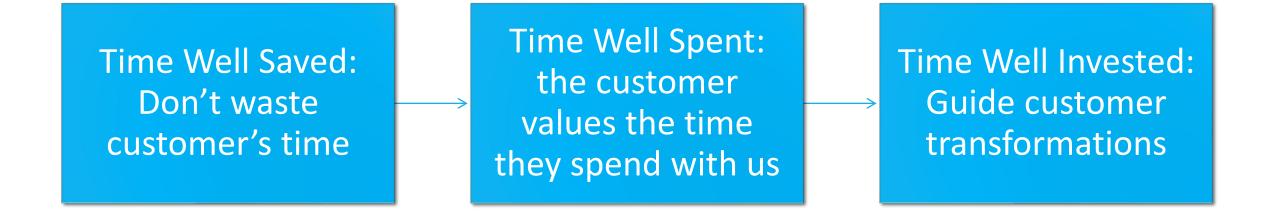
3. Follow-through: ensurance that the transformation is sustained through time



## Competing for Customer Time

All companies have customers. Lucky companies have fans. But the most fortunate companies have audiences.

—Jason Fried and David Hansson, *Rework* 





## Transitioning to the Subscription Business Model

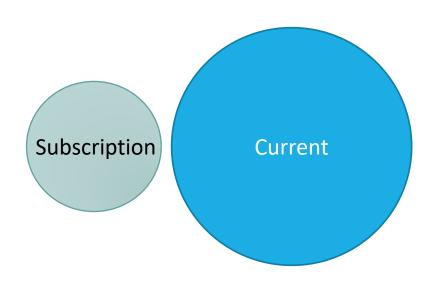


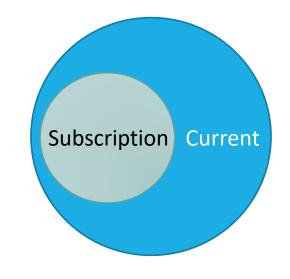
## Three Subscription Strategies

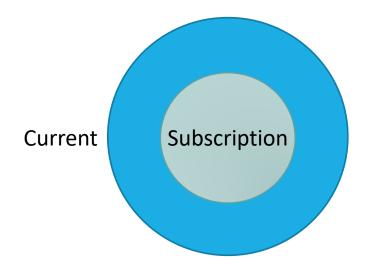
MODEL A: NEW FIRM

MODEL B: GRADUAL PIVOT

**MODEL C: TRANSFORM** 











"All transformation is linguistic. If we want to change our culture, we need to change our conversation."

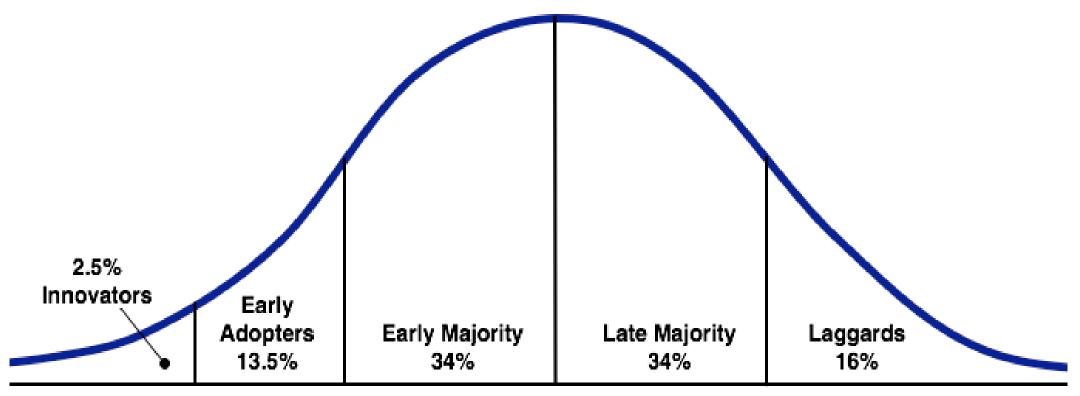
- Werner Erhard

## Subscription language

Hourly Billing	Value Pricing	Subscription
Training	Education	Customer Success
Fee/billing/hourly rate/costs	Price the Customer	Price the Transformations
Discount/write offs	Preferred price	Special trial period
Client	Customer	Member (Audience)
Revenue/Billings	Profit	Lifetime Customer Value & ARR
Change Order	Change Request	Covered/Not Covered
Services/Inputs	Services/Outputs	Transformations (TaaS)
Staff	Team Members	Colleagues
Efficiency	Effectiveness	Efficaciousness/Ensurance
Time/Cost Capacity	Adaptive Capacity	Emotional Capacity
Needs/Wants	Value Conversations	Transformation Conversation
Utilization	Profit	Accountability/Cust. Lifetime Value (CLV)
Taking any customer/dollar/hour	Chasing the right customers	Choosing the right customers

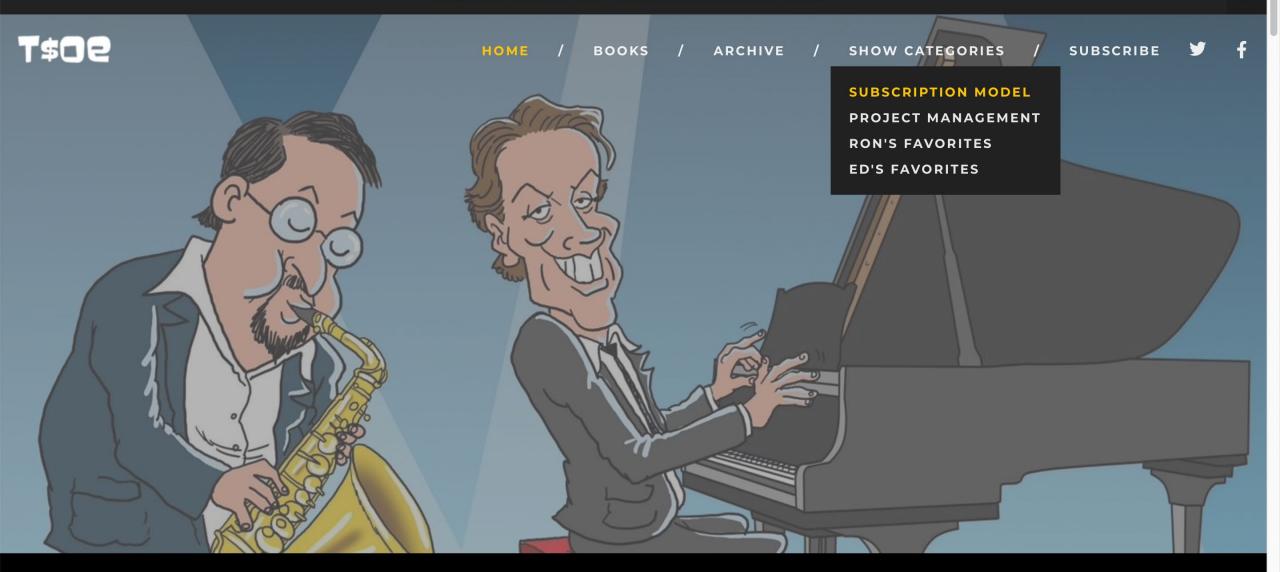


## Common services command common prices. Uncommon services command uncommon prices.



Source: Everett Rogers Offusion of Innovations model

At least 84% of us are copying, not innovating.

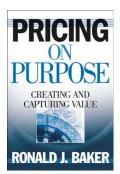


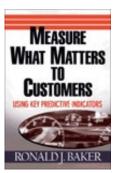
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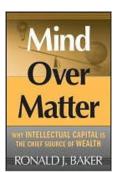


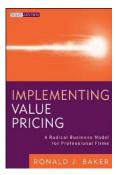
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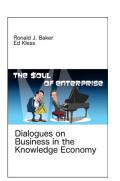




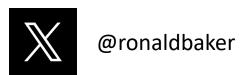


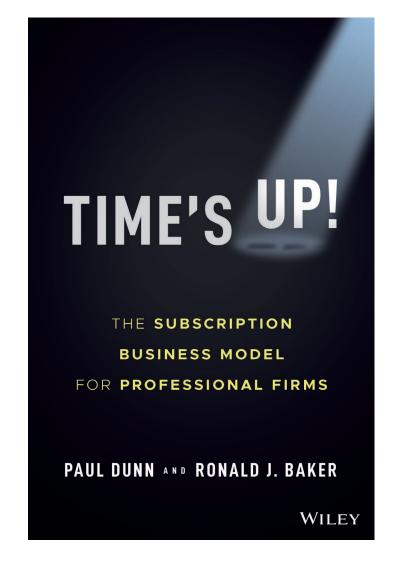






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