

# Selling Your Brain, NOT Your Time: Value pricing 2.0

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

- Andy Grove, Founder, Intel



# What is the subscription model?

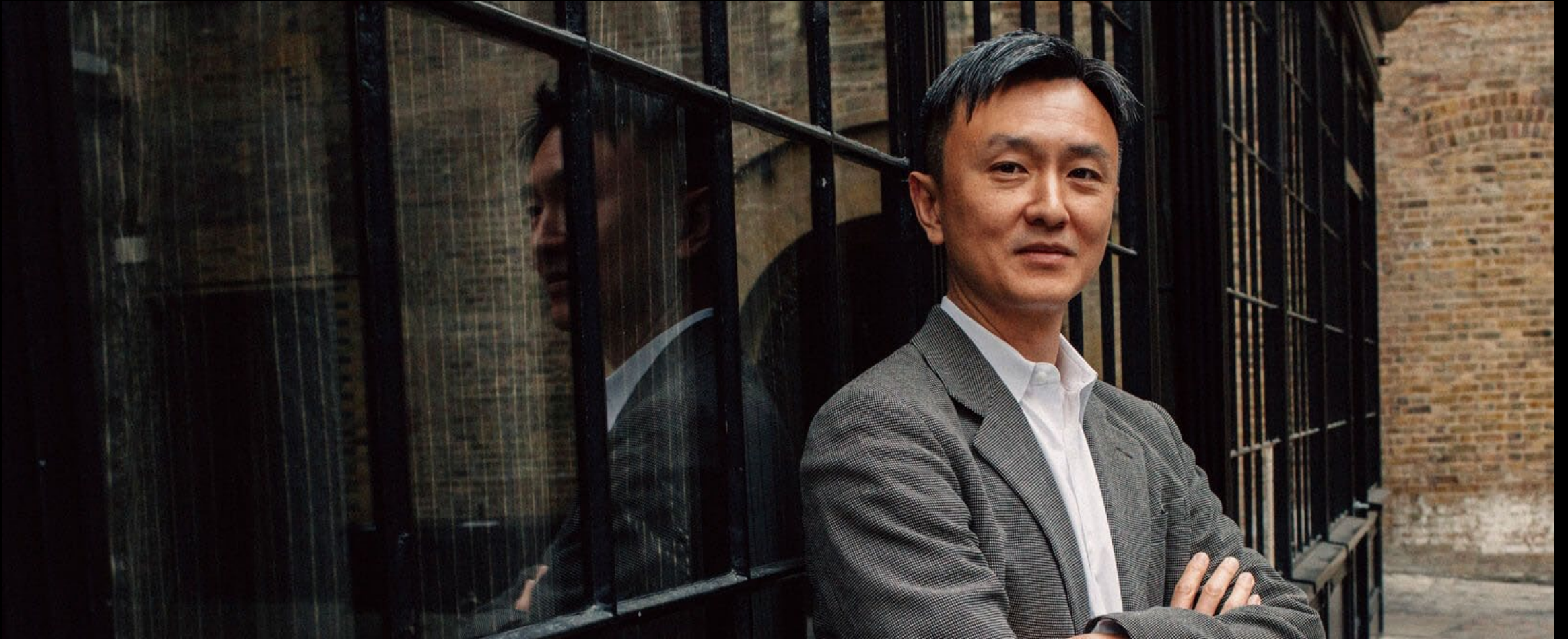
It's a new business model!

Periodic recurring payments  
for frictionless, ever-  
increasing value, and serial  
transformations.



“In five years, you won’t buy anything, but subscribe to everything.”

Tien Tzu, CEO of Zuora



“In five years, you’ll have the *option* of subscribing to everything—and every business will have to accommodate that fact.”

Anne Janzer, *Subscription Marketing*



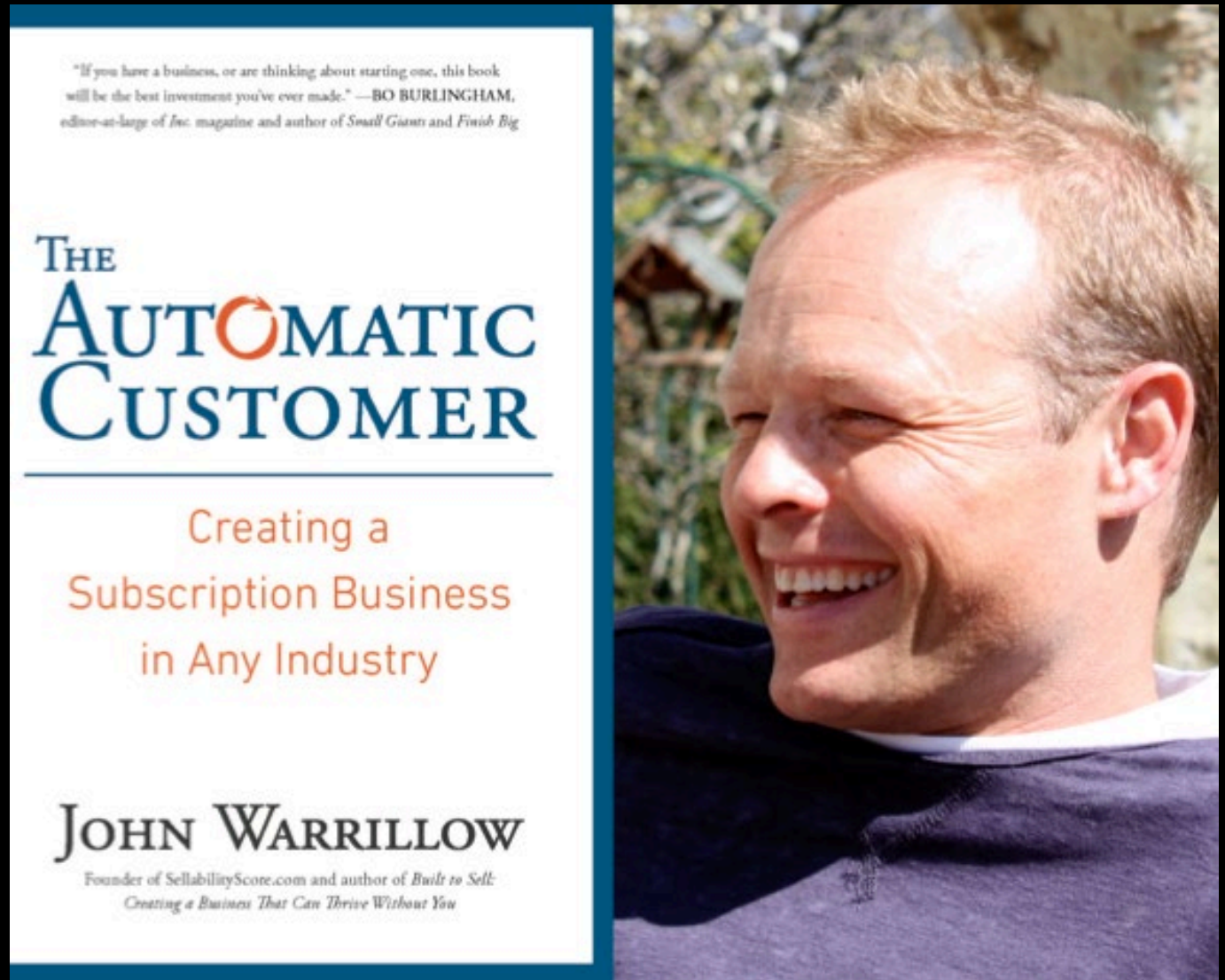


# The Forever Transaction



“The forever transaction happens when a customer starts behaving like a member, is committed to your organization, and stops looking at alternatives.”

# Nine Subscription Models



# The 9 Models

Web-site membership



All-you-can-consume content



Private club



Front-of-the-line



Consumables



Surprise box



Network



Simplifier

Peace-of-mind



# Simplifier



**PORSCHE**  

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**DRIVE**

# Peace-of-mind



## Pricing Plans

**AGES 0 - 17 | \$15 / MONTH**

**AGES 18 - 39 | \$55 / MONTH**

**AGES 40 - 64 | \$75 / MONTH**

**AGES 65+ | \$89 / MONTH**

Small business and student rates available, inquire for more information [here](#).

# Amazon Prime

$1 \times 7 \neq 7 \times 1$





# The Revenue Model

What are you asking your customers to pay for?

**Fender**  **PLAY**™

**Online lessons.  
Only from Fender.**



**Musicianship**

**iRobot** Select

With iRobot Select you can get the new Roomba® j7+, automated accessory delivery, a dedicated Support Team and more.

**\$29/mo\*** [Shop now](#)

\* Activation fee may be required.  
Other fees or restrictions may apply.



**Clean floors**

**SYNSAM**  
LIFE  STYLE™



**Perfect eyesight**

# Traditional vs Subscription P&L

## TRADITIONAL

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

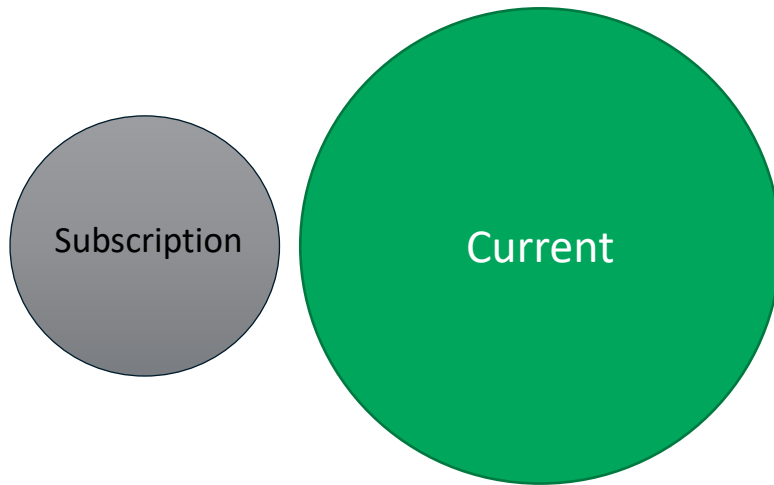
Annual recurring revenue	\$	100
Churn		(10)
Net annual recurring revenue		90
Recurring costs		
Cost of goods sold		(20)
General and administrative		(10)
Research and development		(20)
Total recurring costs		(50)
Recurring profit		40
Sales and marketing		(30)
Net operating income		10
New annual recurring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

# Pivoting to the Subscription Business Model

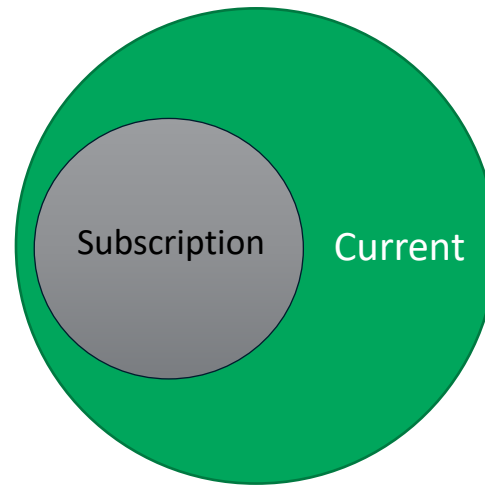


# Three Subscription Strategies

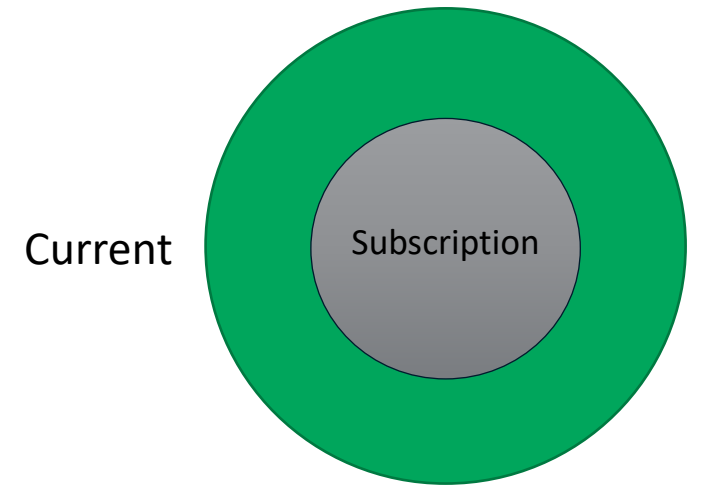
Model A: New firm



Model B: Gradual pivot



Model C: Transform



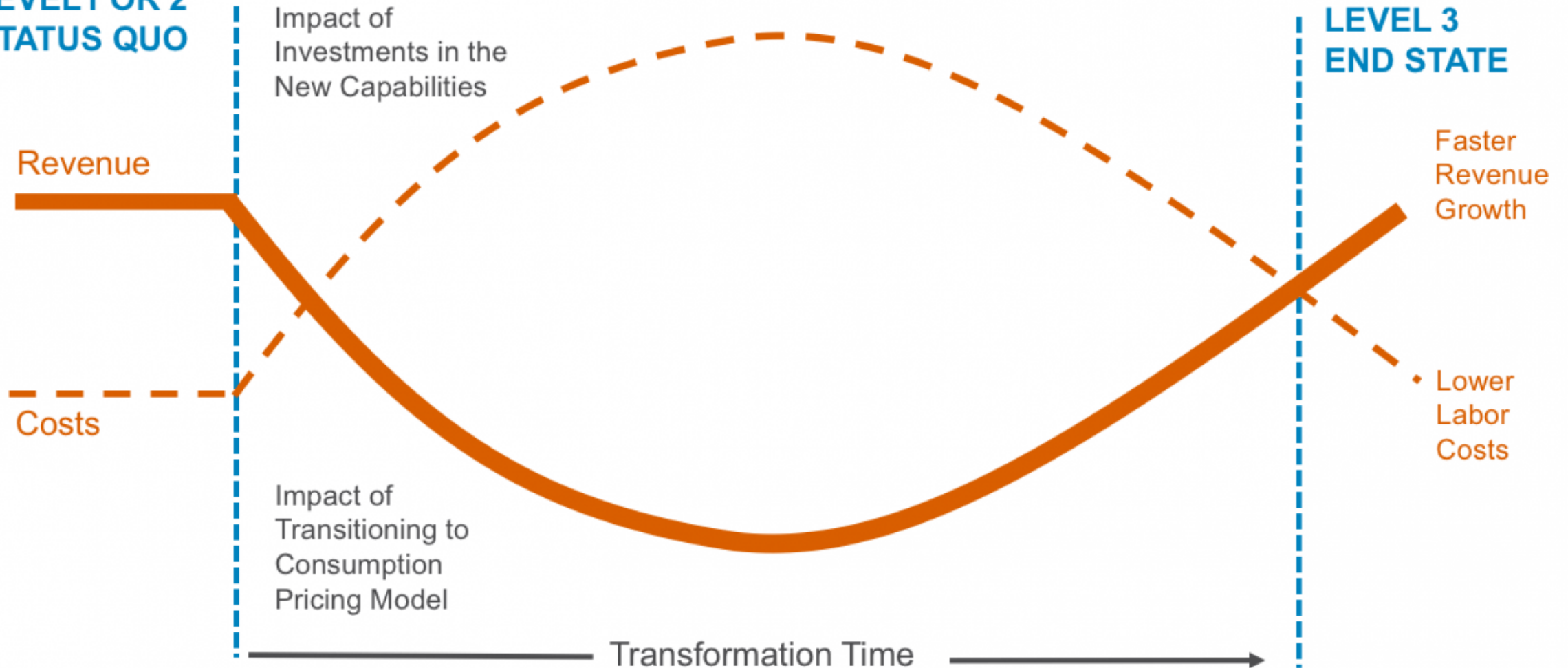


# Challenge

Swallow the fish

# The Fish Model

LEVEL 1 OR 2  
STATUS QUO





# Pricing Strategies for One-Off Projects

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Upfront Price

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Longer-term commitment

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Increase start price, declining price over time

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Enterprise choice: customized subscription Plan

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Trust your value



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

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- Werner Erhard

# Subscription language

Cost-plus	Value Pricing	Subscription
Training	Education	Customer Success
Fee/billing/hourly rate/costs	Price the Customer	Price the Relationship & Portfolio
Discount/write offs	Preferred price	Special trial period
Client	Customer	Member
Revenue/Billings	Profit	Lifetime Customer Value & ARR
Change Order	Change Request	Covered/Not Covered
Services/Inputs	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/CLV
Taking Any Customer	Chasing the Right Customers	Choosing the Right Customers



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- <http://edkless.com/eval>
- <http://thesoulofenterprise.com>
- <http://thesoulofenterprise.com/timesup>

# TIME'S UP!

THE **SUBSCRIPTION**  
**BUSINESS MODEL**  
FOR **PROFESSIONAL FIRMS**

**PAUL DUNN** AND **RONALD J. BAKER**

**WILEY**

# Resources

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*Subscribed: Why the Subscription Model Will Be Your Company's Future - and What to Do About It*, Tien Tzuo, 2018

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*The Automatic Customer: Creating a Subscription Business in Any Industry*, John Warillow, 2015

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*Subscription Marketing*, Anne Janzer, 2017

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*The Forever Transaction: How to Build a Subscription Model So Compelling, Your Customers Will Never Want to Leave*, Robbie Kellman-Baxter, 2020

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Subscription Economy Index: [www.zuora.com](http://www.zuora.com)

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*Tomorrow 3.0*, Michael C. Munger

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Andreessen Horowitz Two KPI Reports: “16 Startup Metrics.” August 21, 2015 <https://a16z.com/2015/08/21/16-metrics/> and “11 Key GTM [go-to-market] Metrics for B2B Startups.” February 10, 2020 <https://future.a16z.com/11-key-gtm-metrics-b2b-startups/>