

SUBSCRIPTION ENTREPRENEUR



HOSTED BY ERIC TURNNESSEN, FOUNDER OF [membermouse™](#)

EP 145: The Cure For Subscription Fatigue with Mike Morrison

"Without doubt, I'm of the strong opinion that subscription fatigue is the biggest threat facing online memberships in the coming years. It was inevitable, the rise of the online membership world, the proliferation of subscriptions as the preferred payment model. Overall, it comes down to making sure your membership is essential and not expendable. Are you a painkiller? Or are you a vitamin? Are you a must have? Or a nice to have?"

INTRO:

Has there ever been a moment when you're up late working on your online business, with a dozen plus tabs open in your browser, about ready to bang your head against your keyboard because what you're trying to do just isn't working?

As you flip back and forth between a YouTube video with spotty audio and that outdated blog post from 2016, you think to yourself... "I just wish I could talk with a real human being who gets what I'm going through right now..."

In that moment, imagine that a true expert in your space sent you a text asking if you were free to meet up for coffee. What would you do? Would you politely decline and keep scouring the internet for solutions...? Or would you grab your laptop and run out the door as fast as you could, ready to pick the brain of quite possibly the only person who could help you at that moment?

I know what I'd do!

And if your problem has anything to do with an online membership or subscription business, this moment can feel doubly intense. Finding clear answers and practical advice in our little corner of the internet can be downright excruciating at times.

So if you've ever felt this way, I have a feeling you're going to love meeting Mike Morrison, my special guest on today's episode of the podcast.

Mike is a true membership expert and the co-founder of The Membership Guys. Over the years, he's helped thousands of experts, influencers, and entrepreneurs build sustainable online businesses using the membership model.

In our conversation, we investigate important topics like how to safeguard your business against subscription fatigue, membership pricing strategies, and much more.

So, if you've ever wanted to pick the brain of a membership expert, this episode is for you.

As always, I'm your host Eric Turnnessen and this is Episode 145 of The Subscription Entrepreneur Podcast.

Eric: Welcome to the show, Mike.

Mike: Hey, thanks for having me on. I'm excited to talk memberships and that whole online subscription world.

Eric: Yeah. Well, I'm so happy to have you on. You have been a part of my world for a number of years, you run the site, The Membership Guys. And it's a great resource for people. We've pointed a lot of customers your way just to access your training. So, I really appreciate you offering the things that you're offering over there.

Mike: Hey, thanks. It's not a crazy thing, when you run an online business, you forget that there's people on the other end of what you do sometimes. It always takes me by surprise a little when someone kind of says, "Yeah. I like your stuff. I refer people to your stuff." But it's always very much appreciated, so thanks for that.

Eric: Speaking of your stuff, can you give us a little bit of background of what you do and who you are for our listeners benefit?

Mike: Yeah, sure. So, I'm one half of The Membership Guys. We teach influencers and experts how to start and grow successful membership sites. So, when I say we, it's myself and the other half of The Membership Guys, many would say the better half, including her, my partner, Kelly Willows. We do our thing via free content, free resources that we share on our blog, on our podcast, as well as inside our own membership site about membership sites, because we like to keep the meta, and that's The Membership Academy.

And we originally kind of run a digital marketing agency for around a decade or so. And through that, we were directly involved in a lot of successful membership sites, a lot of successful eLearning sites and online communities. Originally, they weren't the only types of jobs we worked on. We were the typical all-purpose digital marketing web development agency. But over the years, as we became blessed to be successful enough and stable enough to get a little more selective about the types of projects we worked on, we just started gravitating more and more towards the membership world, to the point where they ended up being the only type of projects we would take on. We just loved the model and there were also the types of businesses where we were getting people the best results.

We were able to flex our muscles in terms of what we knew we could do for clients. But we were still kind of one-to-one. We were still trading time for money, and we hit that point where we knew we want to help more people than could ever realistically hire us, so we started just trying to do more. So, we start blogging, we started podcasting. And then of course, we opened

up our own membership and now five years on, that's 100% of our business. In fact, it became 100% of our business about six months after we opened the door.

We no longer take on clients. We don't do any coaching, any consultancy. The heart of our business, our entire business is helping people inside our membership. So, we eat, sleep and breathe this stuff just like you guys.

Eric: Now when you made that transition from trading time for money, and go fully into The Membership Guys, were there any challenges in that process? And I ask this on behalf of a lot of people. I know that this is a very common thing. People are doing the contracting work and they get to a point where they want to help more people or for whatever reason, they want to leverage what they're doing more. Can you talk a little bit about that transition?

Mike: Yeah, I think it's important... I always try and point out when I talk about this, about our transition, is that we have that meta thing going on. So, we were starting the membership by memberships but our skill set is in starting and running memberships. So, we had that unfair advantage compared to someone who might be phenomenal at Facebook ads and so they'll create a group membership of Facebook ads but they're not starting a membership because they're great at membership.

So, it was a little easier for us, and we had, again an established business already that allowed us to absorb some of the risks. But I think the biggest thing scariest moment for us was making that commitment, that commitment to say, "We are going to give up revenue from one-to-one clients in order to make this work. We are going to stop taking on new clients in order to give ourselves the time and the mental bandwidth to actually make this project happen."

We found that probably our biggest challenge is just remaining committed and taking the risk of cutting off revenue from our business. So, we set ourselves deadlines. We staggered the process. Our process was we graded our clients A, B and C. It was based on good feel. It was based on who generated the most revenue, who we'd be working with the longest, who we enjoyed working with, who was a breeze to work with and who was a little bit of a pain, who needed more of our time, and also project where we were quite deeply embedded compared to ones where we wouldn't be as missed. So, we graded our clients A, B, and C. And then we put six dates in the diary.

First was the day that we would stop taking on any new C level clients. Second, the day that we stopped working with any existing C level clients, so we'd end any retainers. We did the same for the Bs, we did the same for the As. So, we had this staggered phasing out of client work. And within that, it was kind of smooth sailing in transitioning out that work and the revenue from the membership, because we were able to spend more and more time in it kind of stopped balancing things out.

We hit a point where we realized that there were people where they'd signed on to start a project months beforehand. They paid substantial deposits, but they just hadn't gotten

everything together to start the job. They kept delaying the job and so we reached the point where we had to give them their money back. We had to give back just over \$50,000 worth of deposits on a couple of big projects where they just hadn't got things started at their end to the agreed timeframe. And we kind of told them repeatedly, "We need to start by this date. Otherwise, we just can't do it."

We had to give back \$50,000 and that was kind of squeaky bum time as we say, here in the UK. That was scary because... It's not an insignificant amount of money. And that was the real litmus test for us as to how committed we were. But we just had to take that chance and not risk that it would be a good decision and as it turned out, it was.

Eric: Thank you for sharing that, the way that you approached. It seems like a really good way to do it. I agree, and so many things, commitment is the primary ingredient for success. Now, something that I think would be really interesting to talk to you about is this new phenomenon of subscription fatigue. Speaking from my own experience, memberships and subscriptions were much less common back when I started MemberMouse 10 years ago. And they've slowly increased in popularity over the years but it really seems like in the past 12 to 18 months, we've witnessed a true explosion of memberships and subscription options and now everything seems to be a subscription from things like Netflix, Hulu, Disney+, razor blades, Beauty Box subscriptions, gym, fitness, etc., etc., etc.

And it seems like everyone has caught on to the benefits of recurring revenue, but as I mentioned before, this is leading into something new called subscription fatigue. So, let's dive into this a bit. First of all, how do you view this newly emerging phenomenon in the marketplace?

Mike: Yeah, without doubt, I'm of the strong opinion that subscription fatigue is the biggest threat facing online memberships in the coming years. It was inevitable, the rise of the online membership world, the proliferation of subscriptions as the preferred payment model. So, for a long time, you had software companies in particular, that started offering a subscription option, but it was very clear from their marketing that that wasn't the choice they wanted you to make. They wanted you to pay \$500 to download Adobe or download Microsoft Office and they had the subscription as a kind of backup option. I think the point where that switched to being preferred.

All of this is great, particularly for online memberships, where you're predominantly selling content where there's been resistance within the market. I think the more online memberships and online subscriptions are normalized, the better we're all going to do. But there is the downside. And I think too many people are talking about how great this explosion is and not enough people are seeing this iceberg ahead of subscription fatigue, because from a consumer perspective, the more choice there is, the more subscriptions they're juggling, the more overwhelmed, confused, frustrated they are going to become by how many subscriptions they're working with.

They're going to draw a line in the sand, where when they reach a certain threshold of monthly subscriptions, they're going to hit that point where they've had enough. They're going to become more discerning about what they're paying for, their standards are going to be higher, they're going to be more frequently assessing what they're paying for. Also, if you're one of 10, different online memberships that someone's paying for, and it's all just homogenous in terms of what's being offered, then you're not going to stand out in any way. Whereas right now, you might be the only piano membership in the world.

Fast forward, as this model becomes bigger and bigger, especially obviously, we're talking at a time of crisis where people are pivoting their business and they're probably more open to exploring the online options, you're going to become one of many. And so, it's going to be harder and harder to stand out. So, I think subscription fatigue is the hot button area that I think online membership should be getting ahead of right now.

Eric: My mind while I was listening to talk and thinking about it is, I kind of feel like there's possibly a difference between industries. So, for example, software as a service products. I don't think that is as big an issue as information products. For information products, not only are you competing with other subscriptions, doing the same thing as you, but you're also competing with YouTube and free training materials and stuff like that. Would you agree with that assessment?

Mike: To an extent, absolutely. The question of, "Why should I pay for this, when I could do this instead?" If you're not willing to pay for accounting software, then the alternative, it's pretty contrasting to offer an alternative. If you're not willing to pay for graphic design software, video editing software, then the alternative, you can't edit a video without the software whereas if you're joining a membership to learn how to sing with a piano, play a piano, then the alternative, well, you can get the same kind of thing elsewhere. It might not be as good, won't be as well organized, might involve a little more hassle on your part to navigate and to figure out how to piece all the pieces together. But there's not as big a contrast when you're just selling information.

At the same time though, I mentioned before that word normalization. I do think there's already that resistance. Before memberships start blowing up, there was already that resistance to paying for premium content. Because the idea of paying for premium content to a lot of people was uncommon online. Especially, I think there's within the general consumer base, there's a greater expectation that content online is free. If anything on the internet should be free, that's why piracy is so high. That's why... When you've got things like YouTube and you've got millions of podcasts and it's all available for free, the concept of there being some portion of what's online is just content but needs to be paid for was probably a little harder to swallow for a lot of people, whereas I think that's going to change.

I think it'll balance itself out. The more people become accustomed to online subscriptions, to things like Facebook creator programs, to Patreon and stuff like that, the less resistance and the less friction there's going to be for people who are hearing that question, "Why should I pay

when there's stuff on YouTube?" I think that balances out in that area to the people who look at what they're paying for and think, actually, I'll just cancel this and I'll just go on YouTube instead.

Eric: When you see that iceberg, kind of looming in the distance on the horizon, what are some of the things that you're thinking about and maybe suggesting to people in terms of how to navigate their ships so they don't run into that?

Mike: Yeah, I think overall, it comes down to making sure your membership is essential and not expendable. Looking at it entirely unbiasedly and truthfully, to see as it stands, are you a painkiller? Or are you a vitamin? Are you a must have or a nice to have? And I don't think a lot of membership owners think that way or think that critically or honestly about their membership and they don't zoom out enough to get the context about how important realistically their membership is to their subscriber. Because you mentioned before, the software is a service and subscription boxes and all those kind of things, they are in many ways different and the threat posed to them by subscription fatigue is certainly different to online memberships.

But ultimately, it's still money leaving your customers' account. And when they're looking at their bills, and they're looking at their credit card statement. It's a line entry and the number of line entries are going to get more and more and more. So, you need to make it just a no brainer when people are thinking of these 20 or 30 things that I suddenly found myself paying for every month, which ones are safe? That all comes down to making your emotions essential, not expandable. And I think there's some things people can do. I think finding ways to personalize your member experience is going to help. It's far easier for someone to make that decision to leave a membership if they feel no attachment to it.

The more automated your business, your product, your services, the more detached your customers are going to feel. So, when it comes to you potentially facing the chopping block, if someone doesn't feel any sense of loss, any personal connection, and then that decision is going to be easier. You're just going to be an expense, and you cannot be seen as just another expense. So, any way in which you can personalize your member experience is going to help. Looking at whether you can combine subscription products. So, for people who maybe have multiple facets to their business, multiple subscription services. Maybe they have an online membership and they have some software, and they have a product-based subscription, subscription box, could you actually bundle those together?

Amazon Prime, best example of that possible. You're not paying for Amazon Video as a separate thing, you're not paying for Prime Delivery as a separate thing, Amazon Music and all that, you pay one subscription. So, your one line item and it's a line item that just has such immense value, that even if someone is not using everything within that subscription, it'll still be valuable to them. So, looking at something like that, maybe looking at whether you can have multiple membership pricing tiers, because, again, a big part of subscription fatigue is

recognizing the fact that you'll hit an affordability limit. You'll hit a point where it just becomes about money.

If you've got multiple pricing tiers, then that makes it more likely someone may consider downgrading their membership instead of just canceling it. Similarly, giving people flexible options around being able to pause their subscription if they need to. Audible, fantastic, great example of that in action. Audible will allow you to very easily pause your subscription and I love that whole process for doing that. And again, it means you're not completely losing them, they're still in your ecosystem. Their account open, their progress isn't lost. And so, it's easier for them to come back when the time is right.

I think again, when we're talking about making your membership expandable or essential, so much of that just comes down to how good you are at communicating the value of your membership, to make your people actually realize that you are essential. Your membership could be filling such a crucial role in your customer's life but they might not necessarily associate the progress they're making, the results they're getting with your membership, actually getting better at communicating the part that you're playing. Providing reminders, encouraging them to engage with our community, starting a journal or progress log some way of tracking and monitoring the progress they're making, the results that they're getting, sharing success stories and all that sort of stuff.

And then there's also probably the more radical element of how to deal with subscription fatigue. Stop being a subscription. Remove the subscription element. That's going to be a more divisive one. But-

Eric: Let's talk about that. Because I was... I wrote that down as a question to ask you about because you were talking about having different pricing tiers for membership levels, but looking at the stats that I've been privy to, I know that there's a certain average price you're getting even on subscriptions, and average lifetime customer value. So, let's just say four to five months. It's obviously going to vary wildly based on industries, but you can generally know for your business, what your average customer lifetime value is, so why not just switch your pricing to be a one-time pricing model that's maybe around or a little bit higher than your average customer lifetime value?

Mike: Absolutely. And I love that you bring this up because a lot of people, again, they don't think that way. It's understandable why they don't when you're looking at online memberships and subscriptions where you have the notion of them being this ongoing thing. But ultimately, the number that matters from a financial point of view is lifetime value. somebody is paying you \$50 a month and they're with you for 20 months, then that's exactly the same as if they were paying you \$1,000 one-off for a course. It's just the time it takes to realize the entirety of that lifetime value is spread out.

So, you're exactly right. If you know from crunching your numbers, that on average, every single member signing up to your membership is worth \$400 to you, then you can sell a one-time

access, one-off payment \$500 and you're making more money and you don't need to worry about churn or retention or anything like that. You and I know there's a lot more to that decision, there's a lot more nuance in it, particularly the fact that you can move, you can change that lifetime value, probably a little more easily within a membership or a subscription setup than the one-off. It can be more of a moving figure. But when you start thinking of things that way, it does change things.

So, you can sell lifetime, you can sell... I don't like lifetime generally, but you could sell lifetime, you can sell a non-recurring annual subscription. And then you basically set up a campaign to encourage people to essentially manually re-subscribe for the next year. But if you're looking at a lifetime value figure, then that can definitely change your perspective to other kind of pricing models.

Eric: Reflecting on my own experience as a customer and purchasing different things online, I recognize that there is a psychological component to seeing a one-time purchase price to seeing a payment plan to seeing a subscription, and I definitely feel that over time, more warning bells go off if something's a subscription than does if something's a one-time price or payment plan. You just threw out a number of \$1,000 or \$500 for a one-time purchase. But in your experience, do you see that there's a psychological difference between a one-time purchase of 500, and maybe a three payments of X for that same product?

Mike: I love getting into stuff on pricing because nothing about pricing makes sense. There's no logic to pricing. So, much of it is psychological, subconscious. A lot of how your pricing will be perceived really rests with the individual. How risk averse they are, how proactive they are, how exposed they are to other similarly priced products.

So, again, this is why we talk about the normalization of the subscription model. There's going to be less resistance, less alarm bells for people who approves of being subscription averse, when it becomes the norm for things to be subscriptions, whereas going back five or 10 years, there would be Little more skepticism about signing up to an online subscription than typically you would expect there be today.

This is why I like price anchoring because actually that's where you get to almost reap the benefits of all these different risk aversion levels and personal preferences and stuff like that. And so, it being do you go for a one time, or do you go for three installments? Go for both. And then the people who it's not a question of affordability, who are maybe more of the mind to be drawn towards making that big financial investment that makes them feel more committed where they don't have to worry about paying never again kind of thing, they're going to be drawn more to the thousand but the people who maybe have a lower affordability, who kind of have that risk assessment in their brain where they think, "Okay. Well, if I get ripped off, I'm only risking \$350 today rather than \$1,000."

Having multiple pricing options, I think the psychological effects of people comparing and contrasting those I think is where you kind of get as much of the best of all worlds as is possible.

But yeah, I do think for every person who is subscription averse, there will be someone who will not sign up to something unless there's a subscription to it. For every person who will really kind of take the bit between their teeth when they join on an annual membership, and they'll see that as an investment in achieving a result. And so, they'll be really practical about using your membership. You'll also have people who will sign up on an annual membership and that kind of thing, "Okay, there's no rush. There's no pressure to actually use this. I'll come back in a few months' time."

So, this all comes back, I was saying before, there's no rhyme or reason or logic behind most of this. This is why I always encourage people to test things out. But I am a fan of giving people two to three pricing options to kind of cater to as many of these little idiosyncrasies as possible, and also of all the kind of psychological subconscious stuff, price anchoring is probably one of the most pervasive when it comes to pricing.

Eric: Can you explain price anchoring? What that is?

Mike: It's basically just having multiple pricing choices that people compare against each other. So, a great example you want to see, it's the example literally every article while price anchoring brings up, the iPhone or iPod. Do they even do iPods anymore? No. You always used to have this thing where you get the really crummy, lowest spec iPod would be like \$300. You'd then get the good one, which was what most people would need for 350, and then you get the best one for 450 or 500. And so, you had the price anchoring effect of seeing that when you compare and stuff, but when you look at the really rubbish one for like 300 and then the good one, this time of 350, you're not going to go for the 300 one because the price differential just makes the other two options so much more of a no brainer.

That hold on, here's this terrible one but for just 50 dollars more, I can get this much, much better one. And actually, there's only like 100 bucks difference to get the best one. So, that is the price anchoring and also what they call a decoy product, which is the pricing option that they absolutely do not expect you or want you to take because you'd kind of be stupid to take that option. It's there purely to kind of set the line in the sand for your expectations on pricing. And to make the others a no brainer.

It's all just kind of crazy, the different tricks and the different ways.

Eric: That's definitely one way. If you're at a crossroads, and you need to go somewhere and the place you want to go is just have a stable, successful business that allows you to lead the lifestyle that you want to lead, do things that are you're passionate about, you're standing at this crossroads. One direction you can go is to go further down this rabbit hole of what we're talking about and analyze all this stuff. The other direction you can go is really sit down and think about how can I just provide an immense amount of value to my audience. Just build a relationship with these people kind of getting back to what you were saying about the importance of being an essential and non-expendable business reminds me of a conversation, a

podcast I did recently with André Chaperon and he's a big advocate of Tiny Little Businesses, that's what his business is called.

And so, the idea that less is more. And that part of the benefit of the less is more model is that you're really putting a priority on connection, community, conversation to one of your points earlier, less automation, smaller businesses. And so, naturally these things because you're not so concerned about hitting large numbers, you're concerned about how am I relating to my audience? And if you have a group of friends, there's 10 friends and nine of them have to be kicked off the island for some reason, the one that's going to stay is the one that you have the best relationship with.

Mike: Yeah, definitely. I totally agree and I'm a big fan of Andre's stuff going back to all this to do with email strategies, Gregory Guy. And yeah, the idea of these Tiny Little Businesses, I think, particularly online, there's a lot of people out there touting ridiculous numbers, like they're posting these income reports where they're showing just how much money they're making and how successful they are in this end, the other end. It can be easy to get distracted and to chase somebody else's vision, or to feel like in order to be a success, your business needs to look a certain way and needs to be a certain size.

But ultimately, success is such a personal thing and your business doesn't have to be that big. Doesn't have to have that many members or subscribers in order to provide a very good living and provide a lifestyle that kind of suits your needs and how you want your days to go. And there's absolutely benefits of having a membership that is more intimate. For a start, you can actually charge a premium for a membership that is more intimate, that is smaller where there's more access to you. But even if you don't want to go down that route, the ability to forge relationships with your community, I think there's more scope for that within the membership world than in any type of business. There's almost that expectation of as we said before, it almost needs to be a part of what you do in the long run, to sustain and prosper with your membership.

It can be more challenging, trying to find ways of doing that at scale, it certainly is still possible. But there's massive benefits to being able to be nimble and to knowing who your members are, knowing what they're like, having enough knowledge of them to be able to connect them with each other and really make your community something that is an actual community. And isn't just a buzzword or a name for a forum or a Facebook group that's just like every other one out there.

Eric: And I think kind of we're leading into something else here that I wanted to talk about. Now, we started off by talking about subscription fatigue and just so people don't misunderstand us, we're not saying that subscriptions are going away and you should just if you have a subscription thing or you're thinking about it, you should just jump ship and not do it. But I think one of the effects of more and more businesses switching to a recurring billing model is that customers will become increasingly savvy about how to identify a product or service that truly delivers value on an ongoing basis and therefore warrants a subscription.

So, when you're coaching your community, how do you help people design memberships that are truly worth the monthly fee?

Mike: It comes down to we teach people membership that are a value exchange is the best way of putting it. People will keep paying you on an ongoing basis as long as you keep delivering value on an ongoing basis. And to that end, you need to make sure your membership is result oriented. People don't join a membership to standstill. They join because they're seeking a result, there's a goal they want to reach, a transformation they want to undergo. And so, everything you do needs to be in service of that. And I think people that's not mind-blowing groundbreaking stuff to say, but people, I think are too caught up in other stuff in the mechanics. They spend hours, painstakingly plotting out what their membership will look like, what membership plugin to use, what features they need. They'll put all their focus into marketing, how do they build a perfect sales funnel? Should they do a blog or a podcast and all that and all of this is important, but it's all for nothing if your membership isn't designed to get people the results that they're joining for.

That's where the true value lies, and I think it's also really important that we don't confuse content for value. They're not the same thing. Too many people conflate the two. And so, they think, "Okay, well, the value of my membership provide is we publish a new course every month. We deal with two memberships queue in it." That's not it. Nobody joins a membership for stuff. It's not about the stuff. And if you can solve someone's current burning problem in a single five-minute long video, do that. Don't need to drag it out into a five-hour long course that you then drip out over three months because you feel like that's going to feel or have the appearance of value. Just you've got to really drill into the real, real reasons that people are joining your membership like, where do they want to go?

What are they not satisfied about? What are they unhappy about? What's keeping them up at night? What challenges, obstacles, friction are they facing? In their life, in their career, in their pursuit of a hobby? I think sometimes when we kind of talk this way, it's important to remember not every membership is serving some huge, well changing purpose. Some people just want to be good at drums. Right? And that's not going to substantially change somebody's life, but they're joining your membership because they expect to move forward. They expect to make progress, they expect to solve problems and get results.

And so, that needs to be the North Star of everything that you do. And then yeah, we try and move people away from what I think people's natural tendencies are. And that is to get distracted by the detail, the stuff that is ultimately relatively trivial.

Eric: I completely agree with you on the people get caught up in the wrong things too early. In podcasts episodes I do, in sales conversations I have, I constantly tell people, "MemberMouse is not right for you right now." Because if you're just beginning, the first thing you need to do is prove out that you actually are ready for this journey. Go start a Facebook group, go start a YouTube channel, go start a blog. Basically, start creating content. Start the conversation with

your audience as soon as possible with the least amount of effort because the thing that's really happening there is it's analysis paralysis. Putting all these things technical challenges another way so that I don't actually have to start the real journey, which is like, "What do I have to offer?"

And be brave enough and courageous enough to put that in front of somebody and start hearing feedback, because the fear of feedback will push somebody to spend 20 grand on a website that takes six months to build before they even actually have tested anything, which is ridiculous. So, the real thing is, if you don't know what you have to offer and you haven't proven to yourself that you can produce it, you shouldn't be going further than that.

Mike: Yeah, I'd agree. I would say that consistently, that is the biggest mistake I see people making is they rush into building their membership. Their first question is, "What membership plugin should I use?" And I was like, "No, no. That's the wrong, wrong question. Because we haven't even established if you should be starting a membership in the first place." And so, that idea of validation, that stage is so, so important. Now, I think it's a combination of what you said there, that fear of feedback. I also think it's...

I don't know if it's naivety, arrogance, assumption that they don't need feedback, that actually their own experiences and maybe conversations they've had with their partner or their colleague, their babysitter, where they've kind of say, "I've got this idea." And they're kind of... The other person who is not their target market has no experience with any of this just kind of nods and says, "Yeah, it sounds real, real good, honey." That doesn't get you anywhere.

Eric: I can tell you from personal experience, it's a combination of ignorance and arrogance. It took me two years to get an MVP out for MemberMouse. A lot of that was because, okay, I know exactly what people need, and I was trying to build it all in version one, only to realize, I just delayed it because I got it out. And then I started getting the feedback and I was like, "Oh, wait a second. I got to back a lot of this stuff out and change these things." And the real journey started when I started getting that feedback from the audience.

Mike: Yeah, the worst time to realize that nobody needs your product is when you're taking a product to market. Things like four or five things you need to validate. First, you need to validate that there is an audience out there, that you haven't kind of gone too far into a niche or too crazy with the topic that you're focusing on. So, you need to validate that an audience is out there. You need to also validate that they have the problems they have the needs that you assume that they do, which is what I just talked about. You then need to validate, okay, now I know their problems, their needs, their wants, is my idea for a membership, is that an effective solution? Is that the right approach to solve those problems?

It could actually turn out that by and large, your audience have one real specific problem that can be solved in a one-day workshop. And actually, a membership isn't something that is right. But you could have the biggest audience, the hungriest audience with the most compelling problems and the best solution ever, but the fourth thing you need to validate is whether you

can connect the dots. Because if you are terrible at selling marketing, if you are terrible at explaining what is your membership does, at convincing people to put their trust in you to solve the problem, then again, that's going to be a hindrance. And that is where having an MVP is so, so important, even if it's just a one-off masterclass, even if it's just kind of selling a Power Hour, kind of a packaged hour consultancy, you need to validate your ability to take something to market and sell it to those people. Because if you can't do that, you can have the absolute best membership in the world but it will forever be the best kept secret if you can't connect it to your audience.

I think the final thing, you've got to validate that you've got a long-term interest. And I don't think enough people think about this with memberships. This isn't a short-term business model, this is something where you could still be here in 10 years' time, still answering the same kind of questions, writing the same kind of content, serving the same people. And for some people, that sounds like heaven. My day, I enjoy my day, more now than I have at any point in my career because I just love the fact that from start to finish, I'm in the membership world, I'm serving these people. But I've been doing this five years now within the membership, a little bit longer through the blog and the podcast as I said before and it never gets old.

Some people that hear that and they say, "Oh, my God. It would just be so boring." I can't imagine the idea that someone might come in my community 10 years' time and ask the same question. It's their worst, worst case scenarios.

Eric: The thing is it's not really the same question.

Mike: It's not the same.

Eric: Because it is the same question on the surface, but the thing is that when you're connecting with people and guiding people, it's always different even though they may be asking the same question. Everybody has their own little nuanced things that are keeping them from getting to the next step. So, part of the joy of being in the service of other people is helping people to see that and the rewards of them actually getting it at some point.

Mike: And do you see a business that is entirely centered around doing that as being the ultimate goal? Or do you see it as a stepping stone towards something completely different? In which case, maybe a membership isn't the way to go because if you're getting people on board and you're building a community, something that becomes bigger than you, bigger than your journey, then facing the prospect out in two or three years' time when it's time for you to move on to the next stage of what you're doing, the prospect that you might just shut that down or hand it over to somebody else who may not take care of it in the same way isn't fair to some degree. There's no absolutes with this. There's obviously... Circumstances may vary, but I do think an awareness of the fact that I think the membership model is something you have to know-

Eric: It's a long-term game. It's a long-term game. I didn't make personally any income from MemberMouse until five or six years in. My business is very different. It's a software product. And also, I made so many mistakes, but the thing is, you're going to make mistakes. And I would say, on average, if this is your first go at it, two to three years, you should be thinking, this is at least two to three years. It's kind of like, if you're planning on having a child, you don't just think it's going to be over after the birth. And like, no, this is five years of something, it's 18 years of another, it's 30 years of another. It's like it goes in stages. So, you definitely have to know that you're getting into something and at the same time, be wary of looking too much at what's down the road because you could easily dissuade yourself from doing things by worrying about obstacles that may or may not come up in the future.

You've got to stay present in the moment and enjoy the stage that you're at. Otherwise, this gets back to what we mentioned earlier about worrying about your membership plugin on day one. That's not the thing to do because it takes away from the joy of why you started the first place. Maybe you just wanted to share something with somebody. Share it, because not only are you going to get that feedback, but the energy and the fuel that you get from that encounter and exchange with that person is going to fuel the next step.

Mike: I think this is why I always like to... When people kind of come with an idea or they say they're toying with the membership model, I always like to have a sense of what their motivation is. If it is, they just really want to help this audience, the idea of building this community and being of service just really appeals to them, as you said, they just have something that really want to share their skills, knowledge, experience and expertise versus if they're coming in because their business coach told them that they should start a membership. Or some internet marketing guru with an overpriced course put out a series of real cheesy motivational videos that talked about how incredible passive income is and all that surface level, good stuff that is often true with memberships, but is absent the reality check that memberships are a business.

Eric: If somebody comes to you, and it's like you're a bank teller, like, "Hey Mike. Pleasure to meet you. Hey, I'm ready to make a withdrawal at \$10,000 a month, please." It's like, wait a second, you haven't made any deposits yet, and you're already want to take something out. I mean, that's kind of what's happening.

Mike: Yeah. And I think usually the biggest red flag is when someone comes to us and kind of says, "Okay, so what's the hottest niche right now for starting a membership site?" You kind of try to re-educate, but it's usually a warning sign that they're in this for the wrong reason, "What's going to make me as much money as possible? What can I jump on right now?" Well, usually, that approach, that mindset tells you that they're not long for the membership world.

Eric: Exactly. I wanted to circle back to you're talking about content versus value earlier. And I can sense that there's a deeper level of nuance that because both of those are very general words. And everything really could be considered content. So, can you break that down a little bit more?

Mike: When you say content, essentially... Deliverables is a better word for it. What is the stuff that gets added to your website? For most online memberships, what you're getting month on month, year on year is typically a combination of content community coaching. It's usually the content that is the headlined stuff, right? This is the stuff that's listed on the sales page. Join our membership, you get access to all of these courses. You get this framework, you get these downloads, or whatever. So, it's your deliverables. It's the stuff essentially, for another broad word. It's the new stuff. It's the what would go on your dashboard as new this week, coming next week kind of thing.

And that holds value to people in that if you've got Netflix and they've never added a new TV series, you would probably perceive it to be a little less value even though it's got everything there. The fact there's nothing new being added to it may change your value proposition. If you subscribe to a magazine and they stop sending you new issues, you would cancel your membership. That's broadly what we're talking about. But I never use the broad terms. Because as you know, there's so many different variables I play for depending on the membership model.

Eric: So, content is basically or deliverables, they're the tangible aspects.

Mike: Yes.

Eric: And then value is more of a soft thing? It's a measure of is this content and deliverable actually producing value?

Mike: Yeah. And that's the thing. I think, again, value is entirely in the eye of the recipient. There's kind of a degree to which you influence someone's perception of value, as we talked about before of getting better communicating the role that you play and actually making people realize that being a member of your site is genuinely making a real difference and you're helping people get to where they want to go. But some people will assess the value based on how much stuff they get put in for those people there will come a point where they look for that deeper value, that real value as in this has been valuable to me because I joined because I wanted to get from A to Z, and since I've joined, the stuff that I've had has helped me get from A to P.

And so, it makes sense that based on what has come before, it makes sense to stick around to continue on a journey that it's already helped me. Yeah, so much of it is down to perception and I think for membership owners it's recognizing that even if, for a while you might be able to kind of justify someone or make an argument that what someone is getting for their money is new things, new tangible shiny objects every month, there will come a point where people want more than just that, where people want to kind of look okay, but what does that done for me? Even more, where has that helped me progress towards my destination? In what way has that helped me achieve my goals?

And you see this all the time. There's some communities where the committee members, they love the membership founder, they love the staff, they love the team. They like the other people, they may have made some connections, but they hit a point where they realized that I paid a substantial amount of money in order to achieve whatever the result is. And for as great as this place is, as fun as this community is, as much as I love the community leader, the person running the place, I'm actually no further forward in my journey. And when that realization happens, they're usually quite quick to leave.

Eric: It reminds of a previous competitor of ours and basically this is years ago, but they would be doing that. They would have this thing where they would be releasing new features on a biweekly basis or something like that. I quickly saw through it and I was like, "Okay. Well, that's silly." Because at one point, one of the features they released is something to be able to change the background of your page, the background color of your page. I'm like, "Seriously guys? You're obviously grasping at straws here." To continue to... It's kind of like with dog training, if you treat train a dog, then they're only going to listen to you if you give them a treat, as opposed to actually building a relationship with that animal and something of that nature.

Mike: And at some point, the dogs is going to fall ill because you're literally just giving him treats that aren't nutritious. They don't actually serve the actual real needs of that animal. They might love you for it, until they literally don't have the energy to wag their tail anymore.

Eric: Right. And then they wake up to the fact, "Wait a second. This hasn't been giving me anything." And now they're upset.

Mike: Yeah. They get resentful. The potential for that to backfire, it's like a sugar high. It's rampant within the online business space, where it kind of almost becomes a personality and there's so much sizzle without the steak, but at some point you've got to eat. And then when you realize, "Well hang on, it smelled like this incredible steak, it sounded like this incredible steak.

They told me it was an incredible steak. But I've been sitting here for six months now and I'm starving." You're going to be more negative and more resentful when that realization hits than you would have been had there not been so much saccharin nonsense beforehand. I feel like we're kind of getting into kind of almost like soak tweeting.

Eric: No, this is good, though. I was just about to take it back. This leads back to the cure for all of this and to make sure that you don't end up in this situation, is to make sure you don't try to fast forward. Don't try and look at the things you shouldn't be looking at. Start with the real first step because when you start trying to get too far ahead of yourself, that's when you're basically going into the waters with all the sharks who are trying to say they can give you the results.

And the further you go down the road, the further you're going to be depending on people who are trying to sell you things to help you on your journey. Whereas really, anybody who's ever

created a successful membership business or any business has done it for a large extent, on their own. Of course, they have coaches, we all have people who help us, but it's always you putting one foot in front of the other and walking the path. Nobody just handed anybody a business ever.

Mike: Yeah. It's the whole don't compare your first chapter to someone else's 20th chapter.

Eric: I want to dive into and talk about the online membership industry report that you and Callie recently put out. And this is an in-depth report on the metrics of the membership industry. And the way that I heard about this is because the head of my marketing and sales team sent me an excited email one morning saying, "You have to look at this report." Now I finally have real metrics that I can use to plan the things that I'm trying to do rather than just guess about them.

So, we all really appreciated this report here at MemberMouse. So, we really thank you guys for spending the time to put that together. I'm wondering from your perspective, what was the inspiration for you to create this report in the first place?

Mike: First of all, you're more than welcome. Because our inspiration was the exact reason, the exact thing you've just talked about, that feeling of finally, I've got some data, finally we got to numbers, because you know as well as we do, there's just not been any reliable data for the online membership industry. And I've started... I'd always kind of had this struggle around the word membership industry or memberships, because it's such a frustratingly broad term that applies to so many different models.

But I think making the distinction of online memberships to describe the type of sites we all call membership sites is important, but unless you're in this world, you're typically not making that distinction. And so, the data that was out there, for memberships or for subscription businesses didn't really take us into account. Online memberships were being lumped in with other subscription businesses. But online memberships, they're not the same as software as a service. They're not the same as membership associations in the offline world. They're not the same as subscription boxes. It's its own industry, and it's a one that's growing and there's just been no reliable data whatsoever for this particular space. And as a result, all we've had is anecdotal for the most part or mythical benchmarks that never seem to have a source.

The biggest of which, I'm sure everyone listening will have heard and you'll have heard, the average retention of an online membership is three months. I still see people who haven't read this report banding this around people who were supposed to be thought leaders in this space, in their marketing, they're still saying, "People only stay in memberships for three months. Buy my product, and I'll make sure it's longer." I knew it was nonsense. You and your team will have known that this was nonsense because-

Eric: We've had people with us eight years.

Mike: Exactly. But we had no proof. So, I wanted to prove it. That was my main... The first thing of, if no one else is going to do this, I'm going to do this. Just getting away from that three-month thing because people were using it as an obstacle. And people who had every piece of the puzzle, every ingredient to create something really special in the membership space, they were not doing it because they were scared by seeing things like this all over. "Well, I really want to start membership but everything I say or this article or this thing from this expert just says that on average, people only stay three months and I just can't build a business with those numbers."

I wanted to put all this nonsense to bed once and for all and give people on the membership space something to work with so that we judge on by the right curve so that we're not too hard on ourselves for what we think is underperforming when actually we're over performing. That was my motivation.

Eric: And for everybody listening, if you're listening my other episodes, I apologize for the times where I've probably said that stat.

Mike: Man, I've said it. If you go back into some of the earliest episodes that I did, I said it because it was pretty much the only stat about online memberships that we had to work with. I knew that doesn't sound right. The longer we were running our membership, and the more we were really kind of getting under the hood of other people's memberships, there's a point where you kind of think, "Well, hold on. It can't just be that we happen to have attracted lots of people who are outliers to this three-month thing."

Eric: So, what is the new stat now that you've done the report?

Mike: It checks out about nine to 10 months on average. I'm just pulling up the report to make sure I'm not wrong.

Eric: The report is essentially a survey of how many membership businesses?

Mike: Just over 2000 online memberships. It's a solid sampling. And these are people in a variety of different industries. We've got a good mix of B2C and B2B, a good mix of newer and older memberships. So, it's a real good cross section. And we're planning on doing this every year.

Eric: Well, please coordinate with us too, because we obviously have a good set of people who could contribute data to that report. So, please let us know the next time you're going to collect a round of data.

Mike: Absolutely, absolutely. Will do. I would love to at one point to have it all kind of as a interactive online thing. But I think as a stopping point for giving people in our space, something to work with, where we're very proud of getting this out, then the response on that it has had.

And in just the first messages we were getting, where people said, "Actually I'm doing better than I thought I was."

Eric: That's a great piece of information to get.

Mike: Definitely.

Eric: Now outside of the length of time people were having subscriptions, were there other big surprises that you encountered when you were doing the survey?

Mike: Yeah, I think probably a worrying one was how many membership owners have no grasp of what their KPIs are. That one kind of jump out as like... Okay, if we can try and steer people in the right direction, in any one area would be that again people have just more of a handle on things like what their churn rate is.

A lot of people just don't actually know where their churn rate is. They don't know their average subscription length, they don't know their member lifetime value or how that member lifetime value has changed. 25% of people didn't know whether their lifetime value had increased or decreased against the previous year. Stuff like that. It was alarming and was a bit of a surprise because I thought people would just have more of a grasp or will at least think that they had a grasp because there will have been people who said "Yeah, I know all my stats," who actually don't. So, that was a little bit of a surprise, a little alarming. I was also personally quite surprised that the numbers show that whether you have an open-door strategy or a closed-door strategy, this is one of my biggest kind of soapbox areas with memberships the idea of should you be always open or should you be closed year-round and only open for a launch two or three times a year?

The latter is a strategy that is often pushed in certain circles as the approach you take if you want to be really successful, this is the silver bullet, the mythical magic pill. The report showed that literally doesn't make a difference. It has no effect on revenue, no effect on growth, no effect on churn rate. I was a little surprised. I was expecting the report to either come out with something which kind of put a bit of egg on my face. Because I usually rail against the closed-door model in most circumstances, or something that will come out that would enable me to come out and say, "See, I told you." But it makes no difference.

And also, people are too hard on themselves. Membership owners are too hard on themselves again, that was something that stood out to me. More than half of people who had a churn rate of less than 5%, which in the online membership space, if you're under 5%, churn, that's great, that's kind of holy grail to be 5% and under, because on my memberships predominately dealing in content community will typically have a higher churn rate. But more than half of people who were in that bracket said that they were unhappy with their churn rate.

This is what I was saying before about really wanting to almost alleviate some of the unnecessary mental torture that membership owners are putting themselves under by thinking

that they're really doing badly. Because yeah, I mean, if you're under 5%, that's a 20-month member tenure, which for an online membership is great as an average, but yet half of the people in that bracket were beating themselves up thinking that they had terrible churn.

Eric: Well, kudos to you for adding that into the plan of what you wanted to ask people about because you could have easily just done a survey that asked about metrics and not even considered people's relationships to their business. But it's so important because so much of the stuff that can get in our way of success has nothing to do with the metrics. It has to do with our own personal relationship to it.

Mike: Definitely, we've spoken a few times, just in this conversation about the long-term aspect of memberships. Memberships are a marathon, not a sprint. Because of that, mental game is so important. And if you're creating unnecessary anxiety for yourself worrying or focusing on the wrong areas of your business, because you just haven't got the benchmark to be able to accurately assess your performance, all that time that you're spending trying to bring down churn that is already really, really great, that's time you could be spent just focusing a little more on your members, spending time in the community, arranging meetups, finding creative ways of adding a little personal touch or making a fun event for your members.

I really wanted to avoid what you suggested there, this just being something that's just about the metrics. I wanted to make sure that the human element was returned as well. Can I just throw up just one odd other little interesting thing? I love to end in a little quirky stat. There's a one around pricing. We talked about pricing earlier, where there's this bracket, there's pricing bracket 50 to \$100, a month price point, which just kind of almost seems to be a dirt pricing bracket, where people see the expectation that if your membership is priced a little higher, it will make more money and this and that.

Just find real interesting memberships that are \$50 or \$100, generate less revenue than memberships that are under \$50 and generate less revenue than memberships that are over \$100. It's just a weird kind of wasteland of membership pricing where that 50 to \$100 a month mark is kind of not affordable enough to attract high quantities of members that will generate more revenue but also not premium enough to attract that clientele who will be willing to invest in the kind of higher priced memberships where maybe there's a little more of access to you or whatever.

Mike: I just found that really interesting. I kind of didn't expect that kind of dead zone for pricing between the more typical membership price point.

Eric: That's a subscription price or that's a one-time price?

Mike: Subscription price. Yeah. 0 to 50, good. 100+, good. 50 to 100, bad.

Eric: Good to know.

Mike: It's quite interesting. It was just a weird little one that stood out to me.

Eric: Yeah. So, needless to say, pretty much like anybody who's in the membership industry, you're running a membership site. This report is extremely valuable. And you should check it out. So, where on your site, could they find that?

Mike: If you go to membershipbenchmarks.com, that will redirect you to our site. We wanted to get this in as many people's hands as possible, so there's no opt in. We don't want your email address. There's no nonsense. It's just a direct straight download from that page. Membershipbenchmarks.com and that'll get you there.

Eric: And we'll put that in the show notes. This has been a great power hour with you, Mike, I've really enjoyed chatting with you about this stuff. There are at least a few more topics I could immediately launch and do, which would generate three more power hours. But we'll save that for another time. But really appreciate you taking the time to come on and talk to me.

Mike: Yeah. It's my absolute pleasure. I love geeking out about membership, but I particularly like talking to other people in the membership space where we can get deeper on some of the stuff that I don't think 99% of podcast interviews about memberships tend to go into them. You have the stock questions, "What membership plugins are you using? What are the three most important things?" I love the fact of being able to actually go a little bit deeper into the good stuff.

Eric: Yeah, well, that's what happened the last time we talked. We got on a Skype conversation and in about 15 minutes in you and I both said, "We should be recording this for a podcast." So, that's how this happened. So, I'm glad that we jumped on. But of course, none of this stuff we talked about in this conversation was what we talked about in the first one.

Mike: I was trying to remember. Before we got on the call, I was like... I remember we chatted it up. We got deep, but I don't remember what about. I just know that it was good. It's kind of like those things where you hear that the Beatles had this incredible recording session, but no one...

Eric: They forgot to hit record on it.

Mike: Yes. They forgot to record. I don't think it's egotistical to say it was on that level.

Eric: Yeah. Well, I'll go with you on that. Because you're probably more familiar with the Beatles than I am.

Mike: Exactly. I'm British. So, anything I say about the Beatles, it's solid.

Eric: Well, the last thing here, where can our listeners learn more about you?

Mike: Yeah, best place to go is themembershipguys.com. That's where we publish our blogs, our podcasts. We've got a bunch of free resources. That's also where you'll find details of the academy. If you do want to come into our world and spend a little more time learning from us, but definitely start out with our free stuff first, just to make sure you like the way we do stuff. And that's all at themembershipguys.com.

Eric: I second that, make sure you start the free stuff. But like we've been talking about, this is a marathon and so what you guys do at the academy, if you're going to be starting this journey of membership sites and building your business, there are great resources in there.

It's always good to have somebody from your level of experience and perspective sharing the quality of resources that you're doing so that people can avoid some of the things that they can possibly avoid from the voice of experience. I highly encourage people to check that stuff out, if you're for real doing this journey.

Mike: The thing I love about the academy is we're living while we're teaching. And so, we're always learning and we always try and share what we're learning but also, we're kind of like a living, breathing case study. So, many of our members tell us that they get more from just paying attention to what we're doing because we've got that inception thing going on, membership about memberships. So, it's cool and I'm really blessed that this is what I get to do day in, day out.

Eric: Well, thank you again, Mike for joining us. I really appreciate it.

Mike: Absolute pleasure. And yeah, we'll have to do a part two, three, four. This will be like a rocky series kind of thing, I think.

Eric: Sounds good. I'm all in on that.