Lucerne University of
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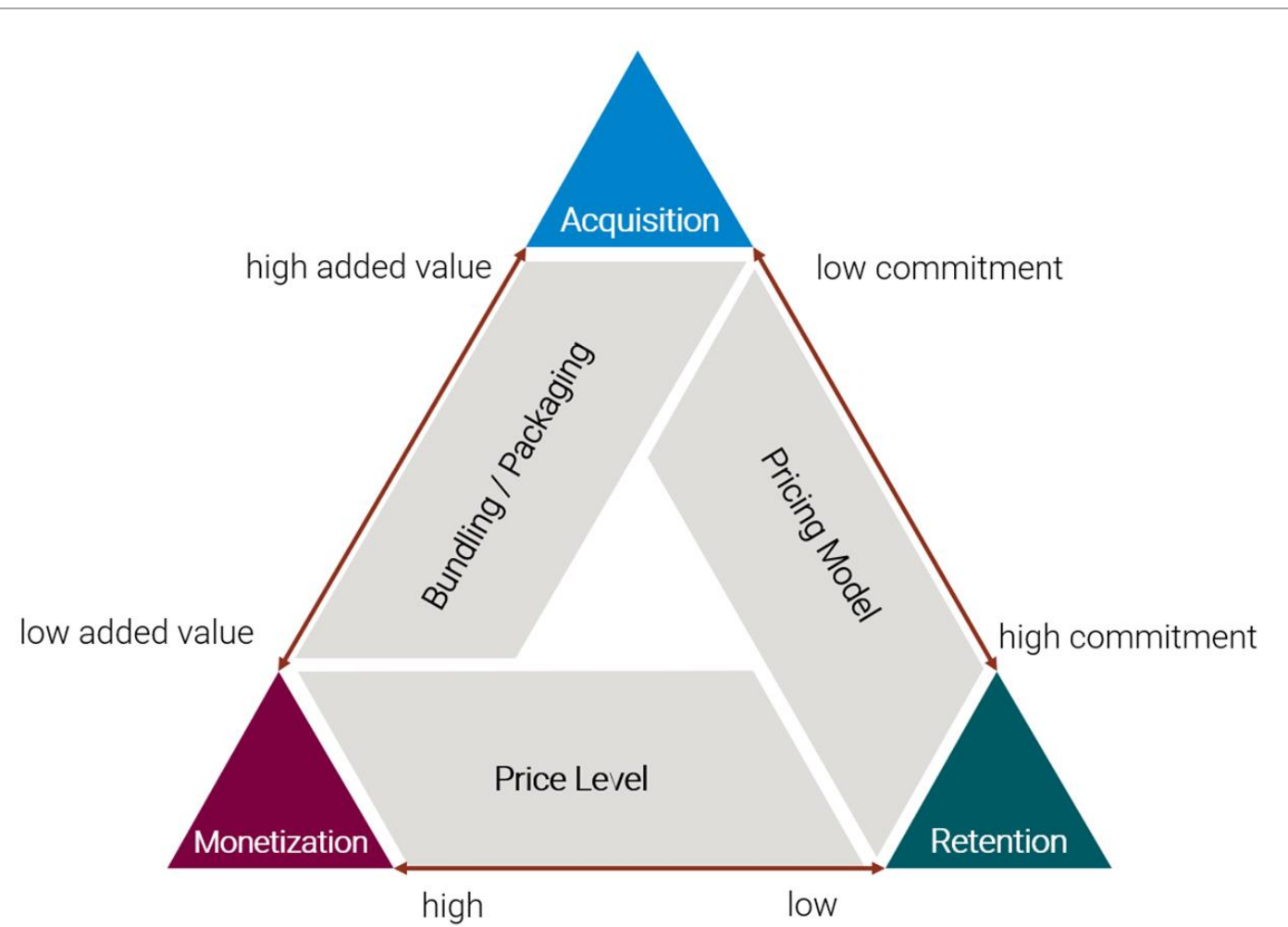MASTER OF SCIENCE
IN ENGINEERING

Master-Thesis Engineering, Business Engineering

Subscription Business Models in the Hearing Aids Industry
## Development of a Pricing Prototype for a Leading Company

Advantages of Subscription Models

Customer's Perspective
- convenience
- reduced complexity in servicing and repair
- low entry barriers
- affordability of otherwise expensive products
- access to latest technology
- personalization and inspiration
- membership benefits

Companies Perspective
- predictable demand and recurring revenue
- longlasting customer relationship
- maximization of customer lifetime value
- strengthened brand recognition
- added revenue stream and increased customer base
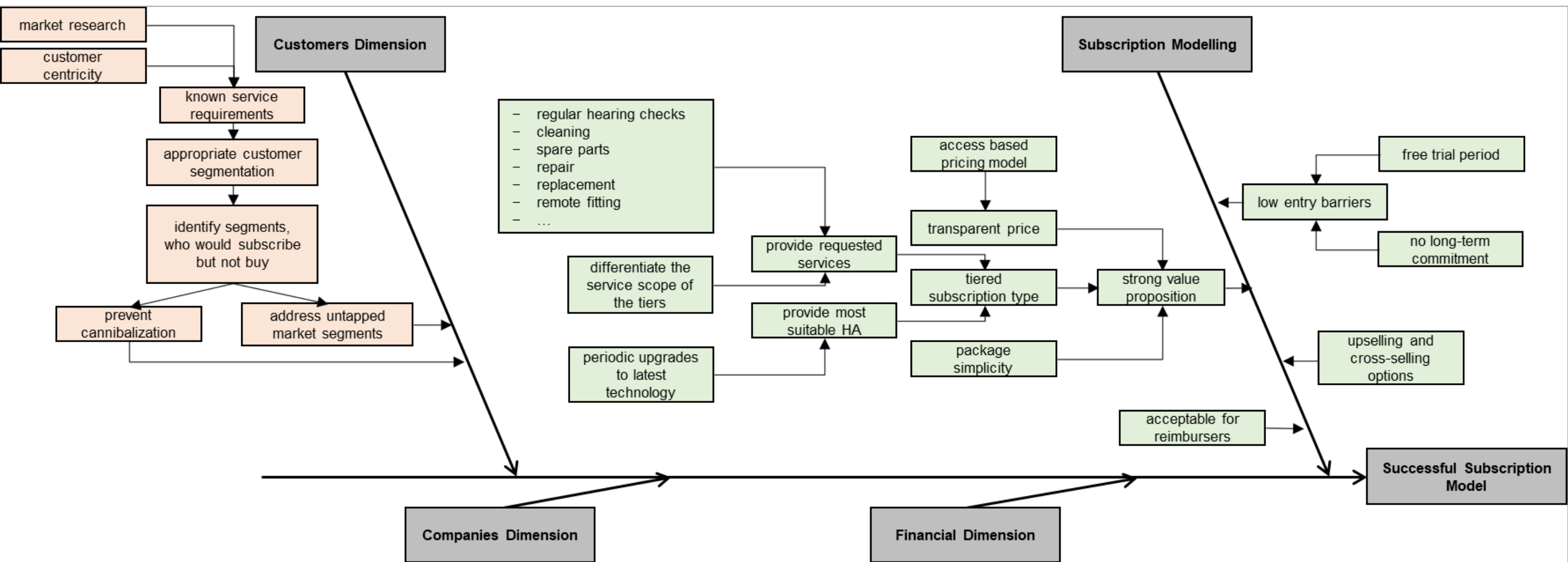
Problem Statement

Subscription business models have become very popular in B2C markets in recent years. They are booming especially in the multimedia- and software industry, leading to very high stock valuations of companies like Netflix or Adobe. The subscription trend has been picked up in the world of physical products as well, with Product-as-a-Service offers.

The aim of this project was to evaluate, if a subscription model can be introduced in hearing aids retail-channels as well and to elaborate recommendations for an industry-leading company.

Solution Concept

The methodical approach incorporates expert interviews with consultants and academic experts, benchmarking within and across industries, an analysis of customer feedback data and a cause-to-effect analysis.

The results show, that by introducing Product-as-a-Service subscriptions, a company can step into untapped markets. Drivers for a successful model are customer centricity, a strong value proposition in the product-service package, setting low entry barriers for customers and a transparent pricing strategy. Common threats are high churn rates and the potential cannibalisation of the existing customer base. While churn can be countered with a suitable retention strategy, cannibalisation is no issue, if the offer targets specific customer segments and the price is set correctly.

Customer feedback data has shown, that especially the price sensitive customers are a promising segment for a subscription model.

Benchmarking reveals, that in the hearing aids industry, competitors' subscription offers have either a long commitment period or do not offer regular product renewals. Therefore, combining regular upgrades with no or low commitment is an innovative approach.

The insights of the data collection are eventually applied to enhance an existing pricing prototype. The main focus is set on offering differentiated service scopes among the subscription options and to target the options to specific customer segments.

Clemens Jauch

Betreuer:
Prof. Dr. Sascha Götte
Tobias Pforr