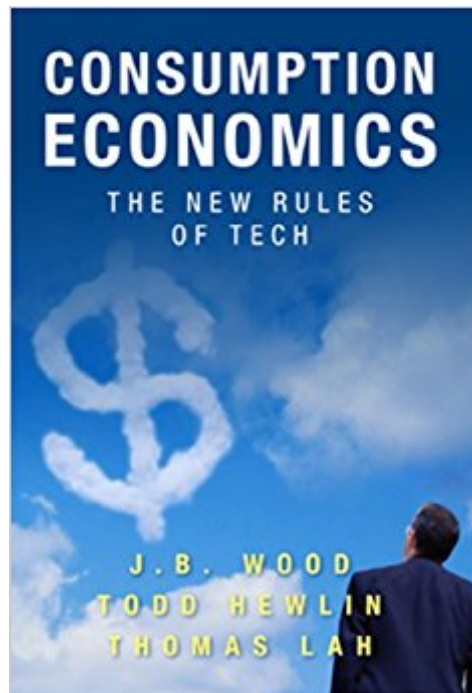




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Consumption Economics: The New Rules Of Tech



Synopsis

If you're a tech company, the most dramatic effect of megatrends like cloud computing, managed services, and the rise of consumer technology won't be felt in your company's product line. The true disruption will be to your business model. Future customers won't want to pay you high prices out of big "CapEx" budgets anymore. They will expect lower "cloud" prices paid from "OpEx" budgets only when and if they successfully consume the business value of your products. How your company reacts to this risk shift could either accelerate the commoditization of your products or lead you to a new stage of profitable growth. For the first time, the tools are on the table to truly eliminate barriers of cost and complexity created by the last generation of tech. Consumption Economics is the owner's manual for tech company executives who want to drive their company successfully into the next one.

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Customer Reviews

J.B. Wood is president and CEO of the Technology Services Industry Association (TSIA). He is a frequent industry speaker and author of the popular book *Complexity Avalanche* (2009), and has appeared in *Fortune*, the *New York Times*, the *Wall Street Journal*, and other leading publications. He was formerly the CEO of Prognostics and executive vice president of InsightExpress. Todd Hewlin is managing director of TCG Advisors, a Silicon Valley consulting firm. Previously a partner at McKinsey and a senior executive at Symbol Technologies, he is regularly found in the boardroom

of public and private technology leaders advising them on growth strategy and business transformation. His articles have been published in the Harvard Business Review and McKinsey Quarterly. Thomas Lah is executive director of the Technology Services Industry Association (TSIA). Since 1996, he has helped a broad range of companies establish or improve their professional services organizations and is known worldwide for his incisive analysis, strategic thinking, and creative solutions.

As part of the research for my next book *Building Successful Partner Channels* I came across the book *Consumption Economics*. Although the book is not a literary masterpiece (is far too long with far too many repetitions and with illustrations that are confusing rather than illustrative (and unreadable in the Kindle version)) it is still worthwhile reading for its thorough analysis of the impact of the _____ as a service format on an industry that have been dominated by the capital investment format. The software industry that has been blessed by the “pay first - consume later” principle is now transforming to a “pay as you consume” format and the *Consumption Economics* book is worth reading if you are affected by these changes. The transformation is driven by numerous interests and factors such as fast and inexpensive access to the Internet, the customers’ appreciation of the “pay as we consume” format, the end-users’ option of circumnavigating the CIO and his IT department for new applications, the opportunity of insurgents to disrupt established markets (salesforce.com, Netsuite, Workday, Basecamp, Atlassian, Zendesk, Dropbox, Skype etc.), the reduction in complexity for the user and the enormous economy of scale benefits of using large data centres. With so many drivers and benefits the challenges associated with integration, customisation, privacy, security, availability, survivability and performance will be solved enabling the _____ as a service format to also deep-penetrate the enterprise markets. Wood, Hewlin & Lah predicts that the transformation will take place in most segments of the market within the next 5-10 years leaving only very small pockets resistant to the consumption format. While the book is very thorough analysing the challenges and opportunities for the software and technology vendors it doesn’t say much about the challenges for the independent channel partners. I have devoted a chapter in my new book to discuss exactly this issue because I believe that independent channel partners may continue to play a crucial role in the software industry serving customers with vertical and horizontal extensions to the core software and

providing numerous auxiliary services ensuring that the software actually delivers the value expected.

I was impressed by the start - where a problem already felt - was so clearly defined. This got my hopes up about the solution it would offer, but there found the book to be tentative, speculative and unconvincing. And finally, the 'solutions' it offered seemed only temporary. What about the time when everyone in the playing field applies these 'solutions'? Could that save our offerings from becoming 'commodities'? The good part is the framework and jargon it provide to discuss the problem. But be ready to BYOS (bring your own solution :-))

I've been in tech since the mid-80's. Many of the frustrations they mention for customers today I have seen first hand. The direction of tech sales and services put forth in this book really seems very plausible to me, in some cases highly likely. The timeline offered late in the book is reasonable as well, though there is not much time devoted to "when" in this book. But, the likelihood of many of their theories seem more than reasonable to me. I might argue that one the key tenants in the book is around simplicity becoming king over complexity may be the viewpoint from the end user. But, the underbelly of the cloud could remain very complex for quite some time, and my never reach simplicity. You might say that complexity will be reduced for many organizations and users, but it is really be moved to the cloud provider networks and systems. I'm not sure they really say that in this book. This is a small point of contention for an otherwise very good look at the likely future of tech sales/service.

Good thought provoking book for anyone working in the enterprise software business. For me it had a lot of good points that made me realize the value of being close to the customer even with enterprise level software and has helped me refocus some of my activities. I do think the authors are over shooting the mark a bit in their enthusiasm for their model. There is a lot of to and fro in the market where the buying behaviour shifts from decentralized to centralized models. While the trend may be to decentralize at the moment, I don't believe it will be all encompassing nor will it be dominant forever. Eventually centralization of IT budgets and control of software will happen again.

This is one of those business books that you actually want to finish because it is filled with so many concepts that ring true in business today. I knew instinctively what the benefits of MT's were but had a very hard time articulating the concept. The description of the Risk Shift is so spot on and

something that every CIO should understand!! I'm sending this book to my top prospects and customers because I think the net on this is pretty wide. Highly recommend!!

Although some parts are still hard to fully imagine, the impact of cloud based technology offers can be clearly seen. The impact on how companies are shifting their existing organizations to cope, however, is less obvious. The book gives a very detailed perspective on what those organizational changes must entail, and what must be considered for your own organization. An excellent and thought provoking book.

Grat book. Just read it if you are in the IT business

This is good book on the impacts being recognised in the IT industry as a result of the dynamics involved with cloud economics and the impact it is having and will continue to have on the traditional sales model for IT. A lot of C level execs and sales folk need to read this in a hurry as most are still living in the dream world hoping the old rules of tech selling will continue the gravy train they have become accustomed too, even while they see their own businesses continue to decline in both number of big sales, total revenue and margin delivered.

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