

Succeeding in Today's Experience Based Economy



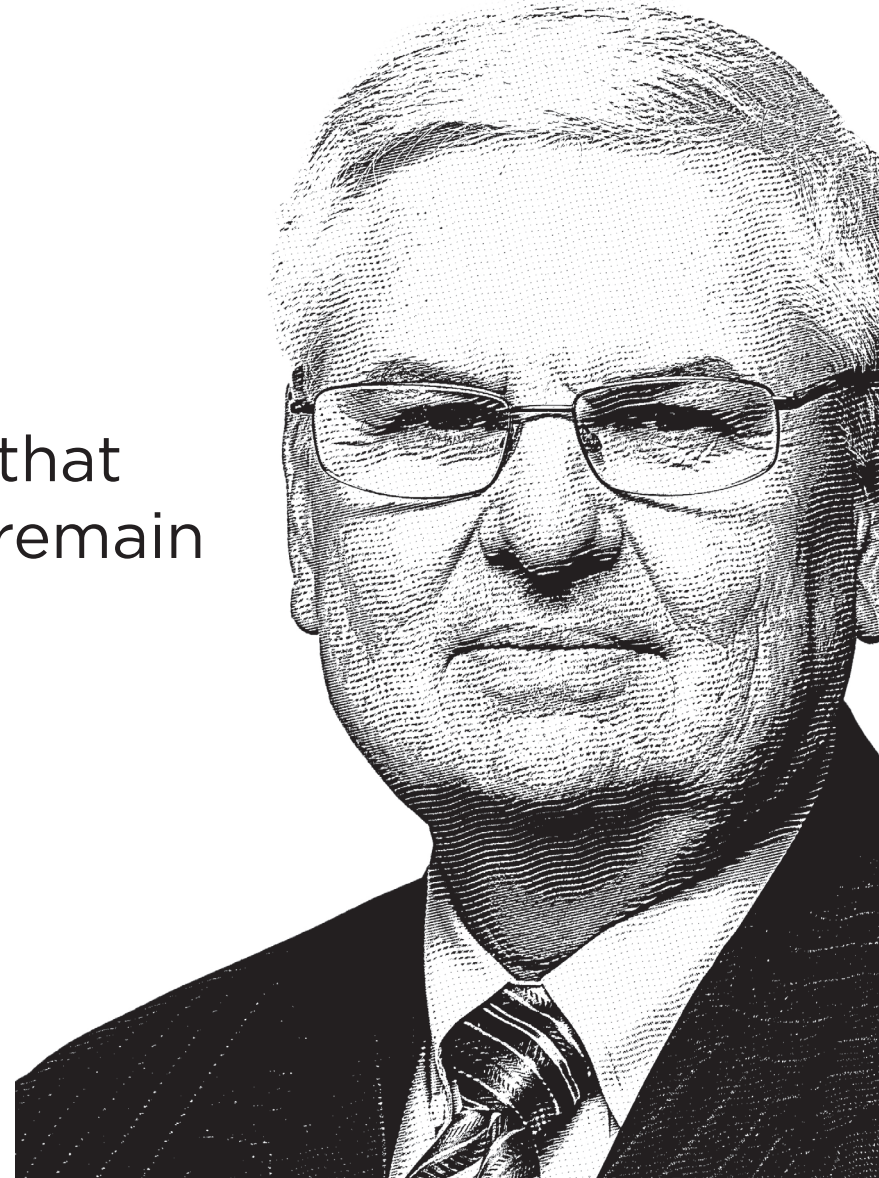
The Firm of the Future has transformed into the Competitive Firm of Today. Customers desire engagement over information, active answers over prefabricated alternatives, pricing options over hourly rates, and measure minutes over hours and hours over days.



What Keeps Barry Melancon Awake?

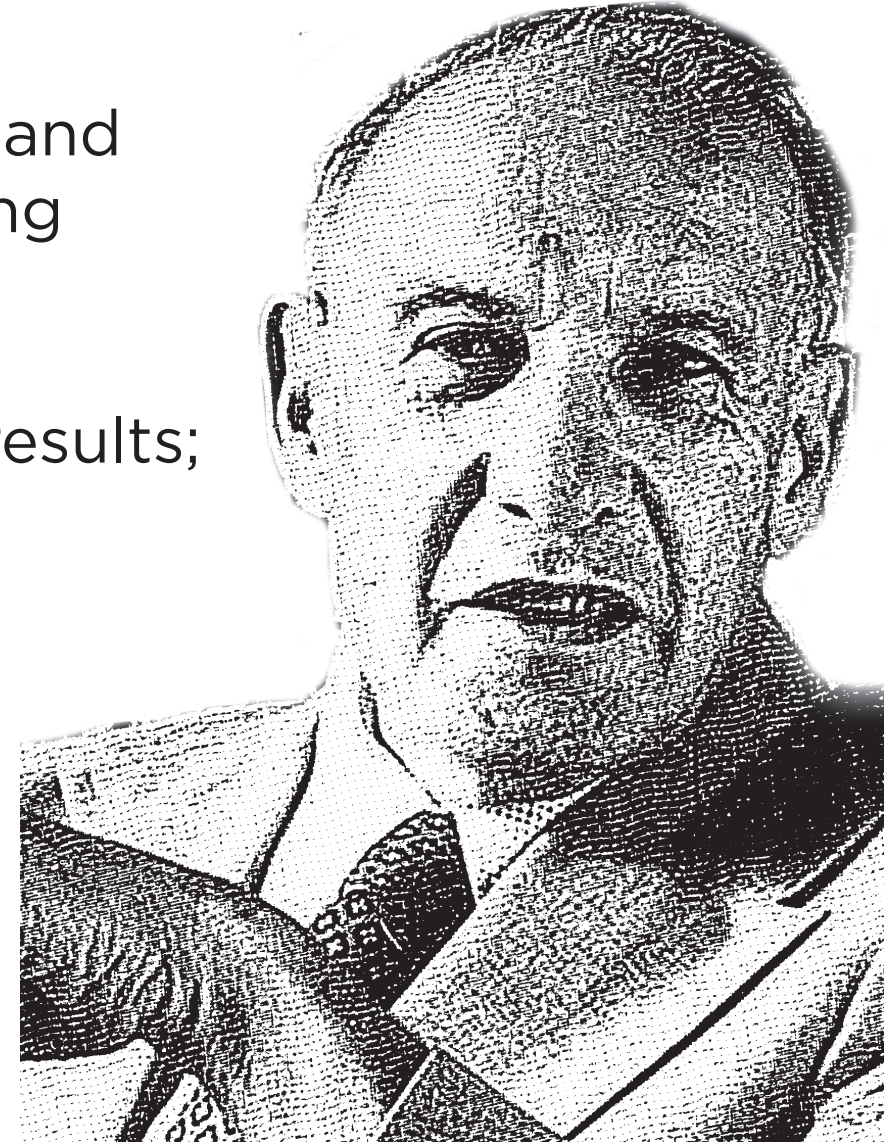
“What keeps me awake is worrying that our core products and services will remain relevant” - Barry Melancon, June 6, 2016

Barry Melancon:
President & CEO, American Institute of CPAs and CEO,
Association of International Certified Professional Accountants



“The business enterprise has two -- and only two -- basic functions: Marketing and Innovation.

Marketing and Innovation produce results; all the rest are costs.” - Peter Drucker



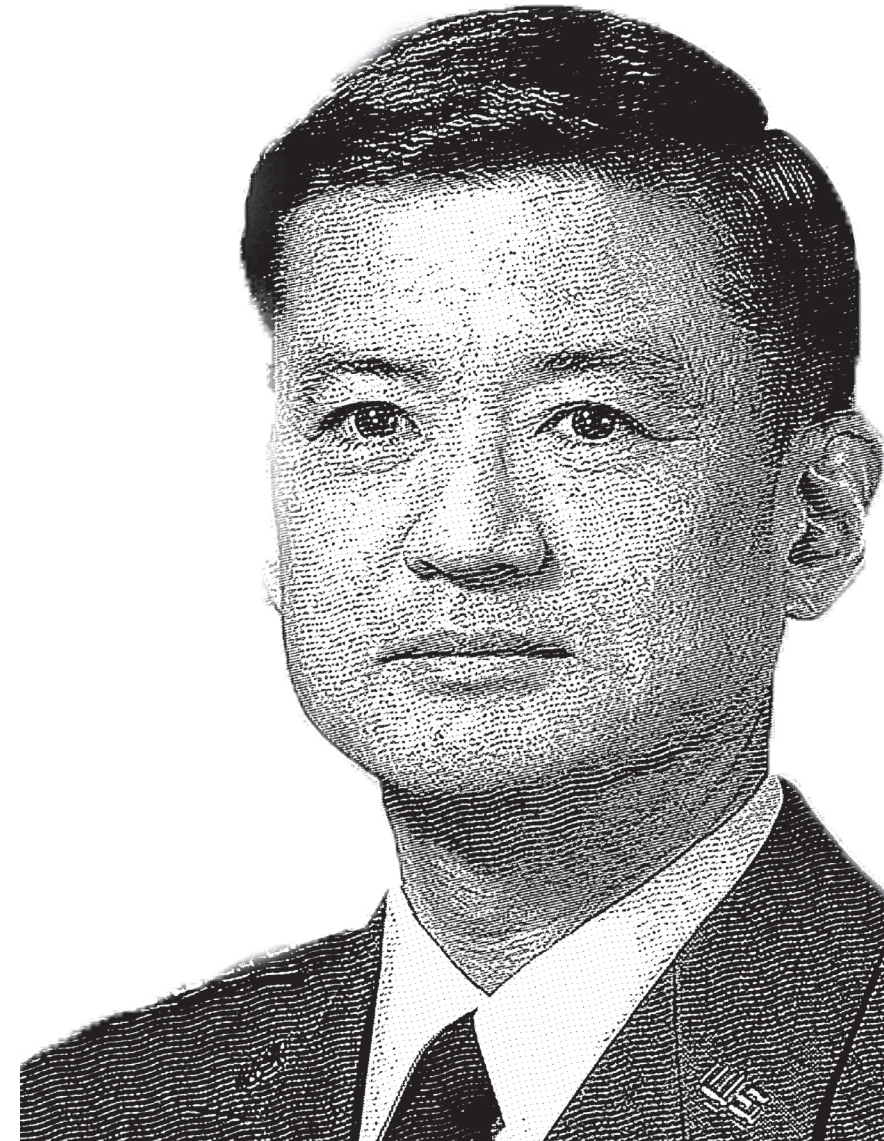
Peter Drucker

Peter Ferdinand Drucker was an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation.



“If you don't like change, you are going to like irrelevance even less.”

- General Eric Shinseki



General Eric Shinseki

is a retired United States Army general who served as the seventh United States Secretary of Veterans Affairs (2009–2014). His final United States Army post was as the 34th Chief of Staff of the Army (1999–2003). Shinseki is a veteran of two tours of combat in the Vietnam War, in which he was awarded three Bronze Star Medals for valor and two Purple Hearts. He was the first Asian-American four-star general, and the first Asian-American Secretary of Veterans Affairs.



“A Professional is someone who is responsible for achieving a result rather than performing a task.” - Michael Hammer

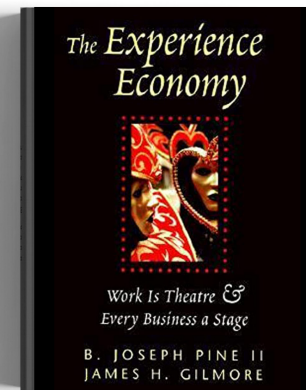
Michael Hammer

Michael Martin Hammer was an American engineer, management author, and a former professor of computer science at the Massachusetts Institute of Technology, known as one of the founders of the management theory of Business process reengineering.

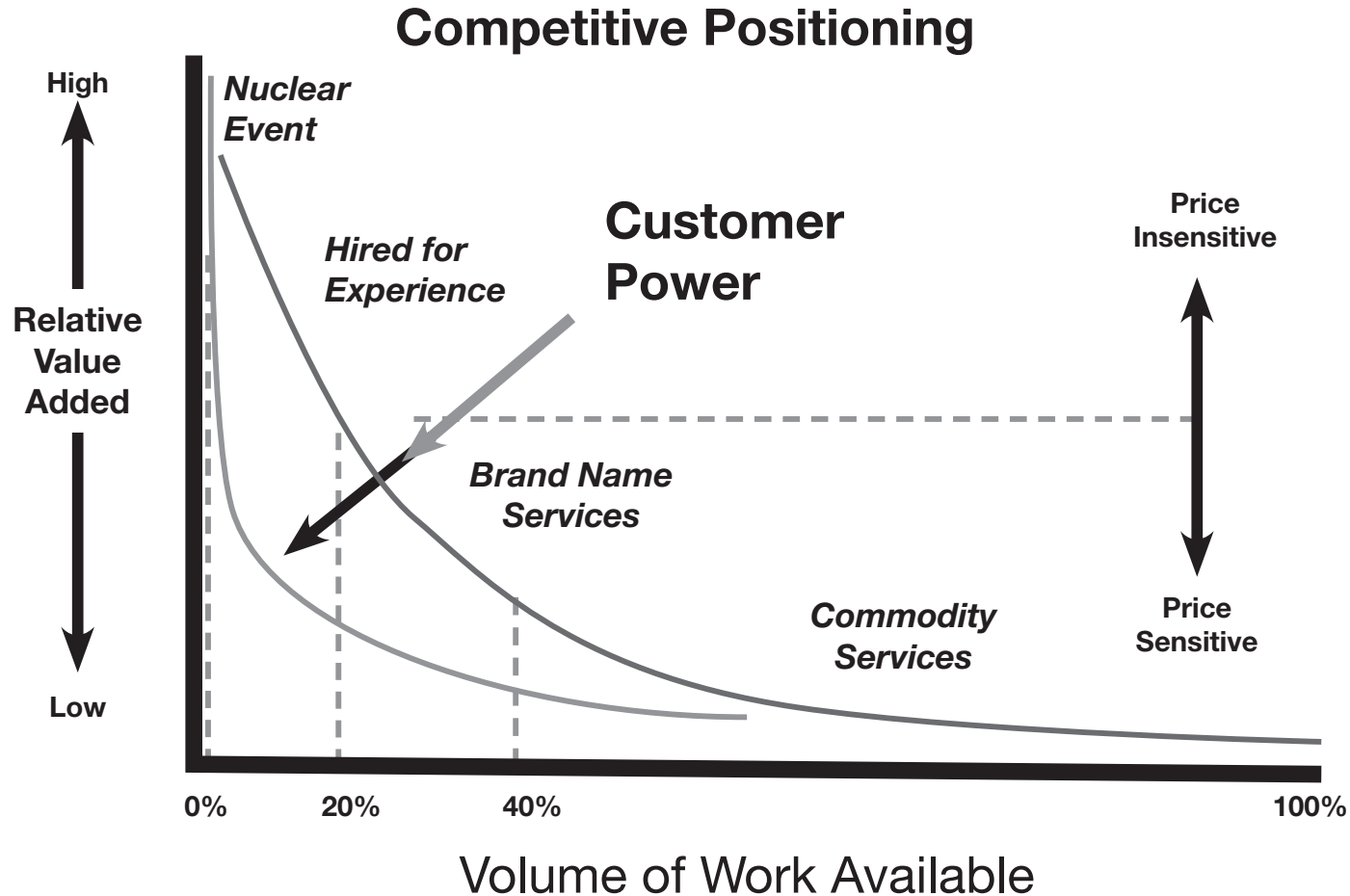


You Are What You Charge For

- If you charge for stuff, you are in the **Commodity Business** (fungible)
- If you charge for tangible things, you are in the **Goods Business** (tangible)
- If you charge for the activities you execute, you are in the **Service Business** (intangible)
- If you charge for the time customers spend with you, you are in the **Experience Business** (memorable)
- If you charge for outcomes the customer achieves, then you are in the **Transformation Business** (effectual— professional)



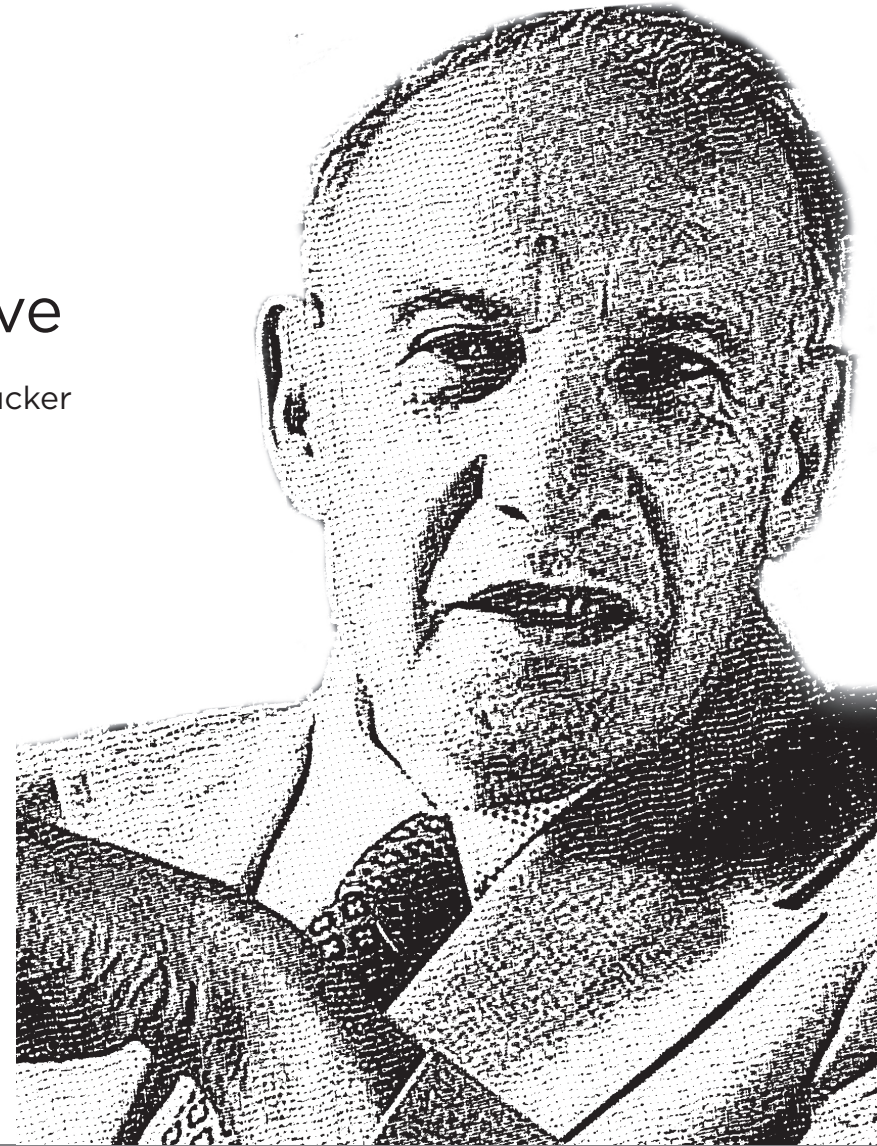
Cobb Value Curve



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By: **Daniel Morris** CPA, CGMA, TEP

“If you want something new, you have
to stop doing something old” - Peter Drucker



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CPA, CGMA, TEP



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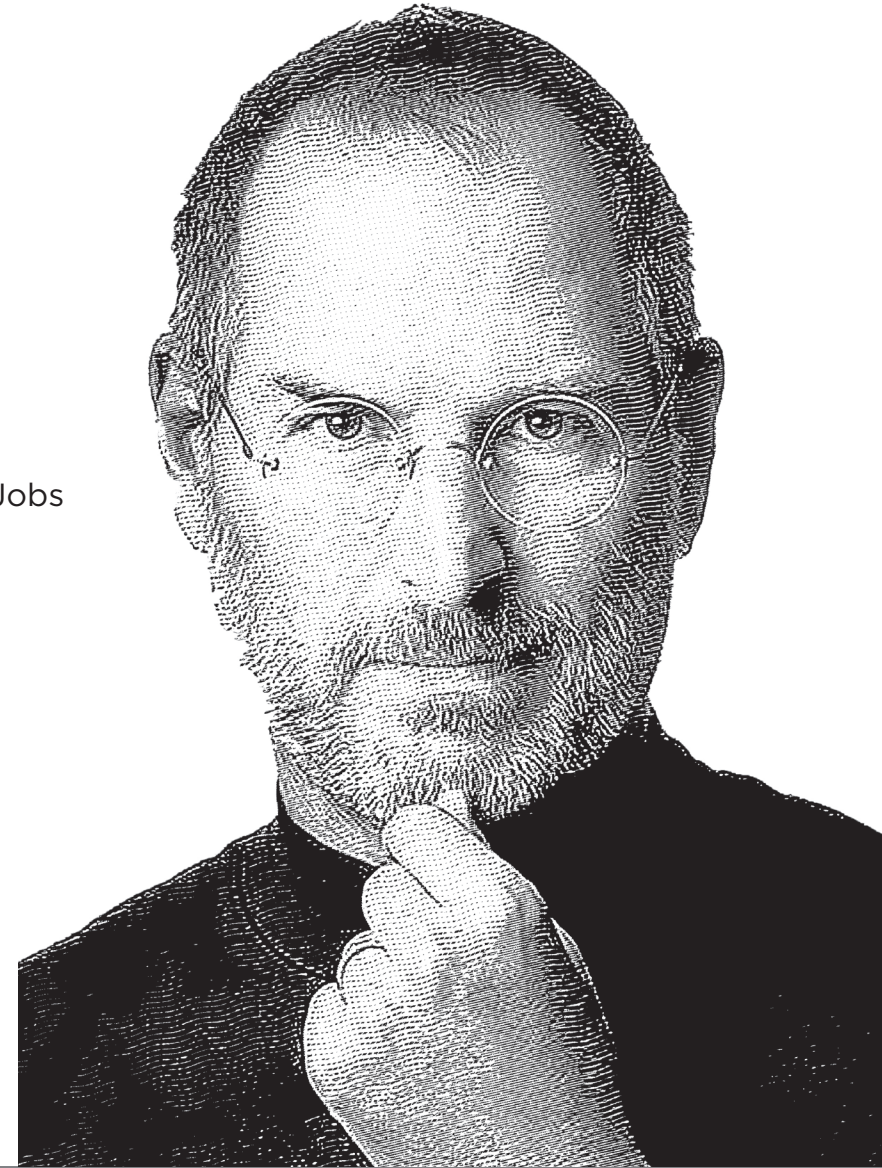
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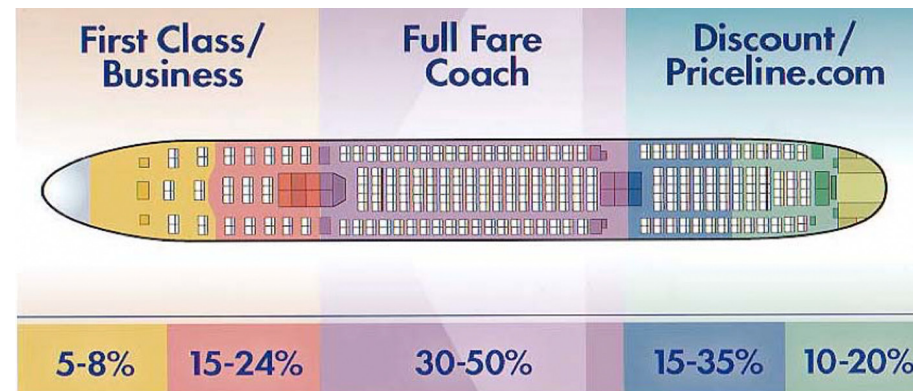
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I would rather gamble on our vision
than make a “Me Too” product - Steve Jobs



Total Quality Service and Value Pricing

Adaptive Capacity Model



When United Airlines places a Boeing 777 in service, it adds a certain capacity to its fleet. However, it goes one step further, by dividing up that marginal capacity into five segments:

1. First class (5 to 8 percent)
2. Business class (15 to 24 percent)
3. Full fare coach (30 to 50 percent)
4. Coach (15 to 35 percent)
5. Discount/Priceline.com (10 to 20 percent)



Total Quality Service and Value Pricing

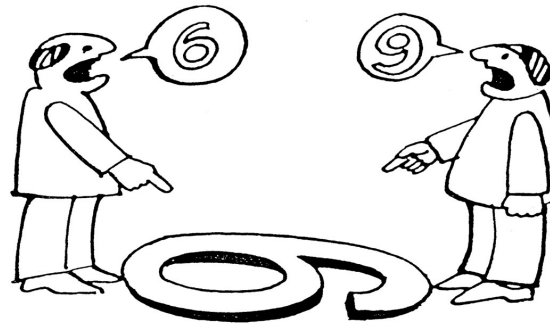
Firm of the Past, Today, & Tomorrow

Firm of the Past	=	Labor Based
Rates x Hours	=	Revenue (internally focused)
Firm of Today	=	Value based
Price - Costs	=	Profits (externally focused)
Firm of Tomorrow	=	Subscriptions
Relationships	=	Profits

Value is Relationship Access



All Value is Subjective

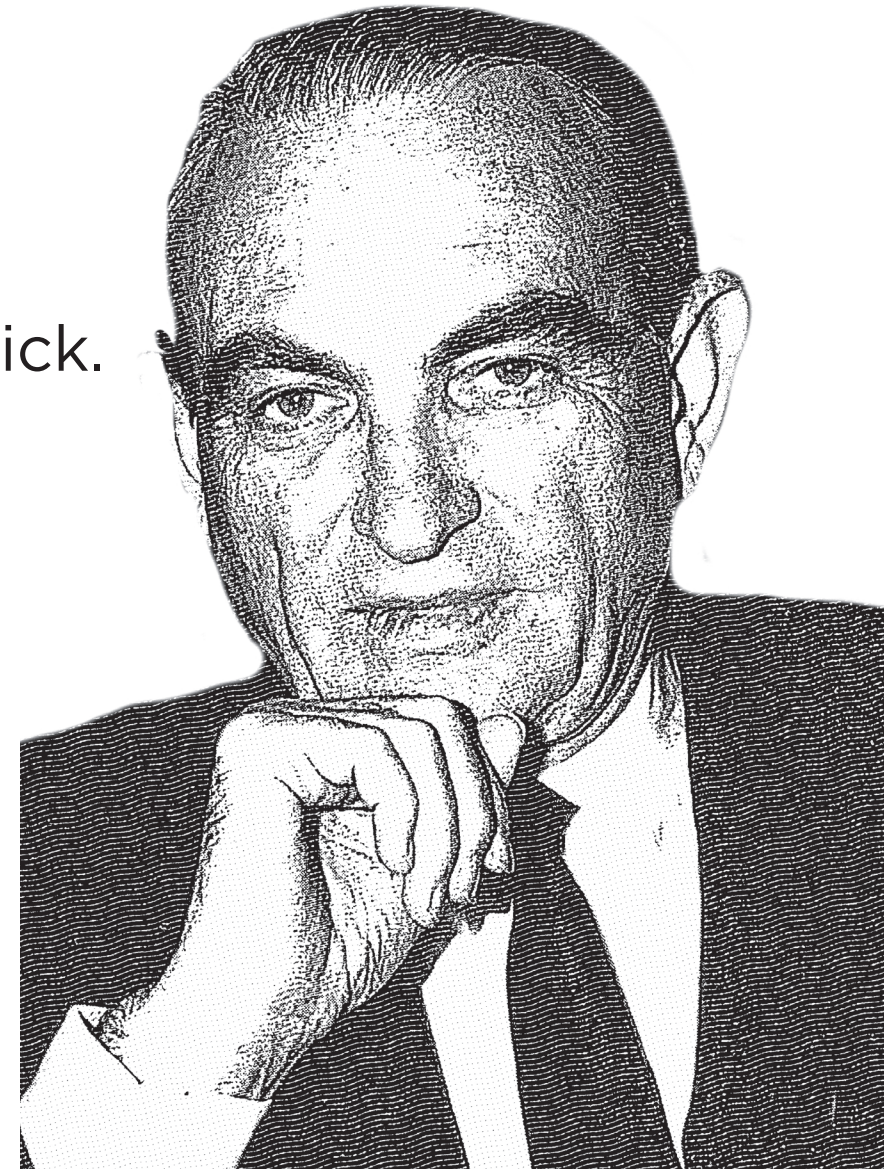


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“When it leaves the factory, it’s lipstick.
But when it crosses the counter
in the department store, it’s hope.”

- Charles Revson



Charles Revson

An American businessman and philanthropist. He was best known as a pioneering cosmetics industry executive who created and managed Revlon, through five decades.

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CPA, CGMA, TEP



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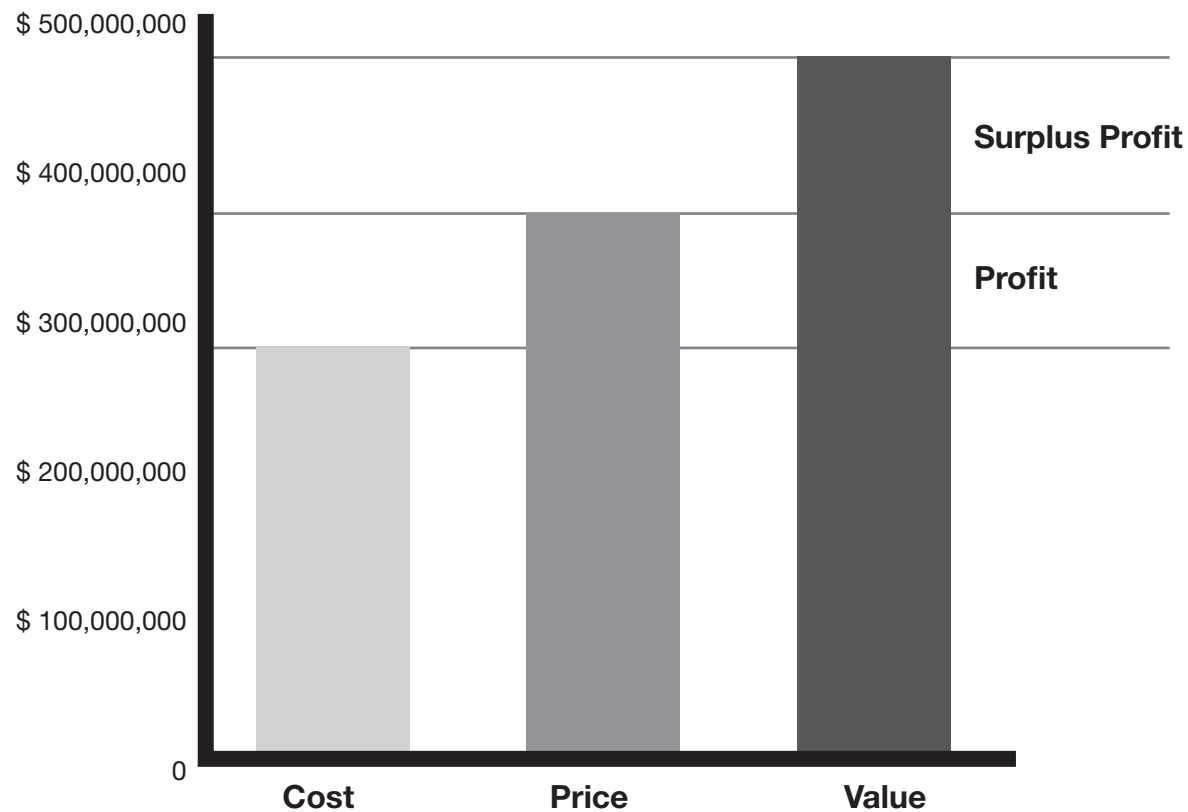
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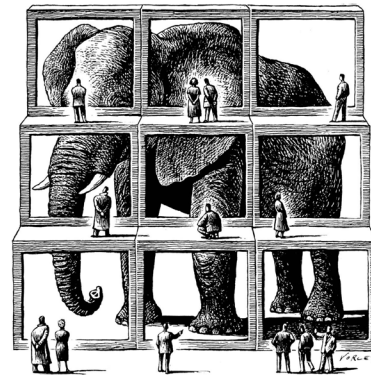
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Your Profit vs Customer Profit



Prices are Contextual



Prices are Contextual

Relative vs. Absolute Price

	Expensive Date	Cheap Date
Couple w/o Children	Dinner + Concert = \$150.00	Dinner + Movie = \$75.00
	2 : 1	
Couple w/ Children	Babysitter = \$150.00 + \$50	Babysitter = \$75.00 + \$50
	1.6 : 1	



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Prices are Contextual

The 5 C's of Value

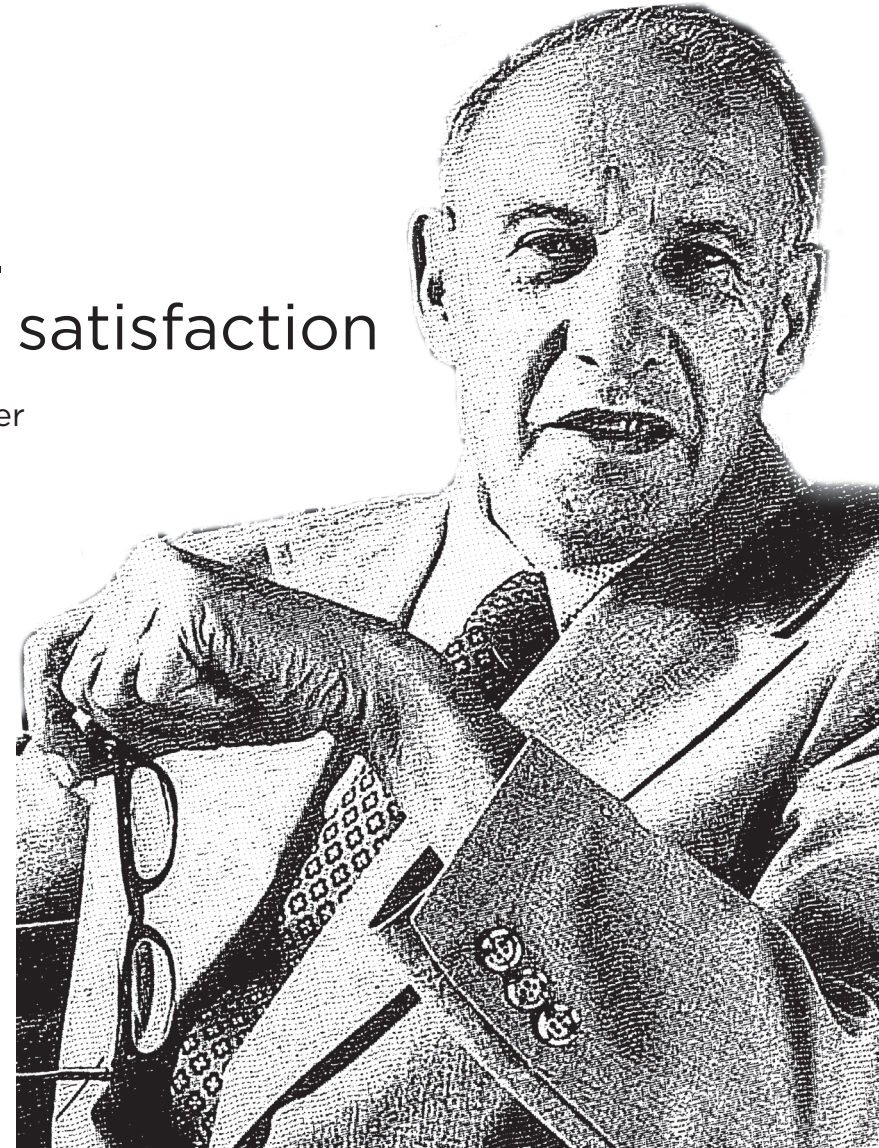
- 1 Comprehend**
What is it worth if you perform your duty, if you deliver a great result; what's it worth to them?
- 2 Create**
You actually have to be able to Walk-the-Talk; you can't advocate The Art of War but shy from Battle. So you have to create that value.
- 3 Communicate**
You have to communicate that value. You have to be able to demonstrate to the customer and communicate that you've created value.
- 4 Convince**
Get your Customer to commit. They have to pay for that value that they have to pay full price or the best price possible for the value, and, then absolutely at the end of the day you have to capture that value with actually exercising that price.
- 5 Capture**
Then absolutely at the end of the day you have to capture that value with actually exercising that price.



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The customer never buys a product.
By definition the customer buys the satisfaction
of a “want”. He buys “value.” - Peter Drucker



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Value Misfits “Bad Customers Drive Out Good Customers”

- Baker's Law, Ron Baker, Verasage



Are You a Commodity?

“There is no such thing as a commodity.
All goods and services are differentiable.”

- Theodore Levitt



Theodore Levitt was an American economist and a professor at the Harvard Business School.



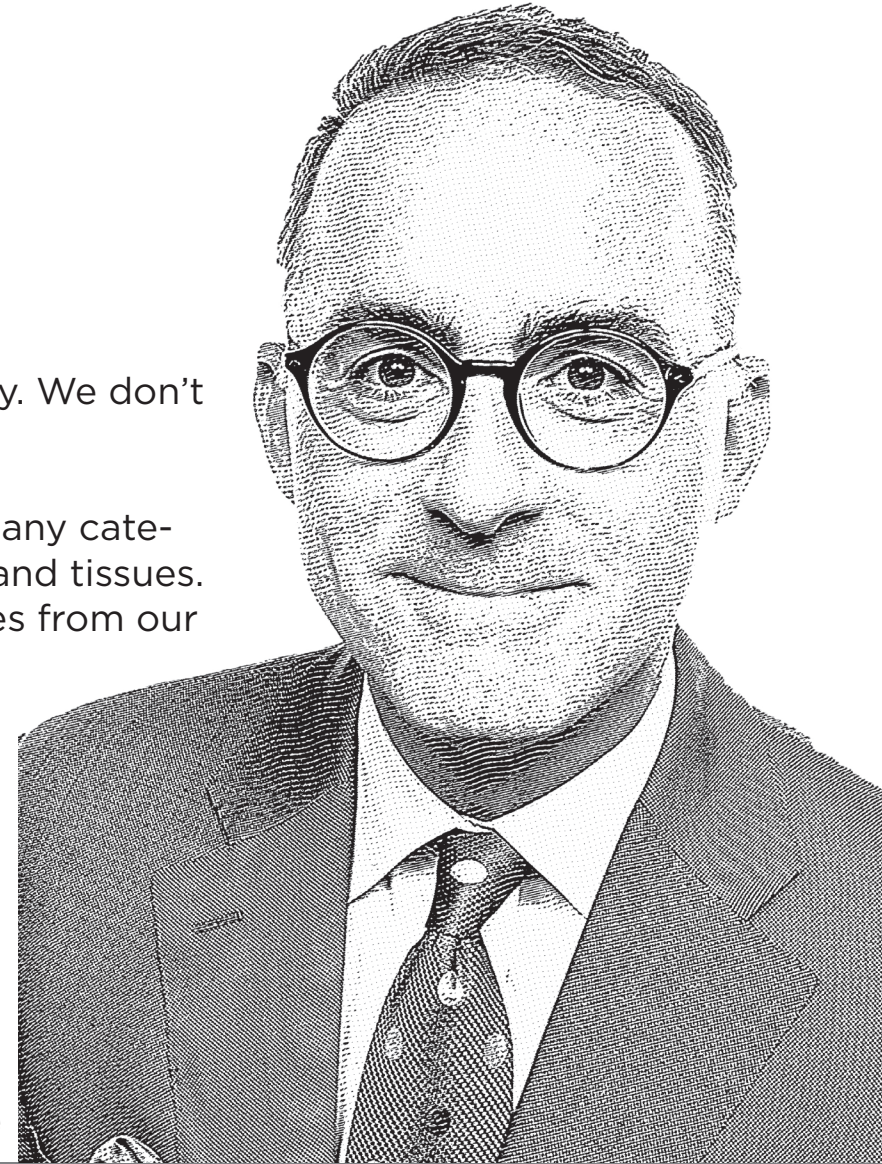
Are You a Commodity?

"I hate it when someone says they're in a commodity category. We don't accept that there are any commodity categories.

We are growing Charmin and Bounty very well and if there is any category that people could say is a commodity, it's paper towels and tissues. We have developed tremendous equities, tremendous loyalties from our consumers. So, no, I think that is a cop-out.

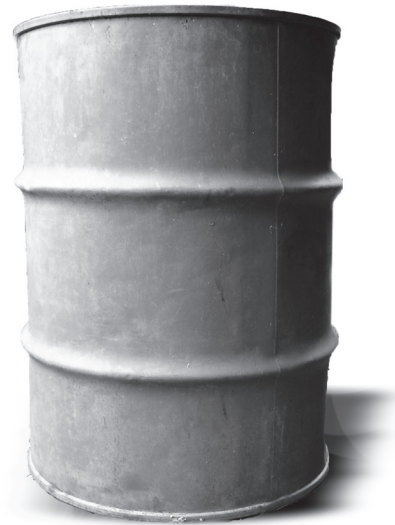
That is bad marketing and an excuse. We are not in any commodity categories." - Jim Stengel

Jim Stengel
former Global Marketing Officer, Procter & Gamble



Are You a Commodity?

**Why Total Quality Service Matters
There's No Such Thing as a Commodity!**



Are You a Commodity?

Why Total Quality Service Matters

The Customer Experience

The sum total of all interactions a person has with a company
(Moments of Truth = MOTs).



Are You a Commodity?

Why Total Quality Service Matters

Who Is Our Competition?

We compete against any organization that has the capability of increasing our customer's expectations



Are You a Commodity?

Why Total Quality Service Matters

Results from a Excellent Customer Experience

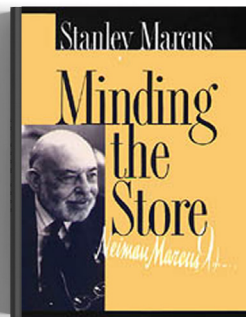
- Willingness to buy more
- Reluctance to switch suppliers
- Likelihood to recommend
- Willingness to pay a price premium



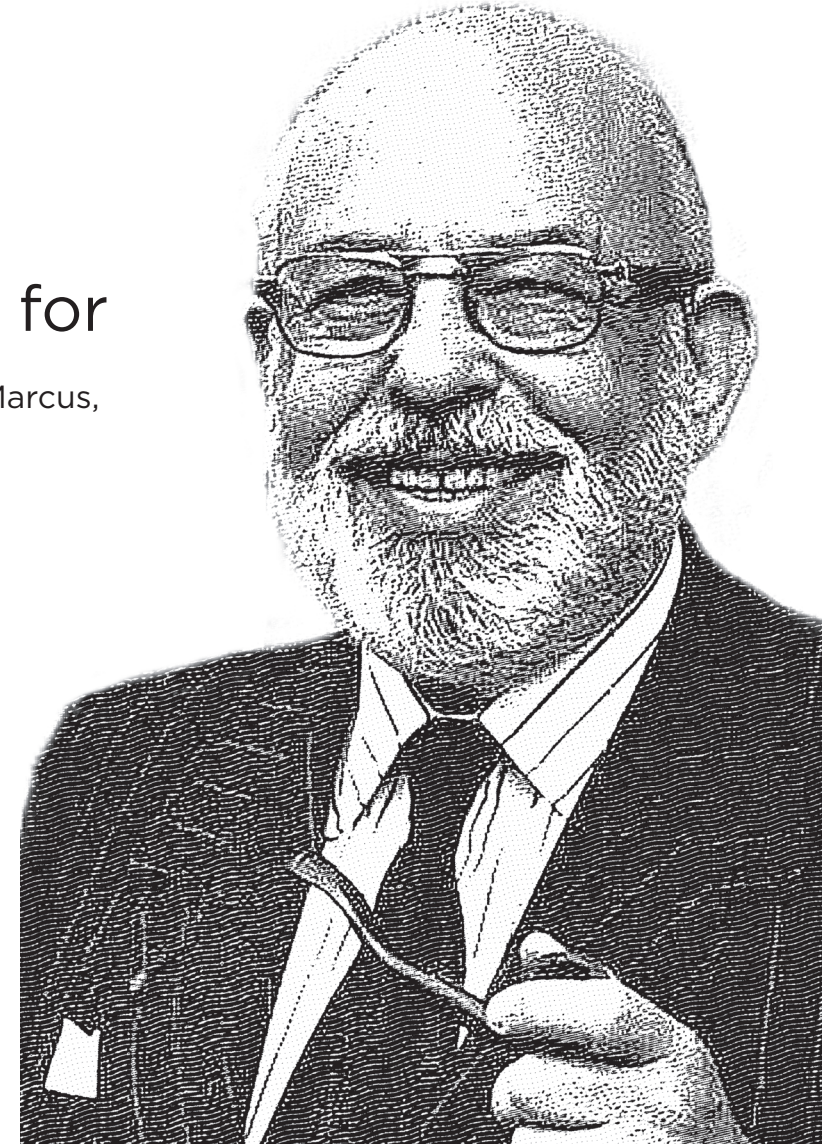
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“There is NEVER a good sale for Neiman Marcus unless it's a good buy for the customer.” - Herbert Marcus, advice to his son, Stanley Marcus, upon his arrival to work at Neiman Marcus, 1926



Harold Stanley Marcus
president and later chairman of the board of the luxury retailer Neiman Marcus in Dallas, Texas, which his father and aunt had founded in 1907.



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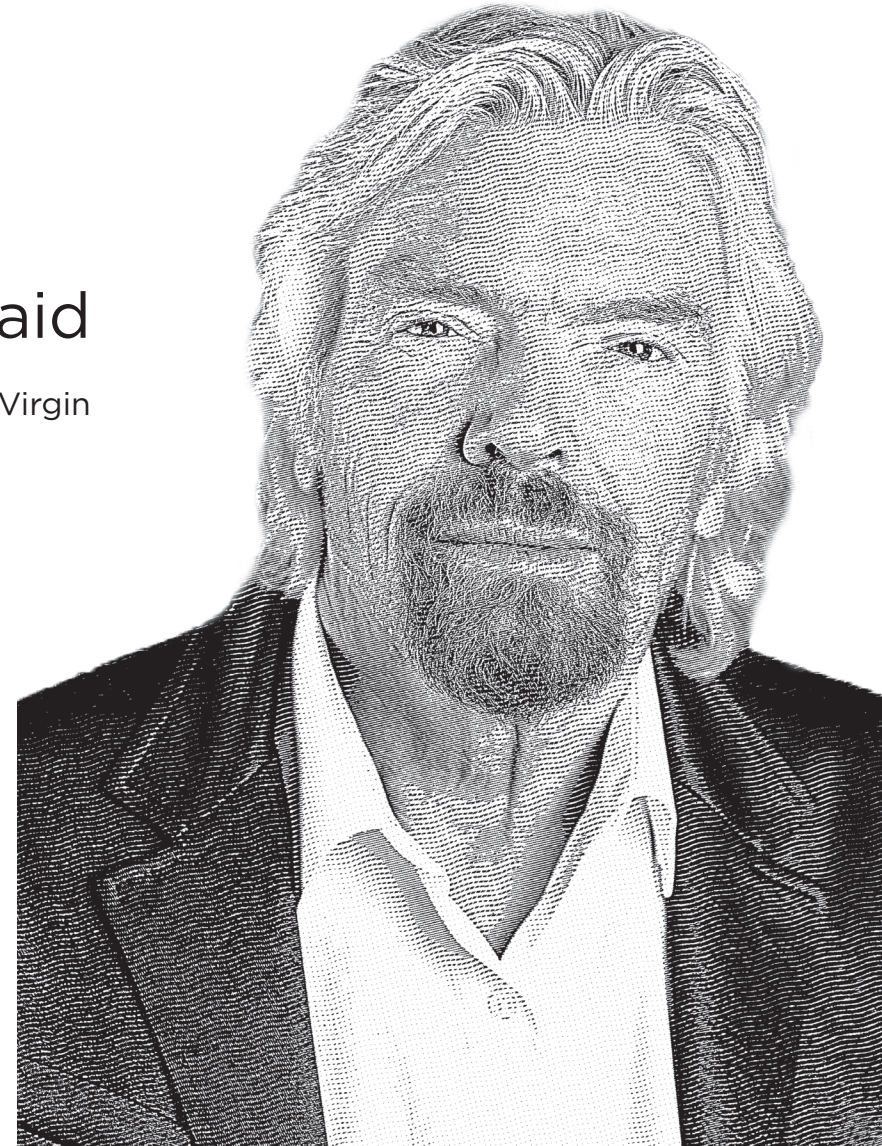
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“Tell me ten things you never hear said
about this industry?” - Richard Branson, Founder, Virgin



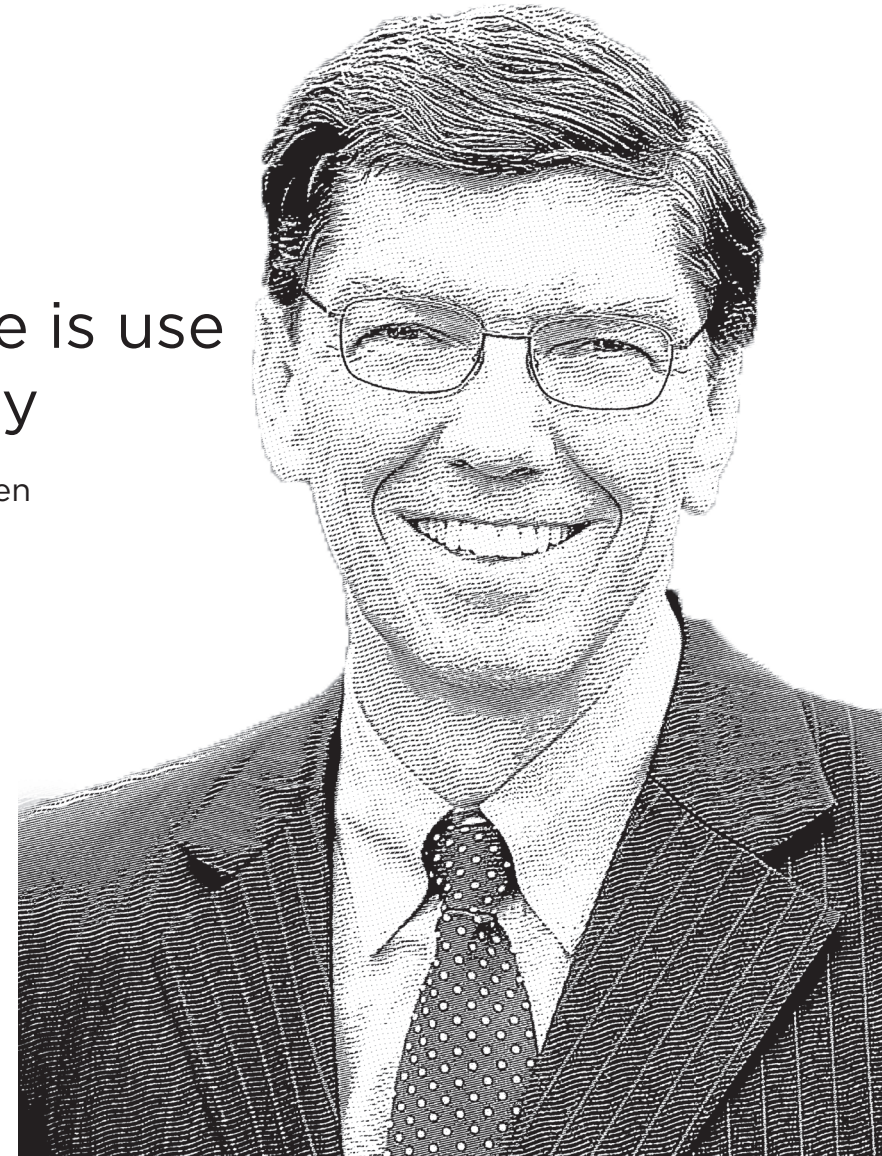
Are You a Commodity?

Why Total Quality Service Matters

Why?



“The only way to look into the future is use theories since conclusive data is only available about the past.” - Clayton Christensen



Clayton Christensen,
an American academic and business consultant who developed the theory of “disruptive innovation”, first introduced in his 1997 book *The Innovator's Dilemma*, which has been called the most influential business idea of the early 21st century



Subscription Model

Subscription model: Prices the **Relationship** and the **Portfolio**

- Hourly billing: Prices the **Inputs**
- Fixed fee: Prices the **Outputs**
- Value Pricing 1.0: Prices the **Customer**



“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

Anne Janzer,
An author, marketer, and writing coach. As a professional writer, she has worked with more than one hundred technology companies. She offers workshops on writing for marketers and others who communicate about technical topics.



McKinsey Says...

**Subscription eCommerce market has grown by more than 350% a year
for the past 7.5 years**

McKinsey
& Company



McKinsey Says...

Predictable Revenue

- 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

McKinsey
& Company



McKinsey Says...

Predictable Revenue

- 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)
- Plan cash flow and capacity more effectively
- Break down Silos and mold 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



McKinsey Says...

Predictable Revenue

- Dynamic Cycle Customer Interaction: renew, suspend, upgrade, downgrade, etc.
- 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)
- Paid automatically, less financing, collections costs
- Increased Customer Loyalty
- Recession-Proof your business



Zuora Subscription Impact Report: COVID-19 Edition

- Over 700 Zuora customers, growth rate for February 2019-2020, and March 2020 growth rate
- 53.3% have not seen a significant impact to subscriber acquisition rates
- 22.5% subscription growth rate has accelerated
- 12.8% slowing growth, but still growing
- 11.4% churn outpacing subscriber acquisition rate

Source: Zuora Subscription Impact Report: COVID-19 Edition



Zuora Subscription Impact Report: COVID-19 Edition

Why So Resilient?

1. It's much easier to renew existing customers than chase new revenue
2. Subscription businesses can scale on a dime (fender, the atlantic, 36,000 new subscribers in march 2020)
3. Subscription businesses know their customers
4. Subscription businesses have more levers at their disposal (innovation baked in to model, offer credits, let customers suspend, etc.)

Source: Zuora Subscription Impact Report: COVID-19 Edition



Subscription Model




Porsche Passport Member

“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.”



Subscription Model

Level of Service Offerings in Subscription-Based Practice Models

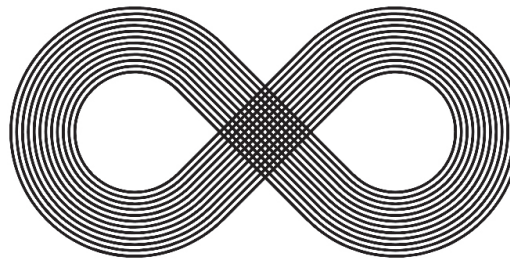
 Preferred Access	 Concierge	 Premium Concierge
Patient Panel: 800–1,200	Patient Panel: 400–800	Patient Panel: 200–400
<ul style="list-style-type: none">» Prioritized same- or next-day appointments» Email consultations and texting» Personalized health assessment, preventive services, and counseling» Online platform to track progress and share data with healthcare team» Extended appointments	<ul style="list-style-type: none">» 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	<ul style="list-style-type: none">» 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



Subscription Model

Why This Matters

If a member retains membership and engagement for a year,
there is a 90% chance that this will be a member for life



Subscription Model

C3 Advisory Innovative Solutions COVID-19 Support

C3 Advisory Innovative Solutions

Covid-19 Support

We are here to help you in this time of chaos with preferred subscription pricing for our current clients, you can subscribe for as long as you need to stay covered and protected.

- **Basic**
 - CPA on Demand: Call us anytime, anywhere, with all your covid-19 questions and concerns.
 - We will help guide you through all of your lending, tax, and compliance needs as well as how to understand the most recent SBA guidelines.
 - **\$125 a month**
- **Premium – Our Most Popular Package**
 - Expand the power of your team in this time of need.
 - **All services from Basic plus:**
 - Consult with our in-house legal counsel to address all your potential legal issues, from unemployment claims and paid family leave, to lease and debt negotiations.
 - Get the benefit of an experienced financial advisor on demand for expanded oversight and guidance with everything that affects your life financially, personal or professional.
 - **\$200 a month**
- **Strategic**
 - Our premium package: a full suite of team members and experts working to craft a bespoke, family-office-style solution for your needs with the highest degree of specificity and acuity possible to support you through the challenges of this unpredictable time.
 - **All services from premium, plus:**
 - Weekly meetings to review your business' progress and direction and address all of your issues and concerns. Get all the experts you need working for you every single week.
 - **\$500 a month**

Additional prices for work outside the above description will only be charged based on a fixed price agreement approved by you in advance before our work is commenced. Your subscription package will automatically renew unless you request it to stop. At six months, we will confirm that you want to continue.

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Where Do Profits Come From?

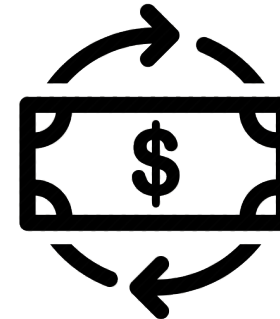
Three Factors of Production



Land
Rents



Labor
Wages



Capital
Interest



Risk

Generating New Profits Could be Risking a New Future

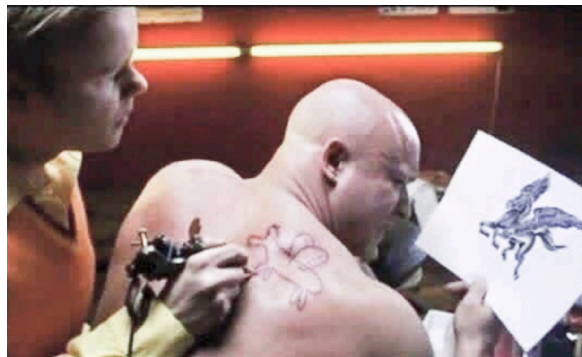


Risk

There's Always Someone Willing to do it Cheaper

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.



Risk

Traditional vs. Subscription P&L

Traditional	\$	Subscription Economy	\$
Net Sales	100	Annual Recurring Revenue	100
Cost Of Goods Sold	(40)	Churn	(10)
Gross Income	60	Net Annual Recurring Revenue	90
Sale And Marketing	(20)	Recurring Costs	
Reasearch And Development	(20)	Cost Of Goods Sold	(20)
General And Administrative	(10)	General And Administrative	(10)
Net Income	\$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



Reference Materials

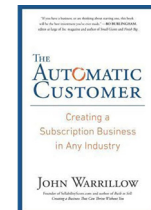
Study Success for Success Leaves Clues

Suggested Reading:



- **Subscribed**, Tien Tzuo, founder of Zuora

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



- **Subscription Marketing**, Anne Janzer, 2017

- **Subscription Economy Index**: www.Zuora.com

zuora



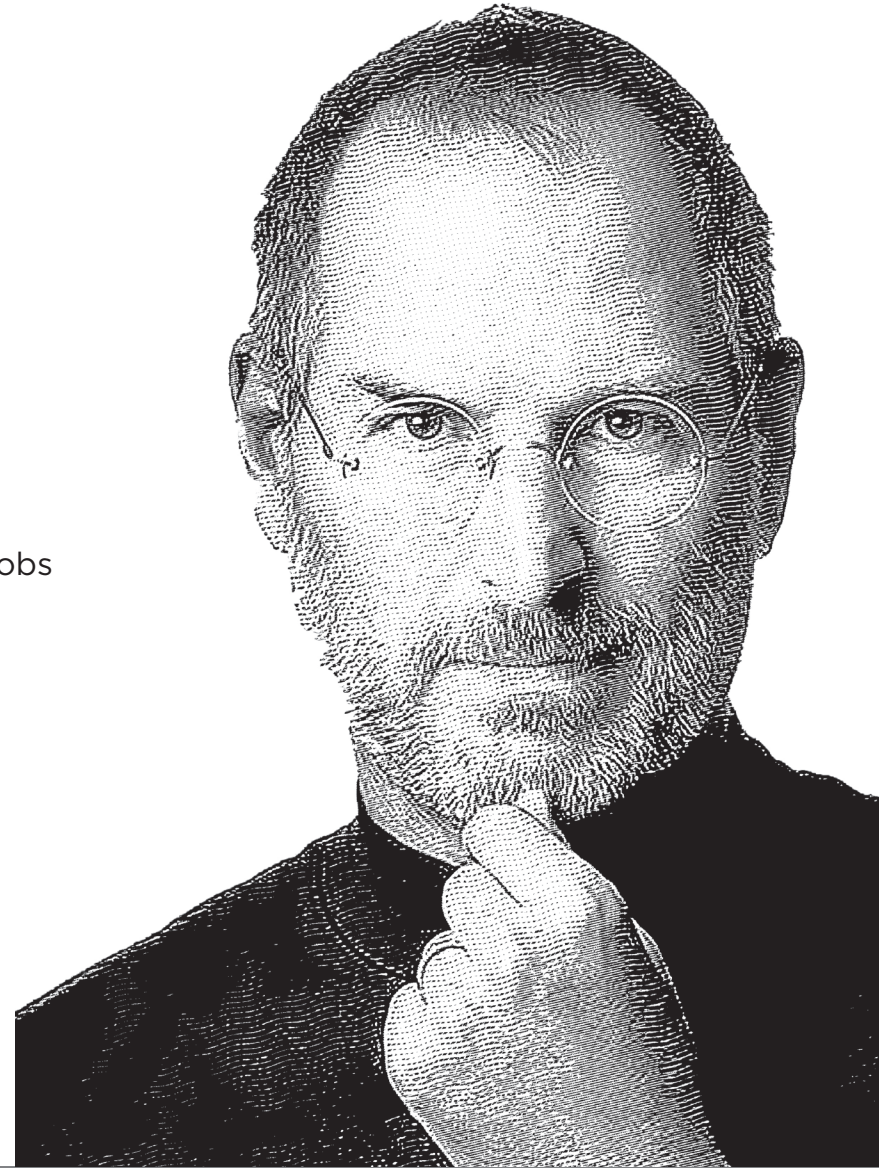
- **Tomorrow 3.0**, Michael C. Munger



“It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do.” - Steve Jobs



Think different.™



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Ultimately: One Ever Changing World

As our world shrinks, our cultures merge,
our beliefs blend, there may be nowhere to hide.

We at Morris + D'Angelo know
The Firms of the future help their Customers sleep at night.

Daniel Morris
CPA, CGMA, TEP



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Thank You!



Additional Reference and Reading material from Verasage

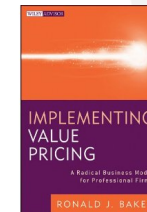
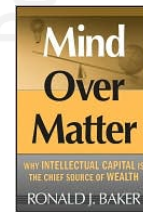
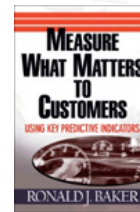
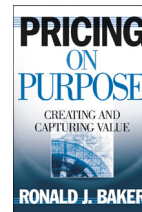
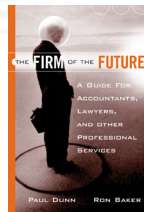





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