The Access Economy and the Future of Innovation

by Christian Crews

The advancement of smart connected products and more universal connectivity indicates a shift from the Experience Economy into the Access Economy. This has significant impacts on what and how companies must innovate to create value for customers. Does your company have the foresight and ideation engine to anticipate and fill your research and development pipeline, along with the structure, technology and know-how to execute?

Throughout history, people and organizations have used technology to avoid commoditization, create long-term gains in productivity, and drive value for themselves or their customers. Farming technologies such as the heavy plow, fabrication technologies such as the spinning wheel and the assembly line, delivery technologies like the shipping container, and information technologies like the internet, have driven us through economies based on **Agriculture**, **Manufacturing**, **Services**, and most recently, **Experiences**.

As a futurist, my job is to help companies look ahead to discover what customer needs will be in the future, and what innovation capabilities companies must have to fulfill those needs. The natural question is what comes *after* the Experience Economy, and is it necessary to start thinking and planning for another evolution of economic value creation?

Defining the Access Economy

Ubiquitous and mobile connectivity is the next technology to create another shift in the basis of economic value: the **Access Economy**. When smart connected products are mated to big data from social media, the primary source of economic value will be generated from providing instant, on-demand access to what people need at the time, without requiring them to own anything involved in creating that experience. Consumers will pay a per-use or subscription fee to access a product rather than having to own it, store it, care for it, or replace it when it becomes obsolete.

Early examples include Zipcar, music and video streaming services, and the growth of neighborhood tool libraries. One example, TechShop, charges monthly membership fees in return for on-demand access to expensive manufacturing and design equipment such as 3D printers and high capacity water drills that were previously out of reach for individual fabricators.

As more products become connected and communicate to the Internet, new Access Economy models will pop up that combine pay-per-use or subscriptions with the ability of one-hour delivery for online orders. Imagine paying a monthly fee to The Home Depot for access to yard equipment, or paying a one-time fee for dog grooming tools delivered in an hour by drone or automated vehicle. The combination of smart connected products and big data makes almost every industry open to Access Economy business models.

Seven Key Elements of the Access Economy

The Access Economy requires major changes to how companies will create value for customers and shareholders, and therefore how they will innovate to compete. Here are the seven key elements of the Access Economy.

- **Pay for Access, Not Ownership**
  We own things to guarantee the ability to have the experiences we want when we want them – a fast car to drive down a winding road, a drill to hang a shelf, or a classic movie to watch in your home. But most of the things we own spend a lot of time not being used. Goldman Sachs has called the car the most under-utilized asset in the world because it spends 94% of its time sitting in the driveway or parking spot. DVD movies spend years on the shelf between viewings. Your kitchen mixer or home improvement power tools suffer the same fate. Just as Uber has displaced some car ownership in metro areas with simple and dependable cost-per-ride service, new companies will pop up to offer similar payment models for access to many things you buy but use infrequently. The Access Economy allows the same level of access without the need to own the product or service that enables our experience. So more things will be rented, and fewer things will be owned.
- **Built to Last**
  Things that are used will need to be built to last. Instead of being used by one owner once or twice a day, many consumers will use that same thing throughout the day. In the short term that will mean less things will be bought, putting an emphasis on things and services that can last as long as possible. Many durable goods companies may be hitting the panic button now, since they are built on scale and volume. Value in the future will be derived from “sweating the asset” that is shared and charging for access.
- **Increased Utilization**
  While the number of owned things will drop, the utilization of those things will skyrocket. This means that things will wear out faster, and will need to be replaced sooner. This offers hope for manufacturers and may even grow the pool of users and increase production needs. If on-demand automated vehicles become a reality, they will bring whole new classes of users to the car model, such as children, the elderly, the blind, and many current public transportation users. These new users will increase the total miles driven by

cars per year. Ease of access can grow the size of your market.

- **Smart Connected Products**
  Products and services will be invisible in the Access Economy if they are not connected – both to sense and convey information about their environment and use, and to receive instructions and upgrades to provide access to experiences consumers are looking for. Things that do not sense and connect, will not be shown on smartphones, web services or Augmented Reality, or included in Access Economy applications.
- **Over-the-Air Upgrades**
  Because manufactured goods will be utilized for longer and to enable experiences, a key component of value will be their ability to be updated with software that helps them do new things, do old things better, or change the experience or business model the thing is being used for. A smart watch can be updated with new apps that continually keep the device current with new services or experiences, such as new ways to pay, fly a drone, or be productive at work.
- **Ambient Intelligence**
  When public and private spaces, people, and things are connected, they share and aggregate information that can be used to create intelligent and anticipatory experiences for customers. An online order of baking supplies may be accompanied by the delivery of a kitchen mixer, or your morning breakfast order may be automatically made fresh for pickup based on the speed of your commute.
- **Analytics Across Domains**
  To get value from ambient intelligence, companies must be able to crunch an enormous amount of data from varied sources, which could include current location of consumers, their normal routines, calendars, buying habits, usage data, payment information, height and weight or taste preferences. All of that consumer data and more will need to be cross-referenced with environmental information like traffic patterns and weather forecasts, as well as data from the product itself including usage patterns, diagnostic information and repair needs. Once gathered, predictive analytics can derive meaningful and actionable knowledge from a range of structured and unstructured data.

How to Innovate for the Access Economy

The Access Economy has big implications for R&D at most companies. Digital innovation will matter for makers of cereal, big data will drive redesigns of medical devices, and new business models will change the game for information services, banking, and entertainment.

To prepare, set up an internal team tasked with finding ways to disrupt your current business with an Access Economy model five years from now. More than likely, the team will find several ways your company (or new entrants) can deliver access - not ownership - and change the nature of competition in your industry.

Look at those Access Economy innovations and ask the following types of questions:

- **Is your R&D function organized to deliver the innovations needed in the Access Economy?** Innovation in the Access Economy requires product designers and digital coders working together with data analysts to build products optimized for use with software and sensors.
- **Are supporting technologies such as portfolio management, ideation platforms, and product lifecycle management (PLM) systems ready to cope with a vastly different set of inputs?** PLM systems will need to incorporate changes based on feedback from use of the product in the field, and portfolio management will need to adjust to shifting business models.
- **Do your people have the skills to innovate and build the connected products, services, and experiences that will drive revenue and profit in the Access Economy?** Innovation will require design for redesign, higher sensitivity to consumer trends, and the ability to conceive and build products that work innately with new Access Economy business models.

Looking ahead five to ten years reveals a major shift toward the Access Economy that leaves few industries untouched. Think now about how to participate in this new market to give your company the time to experiment and build the internal capabilities needed to compete.

More Information:

Digital Innovation

Foresight

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