



# From fighting fires to fire insurance: Transforming to a subscription based business model

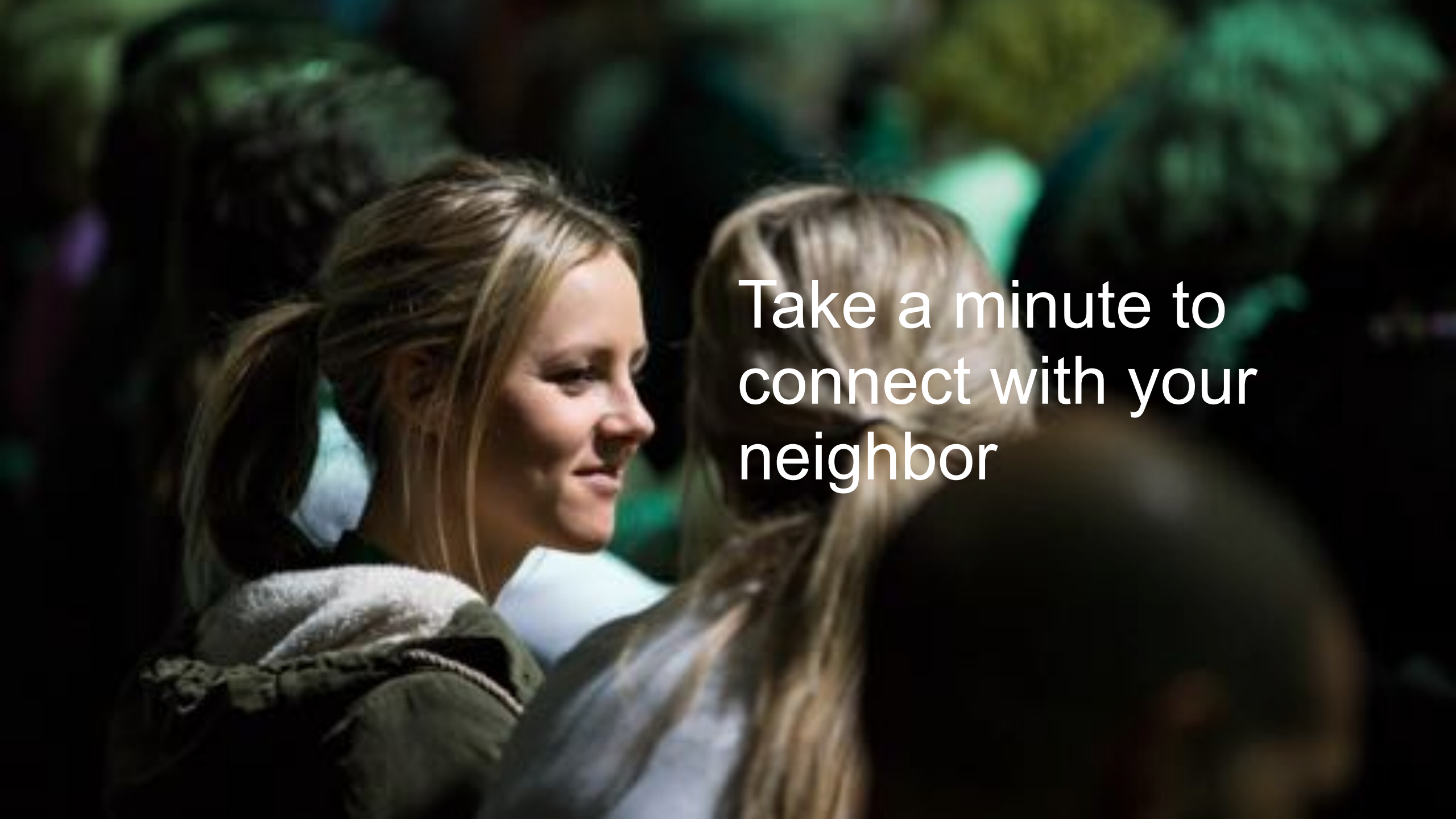
Ron Baker, Founder  
VeraSage Institute  
Chief Value Officer, Armanino LLP



# CPE Process

## In order to receive CPE credit

- Be sure to sign in or scan your badge for this session
- You must stay in the session for the duration of the training
- This session is eligible for **1 hour of CPE**
- CPE certificates are emailed directly to you within 4 weeks of the conference date to the same email address you used to register

A photograph of two young women with blonde hair in ponytails, smiling and talking to each other outdoors. The woman on the left is wearing a green jacket, and the woman on the right is wearing a grey jacket. The background is a blurred green, suggesting foliage. The text "Take a minute to connect with your neighbor" is overlaid in white on the right side of the image.

Take a minute to  
connect with your  
neighbor

# Today's speaker



Ron Baker  
Founder, VeraSage Institute  
CVO, Armanino LLP  
@ronaldbaker

# Value Pricing 2.0

Hourly Billing: Prices the inputs

Fixed Fee: Prices the outputs, the scope of work

Value Pricing 1.0: Prices the customer outcomes (transformation)

Subscription model: Prices the relationship and the portfolio





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

**Tien Tzuo, 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*



# Exercise

**Why would you subscribe to:**

Roofs

Refrigerators

Drills

Guitars

Cars

Birthday Parties

Shoes

What are the advantages and disadvantages to the customer?

What are the advantages and disadvantages to the provider?

Tease out the value proposition.

# Why subscription?

# Why now?





## FOR ONE CENT!

...AND GET THE GOLD BOX BONUS SHOWN ON TV

They're great!—if you join the Columbia Record & Tape Club now and agree to buy 4 more albums (at regular Club prices) in the coming 2 years.



**OR—YOU MAY TAKE A TRIAL MEMBERSHIP AND GET  
6 SELECTIONS—1 CENT**  
*(plus shipping and handling)*

If you are just an occasional reader or tape buyer... If you prefer not to obligate yourself to purchase eight more selections... or if you cannot find 10 selections you want right now... here's a perfect opportunity to "try out" the Club on a special basis!

**Just fill out the optional "Trial Membership Application"** at the left—and we'll send you ANY 6 records or tapes—ALL at just 1¢ plus shipping and handling. In exchange, you simply agree to buy only four selections (at regular Club prices) during the coming four months. Think of it—only four selections and you have three whole years in which to buy them! And that last year is **FREE!**

**As a Trial Member,** you receive all the benefits of regular membership under the terms described in the advertisement—but you may cancel at any time after four months.



# California

# California

# Hotel California

Columbia House

# Four trends ushering in the subscription model



Reduction of transaction costs



Light-switch reliability



Delicious Data



The Long Tail



# McKinsey says



Subscription ecommerce market has grown by more than 100% a year for past 5 years



Subscription-based companies growing 8x faster than S&P 500 (17.6% vs. 2.2%, and 5x than US retail sales (17.6% vs. 3.6%))

**If a member retains membership and engagement  
for a year = 90% chance member for life**

**AICPA: Cost 11x more to acquire a new customer than retain one**

# Advantages of the subscription model – 1



Predictable revenue



Customer lock-in and switching costs



Not selling services, but creating annuities with a lifetime value that far exceeds whatever you paid to acquire them



Collective knowledge of your customers is a competitive advantage that can't be duplicated



1:1 Marketing: Changes the 4 Ps of marketing. We're not pricing a service, we're pricing a transformation, insurance (peace of mind), and the portfolio



# Advantages of the subscription model – 2



Shift to a long-term relationship focus rather than delivering tasks—the very definition of a professional



Attract new customers (rather than just selling more to current customers)



You can plan cash flow and capacity more effectively



Moving beyond efficiencies and into possibilities



Breaks down silos, and molds the firm around the needs of customer



Truly a “one-firm” model: Portfolio approach to analyzing profit, rather than silo P&Ls, and realization rates

# Advantages of the subscription model – 3



Dynamic cycle customer interaction: renew, suspend, upgrade, downgrade, etc.



They increase the value of your largest asset (Amazon Prime carved out of Amazon would be worth billions; the New York Times would be a Unicorn)



Get paid automatically, less financing, collections costs



Increases customer loyalty



Recession-proofs your business

Amazon Prime: “It was never about the \$79. It was really about changing people’s mentality so they wouldn’t shop anywhere else.” Vijay Ravindran

**Amazon  
Prime**

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

Polygon

# Nine Subscription Models





# Web-site membership

THE  
WALL STREET  
JOURNAL

The  
Economist

# All-you-can-consume content



# Private club



# Front-of-the-line



**PEACH PASS**



CLEAR



# Consumables



# Surprise box

Steud Club

12 month Subscription Service

Earring of the Month Club



# Simplifier



"The name perfectly describes how it feels to be a member: a citizen of Porsche enthusiasts given the opportunity to drive many miles in many models. The Porsche Passport service really sets this apart from any other brand I've been loyal to." --Porsche <sup>27</sup>  
Passport Member



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Pricing

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FAQ

Sign In

Find Your Car

#### POPULAR MODELS



**Chevy Spark**

From \$349/mo



**Toyota Prius**

From \$395/mo



**Ford Mustang**

From \$535/mo



**Audi A3**

From \$535/mo



**Ford Explorer**

From \$549/mo

Find your Car

## How it works

01.

**Find the right car**

Qualify & order your car in minutes. You must be 21+ with a valid U.S. driver's

02.

**Set your terms**

Get your next car for 3-36 months (or more) and choose pay-as-you-go or

03.

**Drive worry-free**

Our cars come with comprehensive Liberty Mutual insurance, maintenance,

04.

**Love or change it**

Change your term length, exchange your car, or adjust your miles as you

fair

Explore Cars FAQ App Store Play Store

Petaluma, CA

# Get a car on your phone

sign right on your screen

Explore Cars



BMW



Ford



Honda



Audi

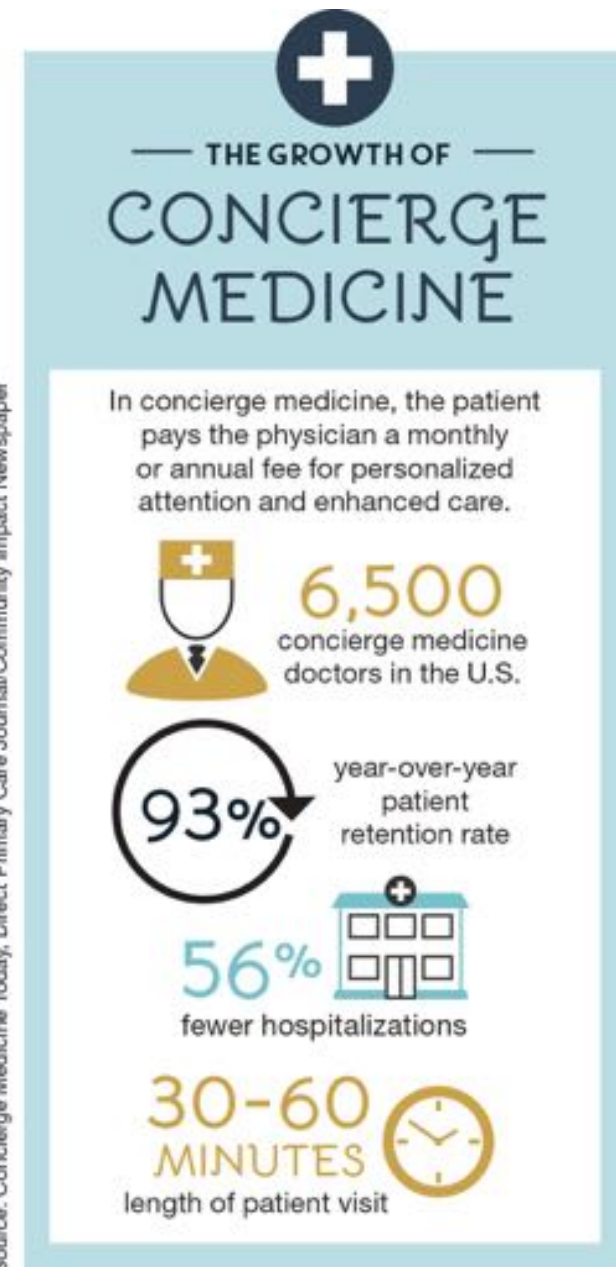
# Network

*NETJETS*®





# Peace-of-mind



# What are the Benefits of Concierge Healthcare?

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Concierge medical services take a much more personalized approach to your health and overall well-being. You benefit from a bespoke level of customized healthcare, with an amount of time and attention to detail from your doctor that scales to your circumstances as they change over time.

- Develop a long-term relationship with your doctor
- Access your physician and medical team when and where you need to
- Benefit from a proactive approach to your health including preventive and integrative medicine
- Receive customized care specific to your individual needs and preferences
- Referrals to the best specialist care when you need it
- Customized research and case management if required

## MDMG Suite of Concierge Medical Services

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- Executive health program
- Premier service levels for direct physician access
- Extreme privacy services for high-profile individuals
- [House calls and office visits](#) in San Francisco
- Hospital inpatient care
- Discreet mental health and substance use treatment for patients or their family members
- Second-opinion and customized research services

## LEVEL OF SERVICE OFFERINGS IN SUBSCRIPTION-BASED PRACTICE MODELS



### Preferred Access

Patient Panel: 800–1,200

- » Prioritized same- or next-day appointments
- » Email consultations and texting
- » Personalized health assessment, preventive services, and counseling
- » Online platform to track progress and share data with healthcare team
- » Extended appointments



### Concierge

Patient Panel: 400–800

- » Guaranteed same-day appointments
- » Access to physician's mobile number
- » Expedited imaging and labs
- » Specialist appointment facilitation
- » Inpatient rounding
- » Predictive/diagnostic tools and testing
- » Ancillary and wellness services, including nutritionist and fitness consultations
- » Mobile/video consultations



### Premium Concierge

Patient Panel: 200–400

- » At-home visits
- » Premium transportation services
- » Physician availability 24/7/365
- » On-site imaging and lab services
- » Preferential referrals to specialists
- » Inpatient care management
- » Genetic screening and testing
- » Prescription drug pickup/drop-off services
- » International care coordination

# Adoption Models



The subscription trial—low risk, low reward, lack of commitment may doom transition



The segmented approach—offer only selected services, or only to selected customers



The all-in pivot—Adobe Systems most visible example, in 2011, “won’t this lower our margins? How will sales sell this stuff?” By 2016 revenue \$5.85B, 78% from subscriptions

# Three factors of production

Land

Rents

Labor

Wages

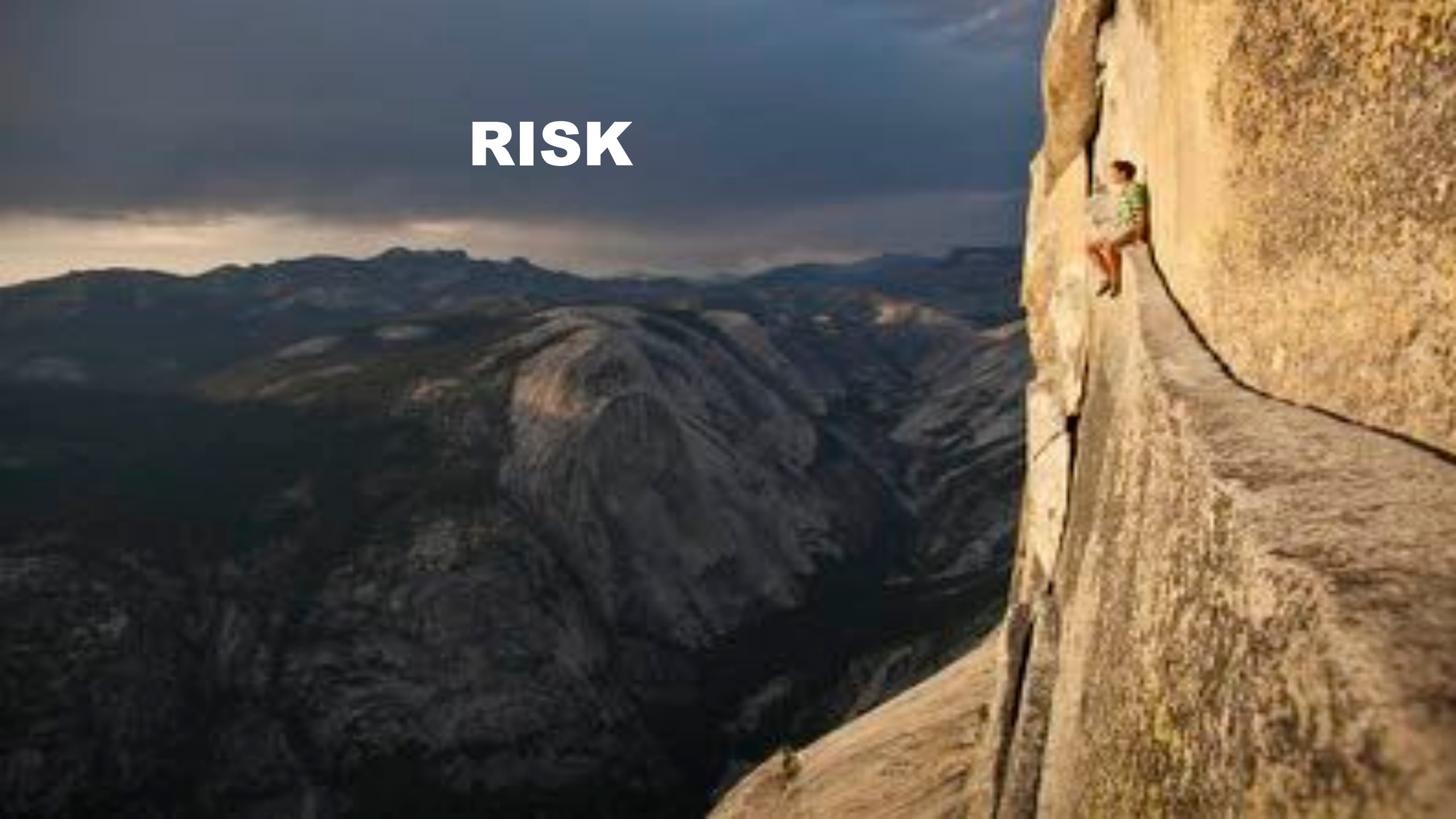
Capital

Interest

## Where do profits come from?



**RISK**



# Three actuarial axioms

If what you sell entails risk, you are not a commodity.

There is no such thing as a bad risk, just a bad premium.

There is no model for pricing risk by the hour.



# Subscription Metrics



MRR – Monthly Recurring Revenue



ACV – Annual Contract 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)



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

# 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 economy

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

# Resources



*Subscribed*, Tien Tzuo, founder of Zuora



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



*Subscription Marketing*, Anne Janzer, 2017



*Retention Point: The Single Biggest Secret to Membership and Subscription Growth*, Robert Skrob, 2018



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



*Tomorrow 3.0*, Michael C. Munger



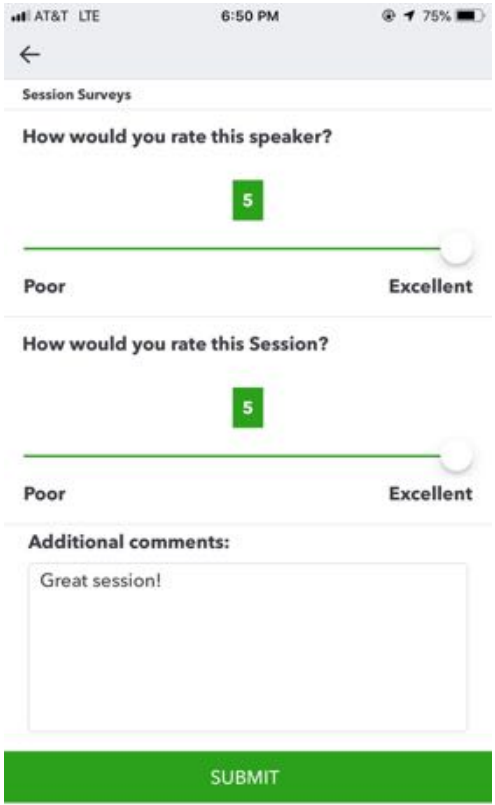
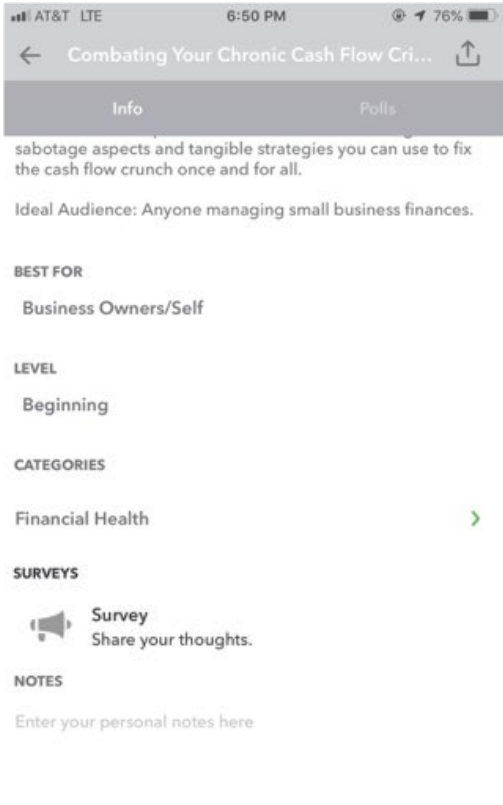
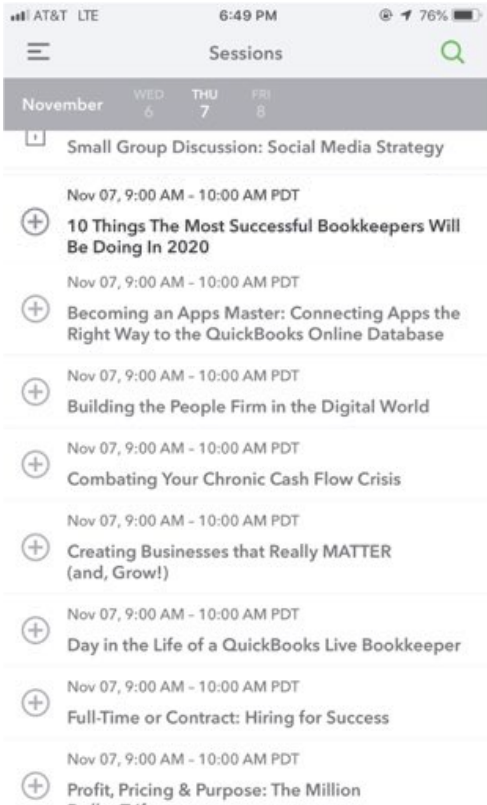
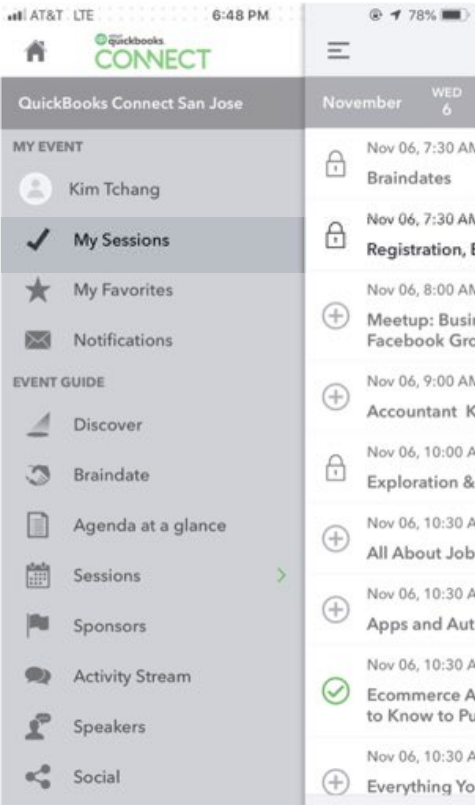


# Questions?

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# Material Download

1. Find the session on the agenda
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<https://quickbooksconnect.com/agenda/>

The screenshot shows the QuickBooks Connect agenda page for November 7. The header includes the QuickBooks Connect logo, navigation links (Why Attend, Agenda, Speakers, Pricing, Sponsors, Travel, FAQ), and a 'Register now' button. Below the header, there are tabs for November 6 (Accountant Day), November 7 (selected), and November 8. A 'Print Agenda' link is also present. The main content area features a search bar labeled 'Search for sessions' and a row of filter buttons: Business Growth, Life & Business Skills, Organizational Culture, Technology Training, Advisory, and Financial Health, with an 'Expand all +' link. The agenda list for November 7 includes: 7:30-7:00 am (empty), 7:30-10:30 am (Registration, Breakfast & Exploration), 8:00-8:30 am (Yoga), and 8:00-8:45 am (Breakout Sessions). The Breakout Sessions section lists five items, each with a '+' icon for more information: Small Business Meetup: Relationship Marketing and the Power of Human Connection, Small Group Discussion: Social Media Strategy, Small Group Discussion: Showing up - Why What You Wear Matters, and Small Group Discussion: Build Your Dream Bookkeeping firm.

QuickBooks CONNECT

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November 6 Accountant Day November 7 November 8

Print Agenda

Get new insights from experts in business growth, organizational culture, financial health, technology and life skills. Book a Braindate with peers and expert consultant for one-on-one learning. Unwind in the evening with our legendary celebration.

Search for sessions

Filters: Business Growth Life & Business Skills Organizational Culture Technology Training Advisory Financial Health Expand all +

7:30-7:00 am

7:30-10:30 am

8:00-8:30 am

8:00-8:45 am

Registration, Breakfast & Exploration

Braindates

New this year, you can use Braindates to book time with fellow attendees, expert consultants and the QuickBooks support team. [Learn more](#)

Best for: All Audiences  
CPE Hours: not eligible

Yoga

Breakout Sessions

Small Business Meetup: Relationship Marketing and the Power of Human Connection

Small Group Discussion: Social Media Strategy

Small Group Discussion: Showing up - Why What You Wear Matters

Small Group Discussion: Build Your Dream Bookkeeping firm



OWN  
THE  
FUTURE