CONSUMPTION ECONOMICS
THE NEW RULES OF TECH

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BOOK SUMMARY

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 prices paid from “OpEx” budgets when and if they successfully consume the business value of your products. CFOs and CIOs will gladly shift the upfront financial risk for technology off their balance sheet and onto yours. In the process, they will reset the economics of the entire tech business and send many tech companies hurdling into the margin wall.

How your company reacts to this risk shift could either accelerate the commoditization of your products or it could lead you to a new stage of profitable growth. Stick to your current operating and financial model too long and you might drain the profit pool for your entire category. But chart a new course by incorporating the power of Consumption Economics into your development, marketing, sales and service plans and you could capture market share, improve margins, and drive up your stock price.

Consumption Economics will help you re-imagine how to profitably build, sell, and deliver products in the age of the cloud. It is certain to revolutionize everyone’s notion of what serving a customer could mean. Even IT departments will reconsider their role in the value chain as employees start working directly with tech companies to take personal productivity into their own hands.

Aggressive startups and incumbents are already beginning to employ these innovative tactics to take real ownership of their customers’ success. They will organize from the ground up around core strategies that make them masters of consumption. Left behind will be a trail of former big-name tech brands still trying to hand off hard-to-implement, hard-to-consume solutions to their customers’ understaffed IT departments, hoping for the best.

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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How Good We Had It: The Money-Making Machine Known as High-Tech

In sector after sector, the profitability of selling tech products is shrinking. The total amount of gross profit dollars in some tech product sectors is getting smaller every year. For the first time, most companies no longer seem able to innovate their way around the problem. Price competition is taking a huge toll on product margins not just in consumer sectors like PCs, but also in traditionally profitable enterprise segments like networking and software. It’s not because tech companies can’t innovate anymore, but because tech customers can barely use the complex technology they already own. They have unused features and licenses, excess capacity, and stable systems that serve their basic needs, so why buy more unless it’s cheaper? This is not the path to profitable growth. It is the path to commoditization and it is forcing companies to change what business they’re in just to maintain margins. Hardware companies are jumping to services and software. Software companies are making their profits off of maintenance contracts, not selling software.

As an industry, we face a growing gap between what our products are capable of doing and what our customers actually do with them. This may be the true gating factor in the growth of tech industry profits and it’s not a problem that more features will cure. Failure to close this gap means future revenue growth that is anemic, unprofitable, or both. In the new economics of the cloud, driving usage is even more critical since nearly all the revenue will be based on consumption, and switching costs will be low for disgruntled customers. The cloud as it is currently envisioned is a tricky thing. On the one hand, it could be the rapid draining of the profit pool for high-tech—a relentless drive for cheaper and cheaper versions of standard functionality. At the Technology Services Industry Association (TSIA), we believe it could also enable a unique ability to fight commoditization.

… In the middle of the last decade, tech had recovered from the 2001 dot-com fiasco and was starting to rock once again. Things looked great, and by 2007 we were again running the product playbook furiously and successfully. But if you looked closely, if you talked to frustrated corporate CIOs, the handwriting was already on the wall. There was a steady, growing pile of customer frustration—dead wood waiting for a match. Big changes were going to come to the tech industry, specifically enterprise tech, as maturity set in. And sure enough, around 2008, the match appeared. But no one saw it coming because it was an unusual-looking match. Three things within fifteen months—not directly related but highly synergistic—occurred that will forever change the rules of the tech business.
1. The global economy tanked.

2. Cloud computing got hot.

3. The iPhone came out.

… Put these three things together—increased scrutiny on technology ownership costs and ROI, the disruptive promise of cloud-computing models, and the consumerization of IT—and you have the underpinnings of a sea change in how tech companies must operate to drive profitable growth. A brutal and uncertain economy has created a permanent demand for simpler, lower-cost, lower-risk technology solutions. The successful supplier of the future will have to shoulder much more, or perhaps all, of the financial risk of customers taking on their products and services. They will have to invest mightily in the customer's success. Not just to set up the products, but also to help the customer's end users actually consume their capabilities—sometimes even doing it for them. And the power shift from the IT department to the business users, maybe even the actual end users, will take a huge leap forward. Once off the radar for most enterprise tech companies, the end users are about to emerge as the key players in the next phase of the industry's development.

A shift is beginning. In the growing worlds of cloud and managed services, the pattern of purchasing technology is changing. With this new purchasing pattern, risk is moving from the customer to the tech company.

So regardless of whether your company is facing declining margins in your traditional product markets or starting to understand the profound risk-shifting impact of the cloud, the rules of the game are changing. The old play from the product playbook has run its course. The ability to successfully drive consumption is about to become the critical enabler of profitable growth. How we build products, how we drive revenue, what services we offer, what we must do to succeed are all on the table. It is the rise of Consumption Economics, and it has new rules. Here is how we think they might play out…
EXEMPLARY OF CHAPTER TWO:

Shifting Clouds and Changing Rules

The cloud has buzz. The media is citing it as the next “big thing” in tech. Traditional tech companies are running around figuring out who to acquire to stake their claim in the next big gold rush. But wait! What, exactly, is the big deal?

Larry Ellison, CEO of Oracle, is on record as saying the cloud is just the mainframe reincarnated, and he has a good point. Is it really a big deal where the software and hardware are hosted or how cheap an endpoint device you can get away with? No. That was the whole mainframe model. We would also argue that it’s not whether you rent or own. The “______ as a service” model has received a lot of focus. But paying over time rather than paying up front is not unheard of. Capital equipment has been leased or financed for years.

So, then, what is the big deal about the cloud? At TSIA, we think seven shifts will profoundly affect how tech companies operate, differentiate, and make money:

1. The risk in the purchase decision will shift from the customer toward the supplier.
2. Complexity’s long and illustrious reign will end. Simplicity will be king.
3. Cloud customer aggregators will shrink the direct market for tech infrastructure providers.
4. Big changes will come to the channel ecosystem.
5. Cheaper enterprise software will emerge.
6. IT departments will “get out of the way” of end users.
7. Tech companies will capitalize on user-level behavioral data.

These seven shifts could profoundly impact existing tech company models. Not everyone will like them; not everyone will want them. In fact, many existing tech companies will fight against them tooth and nail.

… How tech companies succeed and why they fail may never look the same again. The tools to deliver value have never been this exciting before! It could truly be time for a “new normal.”
The New Normal

What’s in Trouble
• Complex technology
• Asset purchases
• Install, integrate, upgrade
• Maintenance costs
• Hard to use software
• Central IT control

What’s in Vogue
• Simple
• Pay for results
• Business value
• Turn on, turn off vendors
• Higher volumes
• End user preference

FIGURE 2.13 The New Normal

We will look at some of these shifts and the new normal in coming chapters of this book. But first let’s take a deep and important look at the way commoditization plays out in the unique world of technology products. We are not selling wheat futures or pork bellies here. Commoditization in the “old normal” of tech is not a simple story. We have a perspective on the Consumption Gap’s role in causing it and customer lock-in’s role in preventing it. This perspective might not just open your eyes to the true effect of category commoditization in your markets, it may also give you unique insight in how to reverse the trend.
EXCERPT OF CHAPTER THREE:
Looking Over the Margin Wall

Tech is not immune to commoditization—it’s just harder to spot. The phenomenon occurs when one product becomes close enough to its competition that customers start to buy on price alone. Since tech products are usually complex and feature rich, it is hard for the company that makes them to imagine that they would ever reach such a lowly state. Yet more and more product categories—hardware, software, even advanced products like medical devices—seem to be feeling the pinch of price competition and customers who seem increasingly indifferent to our latest attempts at differentiation.

There is a point where the company just can't afford to continue with the product. The prices are getting too low. Yes, even tech products—entire categories—can hit the Margin Wall.

You’ll know your product is at the Margin Wall when your cost of goods on the equipment plus your sales, marketing, and service costs on the deal add up to more than the customer paid for the system. Once you get there, it doesn’t seem to matter what you do to the product, how many new things it can do, customers just won’t pay a premium. It is frustrating to the tech company and its engineers because they know that the product can do some very cool things better than the competition. Maybe it can do something that the competitor’s product can’t do at all! But the Consumption Gap, the evil enemy of differentiation and margin, has set in.
Despite all your exciting features, the customer is still just going to use the product to do the basics. They know how to do them, but that's all they know how to do. So when they go to buy the next product, they choose the one that can do those basics at the lowest price. When that happens, the whole product category crashes into the Margin Wall. Commoditization in tech is real, maybe more real than we have admitted.

… Every company that plays in markets near or past the Margin Wall needs to start thinking about a Consumption Model. Even as good as Apple’s initial forays are into the world of driving consumption, they are only at the beginning of what’s possible. Their model works, but it is costly and hard to scale. Opening stores and putting thousands of people in them to work with customers is not an option for many tech companies. The Consumption Model that the cloud enables will create some very exciting new opportunities for you to get similar results, but to do it at scale and get paid along the way. This is not just a plea to spend more on services. For the first time, we may be able to put the entire company in service to the customer’s successful consumption of value. Not just the people in services, but the IP, the hardware, the software, the data…all of it. Want to fight commoditization and fly over the Margin Wall? Let’s start to innovate not just on what our products can do, but how we can get users to fully use them!
EXCERPT OF CHAPTER FOUR:

Learning to Love Micro-Transactions

The cloud will trigger the need for a completely new set of capabilities from companies that play in the space. It, along with managed or outsourced services, means OpEx budgets are where many tech categories are headed. In an OpEx world, volume matters. That means tech companies need to learn to love micro-transactions (MTs)—to monitor them, drive them, count them, and bill for them. We need to make our ability to proactively drive their consumption a top priority. We need to build an MT revenue gas pedal that we can use to accelerate our growth speed. So what do MTs look like?

**Needed:**
A High Volume of Micro-Transactions (MTs)

- Per app
- Per user per month
- Per feature level
- Per print or per document
- Per GB data stored
- Per hour of resource used
- Per purchase
- Per data service subscribed
- Per content downloaded

**Tens of dollars per transaction...**
**NOT tens of thousands per transaction.**

FIGURE 4.1 A High Volume of Micro-Transactions (MTs)

… All these other industries are busy redefining themselves to be consumed in a service-based offering model. Once they begin to think that way—and bill that way—their strategies for growing customer revenue change.
Tech companies historically viewed both product waves and account development cyclically according to the product playbook: Develop a new product, and then penetrate the market and the individual customers within it. Then build a second product that links to the first one, and repeat the cycle. The faster you are able to get each customer to take on additional products through a new selling cycle, the faster that account grows. As we mentioned before, because product prices were high and big customers needed big systems, the sale contracts were huge. It was a stair-step selling process built on big contracts.

Imagine being a fly on the wall at the tech company headquarters of a traditional product playbook company on the day the CEO first realizes they are at the tipping point. They are going to miss their number this quarter, not because they didn’t sign enough key deals, but because the tiny end users didn’t consume as many micro-transactions as they thought they would. Who will the CEO yell at? It’s not R&D’s fault; the product works. It’s not sales’ or marketing’s fault; they got the IT departments to sign the platform contracts. It’s not service’s fault; all the customers were up and operational. Who’s left to yell at? The answer is no one—and everyone. The question the company needs to ask itself is: Who owns the job of driving consumption?

… What we realize now is that driving consumption is a corporate model, not a functional or departmental task. In the new normal, it is a web of micro-transactions, and it will require the involvement of every employee in every department to optimize that web.
**EXCERPT OF CHAPTER FIVE:**

**The Data Piling Up In the Corner**

The key enabling capabilities in the age of Consumption Economics are our real-time access to users and the ability to aggregate and analyze usage data. Right now, at most tech companies, that data is piling up on their cloud servers like junk piles up in your garage. Most companies intend, eventually, to do something with that data, but for right now they are just putting a mental tarp over it.

Hewlett and Packard did some pretty great things in their garage in Palo Alto. Now it is our turn. We need to take the tarp off of our pile of data and get to work on it. It represents perhaps the most important new opportunity for this generation of tech. We can leverage real-time user data to change how we develop our products, simplify their use, guide the end users to increased capability and adoption, deploy the best practices in much more targeted and in-depth ways, increase customer value, and grow big, profitable customers. In short, we can change the world by developing a Consumption Model that drives profoundly higher success rates for all manner of technologies. And with that, we can fly over the Margin Wall and rescue our products from commoditization.

… Broadly speaking, we need to use our best people and their experiences and insights into how the products should be used and are being used by the most successful customers. Product managers need to begin to identify how they want the product’s use to unfold to create an optimized end-user experience and to get full adoption of the product’s stickiest, profitable features. The service organization needs to document what it learns about the successes of actual customers and the roadblocks that prevent others from achieving them. In essence, we need to identify the best practices for consuming our product’s value. We also need to introduce the ability for the product’s consumption to be guided by the priorities of our corporate customers and/or the individual end users themselves.

![FIGURE 5.2 Consumption Inputs](image-url)
… We can’t scale all the smart people, but we can scale their insights by embedding them into the products themselves. In the future, we must build a layer of capability into the products that is designed to take the learning that comes from the product’s experience in the market and dynamically, purposefully, alters how the product presents itself to different end users in real time.

… The freeing power of the cloud will enable more and more customers to try or pilot new technologies. Why? Well, for one, the up-front investment to try things goes to near zero. For many cloud offers, there is no need for installation, etc. Just sign up and go. Secondly, the risk shift means that if they don’t like it or can’t use it, then they pay little or nothing. All they have lost is a little bit of time. The risk is on the tech company, and their reward only happens if they take the right steps to ensure the customer is successful. This is Consumption Economics.

Taking a small “trial” opportunity and turning it into a huge customer—and doing that around the globe—will become a differentiating capability for tech companies. Companies that survive and prosper on this side of the Margin Wall, where prices are lower and volumes must be high, will need to get really good at this.
EXEMPLARY OF CHAPTER SIX:

Consumption Development: The Art and Science of Intelligent Listening

In a cloud world, traditional product development models are starting to feel a bit old school.

... Where do those critical functionality decisions get made? How do we determine what’s included and what's excluded when developing the product? We bet it all on the Market Requirements Document (MRD). Well, in the world of the cloud, the MRD is starting to look more like a boat anchor than a stairway to heaven.

The MRD is intended to be a roadmap for the product. Arguably, next to the core technical innovation itself, this has been seen as the most important determinant of a product’s success or failure. In it are hundreds or thousands of educated guesses made by very bright people. The collective goal of those inputs to the development process is to accurately anticipate the market. And that point—that precise point about how best to anticipate the market—is what’s about to change.

... Consumption Development has three major elements: Intelligent Listening, Consumption Innovation, and In-Product Upsell. Intelligent Listening takes advantage of user-level adoption and consumption data to predict the features and capabilities most likely to be wanted next. Consumption Innovation rebalances development investments from the traditional speeds and feeds toward entirely new capabilities designed to simplify and guide the end user along predetermined paths to more advanced features, new content, and new value. In-Product Upsell bakes in recommendation engines and offer-management capabilities so that we can tastefully inject consumption suggestions into the end-user experience in real time. In those cases where these offers result in revenue-generating MTs, we need to process those transactions.

... Consumption Development removes much of R&D’s risk, radically improves its efficiency, and boosts its ROI. It creates better alignment between what the products can do and the value that end users and their companies can actually achieve. Your engineers are acting on the market’s needs, not trying to guess them two years in advance. Your best and brightest people, your company, and your customer’s company can now spend their time figuring out how to guide the users to where they want to go efficiently and effectively in the real-time course of the product’s use.
EXCERPT OF CHAPTER SEVEN:

Consumption Marketing: Micro-Marketing and Micro-Buzz

… We believe that the new world of Consumption Economics and the cloud are about to give tech marketing a whole new job and a cool new set of tools to do it with. Why?

• The decision maker for the micro-transactions we need to grow big accounts is now the end user.

• In the cloud, we can know absolutely every one of them.

• Intelligent Listening has given us the usage data from which to construct ideal Consumption Roadmaps. These paths to value will provide unprecedented insight into what these buyers want, need, and are authorized to buy at any point in time.

• We can then put our highly targeted offers right under their noses—guaranteed—100 percent of the time.

• We can track every reaction to every offer—exactly what worked and exactly what didn’t.

… The next “big thing” in tech marketing will be “micro-marketing”—individual end-user marketing, fueled by dynamic Consumption Roadmaps, targeted specifically at end users based on their unique industry, company, job role, and level of sophistication.

… All together, this represents a huge new frontier of competitive differentiation. After all, who can really claim to be able to accomplish this today? Nobody. Just think of the value to the customer of such a capability! An ability to basically guarantee the high end-user adoption rates that radically improve the ROI of a technology investment.

… Our micro-offers need to be helpful, not overly commercial. In fact the most common ones, the feature offers, may not generate any new revenue at all—at least not directly. The most common offers we tee up for the end users have to be quite altruistic. By this we mean that they really have to be designed to further the interests and the priorities for value that the customers and their end users have. Over time, this will result in monetization for the whole cloud/MT pyramid because it will mean more transactions, more data, more processing requirements, etc.

… Here is another cool concept that could be enabled by your new Consumption Model: “buzz” in an account.

… Micro-buzz is all about using your direct connection to the end user to promote ideal consumption offers and news about what is going on with their peer’s use of the product—just
like games and Facebook do in social groups. Imagine a user being able to see that they are in the top 10 percent of all their peers in getting value for the company through your product? Imagine another user being able to see that they are in the bottom 10 percent? And imagine the company's management being able to see both? Whoa.
EXCERPT OF CHAPTER EIGHT:

Consumption Sales: After a Great Run, the Classic Model Gets an Overhaul

… The days of standard products with consistent benefits from customer to customer are coming to an end. Complexity and features proliferation have seen to that. But most companies’ business processes, especially sales processes, are built in the classic product playbook model.

… Winning profitable new customers in cloud, managed service, and outsourcing deals will take very different skills and steps. We need consulting skills and service-oriented compensation models. We need salespeople who think on their feet, absorb complexity and uncertainty, and are uncomfortable selling with canned pitches—ones who are business experts much more than sellers of speeds and feeds. Neither tomorrow’s customers nor your salespeople may truly be able to articulate, much less architect, the end benefit they seek at the time they sit down to talk. The customer of the future will be forced to place a bet on a platform of core technologies, add-ons, and services from a trusted provider who hopefully, over time, helps them navigate the complexity to arrive at the best potential benefit.

… So if these are the key selling tasks of the future, how does your current sales force map to the required capabilities? Is it time for your company to begin the overhaul of your version of the classic product sales model? As we said, the sales-force transformation is making its way into boardroom meetings and uncomfortable discussions between old friends who have come up through the ranks together. More and more tech executives are realizing that the nature of the customer sales discussion is changing fundamentally and pervasively. They also see that many of their current sales resources are unlikely to excel in the new model.

Sales In The New Normal

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FIGURE 8.3 Sales in the New Normal
EXCERPT OF CHAPTER NINE:

Consumption Services: Will They Someday Own “The Number”?

Perhaps nowhere is the need to transform more important, more urgent, or more delicate than in the services realm. Why? Well, we have two major corporate problems that will fall into the laps of the people who set service strategy.

... Here is our first service problem: We have billions of dollars in industry profits at stake on a value proposition that is running out of steam. Customers feel like they are held hostage by it, and quite honestly, who can blame them? It is our products that are complex, hard to use, hard to customize, and that require constant attention to keep running. The idea that customers are spending a huge percentage of their budgets to pay us to deal with a problem that we created seems a bit absurd... We need to switch the value proposition of product-attached service offers while the plane is still in the air. If we don’t, the Golden Egg is going down with the plane. No one can let that happen. No one.

... Problem number two is about the gaping hole in our Consumption Model strategy... We currently have no capability in sales or services to effectively help grow the customer in the age of Consumption Economics. The risk shift puts the onus on us to help customers through this pay-as-you-consume evolution, yet we have no group charged with guiding them through it and, in return, capturing the maximum dollar value of their future spending for our company.

... Services of all types—professional services, education services, customer support, field services, managed services, outsourcing services—need to move beyond technical expertise. They need to move beyond installation and maintenance. They need to move beyond being cost centers. They need to move beyond being considered simply “product attachments” by Wall Street. They need to break out of their shells in order to protect and defend their current golden revenues, and to answer the company’s call for someone to own “growing the trees” in our cloud customers.

How are we going to do this?

We are going to move services from the center of the customer lifecycle to both of the edges. We are going to repurpose the asset toward new skills and new offers. We are going to take on consumption optimization and the realization of customer value as our main jobs. And services organizations are going to end up owning the customers and owning “the number.”

... The goal of Consumption Services is not just to remedy the risk that customers took to get the product to a minimally acceptable level of value. The goal is to take them all the way; to help every customer realize the maximum business value that our whole product and services portfolio can provide. We need to align our service assets with the true requirements that our
customers have—to help business buyers get business outcomes and help end users get personal productivity and enjoyment outcomes. In achieving their goals, we also will achieve our own.
EXCERPT OF CHAPTER TEN:

Customer Demand vs. Capital Markets: How Fast Should You Transform?

… Predicting the future is one thing, and we are pretty confident about what’s coming. Calling the timing of when the new model will become the standard in a given market sector or geography is much more difficult. The Pragmatists agree with the core trends and their implications. They see that their cost structures were built to manage expensive complexity and just can’t be supported at these lower price points. They see future growth coming less from the big customers they know and more from the little customers they don’t know. They see the power of the concepts but are wondering how fast they can and should move toward the Consumption Model.

It’s a delicate balance to manage—a high wire to walk without falling off. They have a product playbook business model today that they depend on for their current revenue and profits. On the one hand, they want to keep that going for as long as they can.

On the other hand, they see the vulnerabilities that could result from clinging to that model for too long. They are watching salesforce.com and Workday gain market share over SAP and Oracle. They have seen VMware seemingly come out of nowhere to capture a whole new market opportunity by being a stepping stone to the cloud. They wonder what Google will get into next. They see “consumer grade” devices being used where “enterprise class” was once the norm.

A senior exec at one of the world’s largest tech companies commented to us: “We talk about all this new behavior we want and, as we get close to the end of the quarter, we tell all the sales reps to go out and sell boxes.” That is the conundrum. There is often a balancing act between what our progressive customers want and what our short-term investors expect.

… We have to start the journey no matter what Wall Street thinks in the short term. We have to educate them on what our progressive customers are telling us they want and what the future competition will look like, and we have to smartly model out the financial transition. Then we have to get our transformation started ASAP. Think of it as a 12-step program to wean our company, the financial analysts, and even our shareholders off of the old model. Otherwise, we will run it until it fails. We will take our company and crash it into the Margin Wall.

… We believe that within the next two cycles of technology refresh, most customers will move away from the old model. If your tech refresh cycle is typically three years, then our rule of thumb would say you have six years to be completely transformed. If your cycle is two years, then you have four. Given the scope of the changes we have been talking about across your development, sales, marketing, and services organizations, four years is not very long. And
making it even more urgent is that new customers in emerging markets around the world may just decide to skip on-premise IT altogether. They might just go straight to the cloud.

… No one can give you an exact date. That’s why the first exercise in your Margin Wall homework is to calculate the length of runway you have in front of you. You have to study the tech refresh rate in your category. You have to look at how economically compelling the “________ as a service” value proposition is in your sector, especially with your aggressive start-up competitors. You also have to consider your brand positioning. Do customers expect you to be a leader on new trends? Are your early-adopter customers already giving you fair warning that you need to get going?

… The second major assessment tech executives need to make is how difficult it will be to design and install your new Consumption Model. Think of this as the height of the Margin Wall that you need to fly over. The two subsidiary questions are, of course, how much will the transformations cost, and how long will they take to plan and execute?

… Your competition and your customers are moving to the other side. Apple is there. Salesforce.com is getting close. Amazon, Rackspace, NetSuite, Google, IBM, and HP are all pouring money into both their cloud infrastructure and their cloud business models. Dell is reinventing itself around it. You have to get there. You can’t hope it will be on somebody else’s watch. Consumption Economics is coming to a market near you. You need a plan yesterday and action tomorrow.

… The end result is this: How tech companies operate and how they make money will change more in the next 10 years than they have in the last 40 years. These changes will mean that lots of the common wisdoms, experiences, skills, and models that have gotten us this far may no longer apply. The changes are major, and the courage to make them will not be easy to come by. There will be a lot of entrenched forces telling you to hang on to the past. We think that your leading-edge customers, your next generation of internal leaders, and your long-term shareholders are of a different mindset.

Consumption Economics means that there are new rules of tech. Those companies that get them right will rule.