

Book Review of Consumption Economics



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Organizations or companies in the technology industry ought to learn much from the insights brought out in this book. In this case, before investing in a B2B transaction platform, understanding the issues in the tech world as of now and the projected issues will help make a uniform decision. For instance, the authors of this book are great technology experts running large tech firms, as well as authors of other popular books within the same niche. The book has highlighted the need for tech companies to take note of future considerations by their consumers, who will be mainly focused on the value of the products rather than out of big Capital-Expenditure budgets as has been the norm (Wood, Hewlin & Lah, 2011). Much interest is to be put on the companies' business models to benefit from the growing trends in cloud computing, managed services, and consumer technology rise.

The book has been authored by J.B. Wood alongside Todd Hewlin and Thomas Lah. The three have impressive biographies in the tech world. J.B. Wood is TSIA's (Technology Services Industry) CEO and president (Wood, Hewlin & Lah, 2011). TSIA is considered to be the leading association in technology services organizations. He is also among the leading authorities on X-as-a-service model of business. Wood gets to therefore work with B2B technology companies that are the largest in the world, mainly on strategies that improve growth and profitability through service optimization, sales, and products.



Thomas Lah, on the other hand, apart from being an executive director at TSIA, has authored many other books still within the same niche of technology. His latest book is titled Technology-as-a-service Playbook. Thomas Lah, over the years, has built a reputation of being excellent and known for strategic thinking, coming up with creative solutions to problems, as well as his intelligent analysis. His input in this book, in particular, is something to look forward to. On the other hand, Todd Hewlin is a managing director at TCG Advisors. This is a consulting firm situated in Silicon Valley. Todd is often in the boardrooms of both private and public technology leaders, advising on growth strategy and business

transformation.

With the experience the authors have gained in the tech field and in running their organizations, the book has given deep and detailed issues faced by a majority of these tech companies and then gone ahead to provide possible solutions. For instance, most tech companies' declining gross profit is getting smaller each year. It further highlights the inability of the companies to innovate a solution to this issue as the price competition among them is affecting product margins both in consumer sectors and software and networking segments.

Book Review of Consumption Economics

Consumers are finding it hard to buy more expensive products as there already exists excess capacity, unused licenses, features, and stable systems that are tending to their needs. This situation is making the tech companies focus only on making profits out of maintenance contracts rather than on achieving profitable growth (Wood, Hewlin & Lah, 2011). Hardware companies are slowly shifting to software and services, which is not what they originally intended. By highlighting this, one can decide to get his team back to the drawing book to redirect their focus and strategize on ways to change their business models to achieve great profits even in the future.

The book has also identified the gap that seems to exist between what tech products can do and what consumers decide to do with these products in real life. This has been pinpointed as the key factor that could help redirect tech companies into achieving profitability even in the future. Further reverence is given to the thought that high-tech companies could use cloud computing in the future to amass profits and provide an opportunity to round commoditization, which is what the book is mainly focusing on. It is also important to note how the book approached this issue by first trying to understand how the situation got to where it is now. This will help guide the transmission process of the tech companies and ensure the same is avoided in the future.



The book also takes note of the great extent to which consumers would go to purchase commodities they find compelling (Wood, Hewlin & Lah, 2011). Regardless of the price, a consumer will even pay upfront for a tech product they find compelling, one that will make their work easier. Over the decades, the value creation of complex and sophisticated software and hardware, network, and services drove consumers to purchase the products. IT operational systems meant an increase in revenues, reduced costs, improved customer service, gave the buyer a competitive advantage, and boosted the employees' productivity. The book details how these factors made the buyers take that great risk, termed the risk/reward decision.

Book Review of Consumption Economics

The book then highlights the implications of this move (Wood, Hewlin & Lah, 2011). Tech companies got to make huge profits as with the suitable product, the sales were great, and the consumers or the product users also became elite in some way. As a tech company, you could match to the parade of multibillion-dollar product franchises such as the Oracle databases, HP Printers, Apple iPhone, and Microsoft Windows.

The book goes ahead to detail how the great tech companies managed to lock in consumers and shift to other products that were a bit expensive and unreasonable. The companies spent decades optimizing their products, making sales, and marketing. Once the consumers bought the products, they also paid for the installation, integration, as well as training. They also paid for coverage for the annual maintenance, whereby the tech company would continue to renew and upgrade the product once a new generation model was created.

To give more insight into product development, the book gives the costs the tech companies underwent in developing their products. These are;

1. Marketing costs to promote the products
2. Sales salaries and commissions to get the customers into purchasing the products
3. Cost to build the product itself
4. Pre-sales consultants
5. Implementing the system and training the users was necessary, hence salaries to these service personnel.

Understanding these costs is vital as they help in developing a sound plan and allocating the right budget to the development of a new product hence ensuring the profits made make sense to the company (Wood, Hewlin & Lah, 2011). The authors, therefore, made a great choice to highlight them and explain in detail the importance of each of these costs. I would say the language specifically used to describe them was effective as one would then not see these costs as unnecessary but of great importance when developing a new product or allocating funds for the process.

The book has also identified a consumption gap in the tech world. This has been detailed and explained with examples being given specifically with the Microsoft Company, which recently added 1500 new features, which are 500 over and above what already exists (Wood, Hewlin & Lah, 2011). Therefore, this gap is present because the more software a tech company has in its product, the bigger the consumption gap. The consumers cannot use all the features present, and piling up new features only ends up in a huge pile of unused features. What the tech company felt it was developing the features for; the consumers are not using them.

Book Review of Consumption Economics

What possible solution then does the book give to bridging this existing gap? Adopting tactics in a way that they are themselves actively in the monitoring process to ensuring successful customer outcomes (Wood, Hewlin & Lah, 2011). A restructuring of the customer services and support and, in the long run, the customers become more comfortable and confident with their products. The book further highlights that the only reason the tech companies have managed to keep thriving despite the consumption gap is the wow factor or the compelling nature of the offers made by the companies, which makes the consumers decide to stick with them and continue to make purchases.

Therefore, it is inevitable that while trying to figure out how to bridge these gaps, tech companies ought to still maintain their ability to entice their consumers with their offers, making them overlook the shortcomings and the risks. The profits will be way better, and marketing costs will be reduced as less enticing is needed if the products sell for themselves.

The book has even gone ahead to highlight some of the things the consumers have had to tolerate or learn to work with in purchasing some of these products. This is great as the tech company needs to understand what the consumer has had to overgo and probably try to make things easier for them to avoid losing them in the future.

1. Absence of interoperability. This is a software product or system to exchange and use information with another from a different manufacturer.
2. A complexity that is extraordinary, which makes it hard to even understand some of the features added. The consumers, therefore, end up only using the product for the features they can easily understand.
3. Business leaders that are often frustrated
4. The switching costs are high
5. Poor end-user adoption
6. Benefits that are hard to measure accurately
7. The implementation costs are sometimes way higher than the cost of purchasing the product itself initially.

I would also term Consumption Economics as a guide for tech companies to maneuver to get their companies to the next level despite the current trends in the tech world. The intriguing and informative perspective of the authors on what effect or impact consumerization in software purchasing and sales (Wood, Hewlin & Lah, 2011). From the insights provided, the risks shift to the vendor as the consumer can use adoption and ROI as better measures to consider when determining the software to purchase and determine if the value is worth it. Previously benefiting from the pay-first method, the tech industry is slowly changing. This will ensure the consumers get a return on their investment in the tech products since the vendors now focus on ensuring their products perform well intended.

The authors in the book predicted the shift to take place in the next 5 to ten years, and this has been witnessed. The change is necessitated by the availability of factors such as fast and cheap internet access, where customers get to pay as they consume, which makes much more sense in the ideal world. This pushed the tech industries to become more innovative in ensuring their products are enticing to consumers.

Book Review of Consumption Economics

The wow factor still has its role to play out in the picture, but the consumers get to enjoy the benefits of having access to support and customer service at their disposal, as well as easy-to-understand features (Wood, Hewlin & Lah, 2011). This is a prominent point throughout the book, and it cannot be under-looked as the authors have come up with great businesses, sat down in meetings, and advised the very popular and fast-growing tech companies in the world. Their sitting down and writing down their insights in a very articulate manner is something to therefore get other tech executives to digest the main ideas in the book deeply. Particularly on the need to adopt the business models followed by these tech experts.

Ignoring the ideas of the consumption-oriented business model will only lead to your tech company losing its place in the market (Wood, Hewlin & Lah, 2011). Large tech companies are slowly adapting to this model. However, the authors noted that the trends of the companies to be more profit-oriented rather than customer satisfaction is hard to divert from fully. However, they note the many gains for the tech companies to benefit from later once they have gained the consumer's trust and loyalty.

Even though the book is quite thorough in explaining and highlighting, and analyzing the challenges and the opportunities being seen in the tech world by the vendors, it doesn't give much insight into the challenges also being faced by the independent channel partners, who are also key in the tech industry. Again, the book's authors have given many references to their previous works or books, giving a sense of repetitiveness. It could have been shorter and still delivered or articulated the information the authors wanted to be known.

Another key concern is the fact that it was authored between 2010 and 2014; hence one might find the information a little outdated. This is because the tech world is always evolving, and changes are inevitable. However, some of the information and the lessons are still relevant, and tech companies could use the lessons and the problems identified to ensure they don't fall back.

All in all, the book *Consumption Economics* is a great read. Any tech professional, not only the executives of big tech companies, would benefit from reading it and adapting to some of the ideas presented very well. Many of the authors' predictions have come to be and are slowly being adopted by most companies.

References

Wood, J. B., Hewlin, T., & Lah, T. (2011). *Consumption economics: The new rules of tech* (p. 240). Point B Incorporated.