

A subscription service is a business model where customers pay a fee for the right to use a service or product for a certain period of time. It has become popular mainly for digital content services, such as music, videos, and games.

From music and video to cars and clothing

Distribution services allow users to enjoy music and videos on their PCs or smartphones for a fee every month. Major music distribution services have more than 200 million subscribers worldwide and seem to be a well-established way to enjoy music and videos these days.

The subscription business model has become popular for digital content such as music, video, and games. In recent years, luxury items such as cars and brand-name bags have become readily available at reasonable prices, and many services providing products like clothes, flowers, and groceries on a monthly basis have also appeared. Subscription services are also increasingly being introduced in cafés and work spaces.

Fixed-price contracts for goods are similar to leases for cars and office equipment in the sense that you pay a monthly fee. However, the advantage of a subscription service over a fixed-term lease is that you can easily start or stop using the service at any time.

The reason for the proliferation of subscription services is a change in the perception of value from products

to services. There was a time when buying and owning things was a status symbol, but the desire to buy and own things has declined significantly, especially among the younger generation, and subscription services are part of this trend. Instead of asking people to buy products, subscription services offer a service or experience such as enjoying music, driving, or the latest fashion.

Also, with digital content like music and video, you no longer have to rent or return CDs and DVDs, but can enjoy them right on the spot. With cars and fashion items, the appeal of a subscription is that you do not have to go through the hassle and expense associated with maintenance and management. There is also the advantage of trying things out before you buy them, which can also be seen as an environmentally friendly way of shopping where you buy only what you really like after trying it out.

Benefits such as marketing for service providers

So far we have mainly described the benefits for customers, but there are also benefits for service providers. One benefit is the opportunity for companies to conduct market research through the services they offer. With the traditional distribution model, it is difficult to know who will use the product once it is sold and how they will use it. In contrast, with a subscription, it is easy to understand user demographics, usage scenarios, and trends, and you can update your services accordingly. Also, companies cannot ignore the benefit that as long as people continue to use the service, companies can expect revenue for the next year. This is difficult to achieve with

a product like a core system that takes a lot of time and money to build for a specific company, but not so difficult with a versatile IT solution that can be used by many people over time. If the service is a proven type of infrastructure, such as the world's most popular office software or a cloud service platform, it is hard to stop using it or switch to another tool, so the number of users will only grow.

In some cases, business-to-business services use a pay-as-you-go system rather than a flat rate system. A German compressor manufacturer made headlines around the world when it announced a new business model that charges customers not for the compressor itself, but for the compressed air they use.

As values change, so does the concept of manufacturing

Of course, subscription services are not without their drawbacks. Since the products and services offered in a subscription service belong exclusively to the provider, and the subscriber only has the right to use them, there is a risk of unavailability at the whim of the provider. In the case of music distribution services, for example, this has actually happened. Songs by a particular music group suddenly stopped being available, even though you could listen to them the day before. Since many subscription services are managed via a network, there is also the risk that network problems could cause the service to be unavailable.

Despite these risks, the trend toward subscription services, which now extends beyond industry boundaries and into industrial systems, is likely to grow in the future. Rather than just manufacturing and selling, how can companies deliver value so that people continue to use their products? It seems that we need to think about services and manufacturing from a new perspective.



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