The Forever Transaction with Robbie Kellman Baxter

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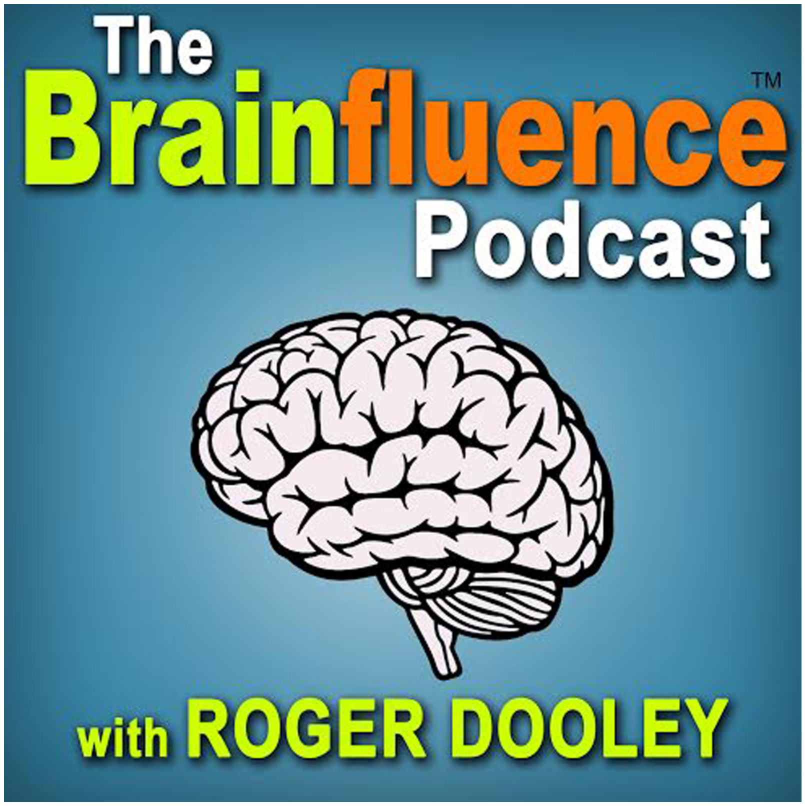

Full Episode Transcript

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The Brainfluence Podcast with Roger Dooley

http://www.RogerDooley.com/podcast

The Forever Transaction with Robbie Kellman Baxter

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Welcome to Brainfluence, where author and international keynote speaker Roger Dooley has weekly conversations with thought leaders and world class experts. Every episode shows you how to improve your business with advice based on science or data.

Roger's new book, *Friction,* is published by McGraw Hill and is now available at Amazon, Barnes & Noble, and bookstores everywhere. Dr Robert Cialdini described the book as, "Blinding insight," and Nobel winner Dr. Richard Claimer said, "Reading Friction will arm any manager with a mental can of WD40."

To learn more, go to RogerDooley.com/Friction, or just visit the book seller of your choice.

Now, here's Roger.

Roger Dooley: Welcome to Brainfluence. I'm Roger Dooley.

Our guest today has an intriguing promise for us. What if you could convince a customer to stay connected with you and keep giving you money forever? That's right, forever. Or, if not forever, at least for a long time.

Robbie Kellman Baxter is with us today. It's her second visit to the show. Robbie's a bestselling author, speaker and consultant, with more than 20 years of experience working with firms like Netflix, Consumer Reports and LinkedIn. Her new book is The Forever Transaction: How to Build a Subscription Model So Compelling, Your Customers Will Never Want to Leave. Welcome to the show, Robbie.

Robbie Kellman Baxter: Oh, thanks for having me, Roger.

Roger Dooley: Yeah. Robbie, just a couple of days ago, I got an interesting email from Panera, the bakery cafe chain. I've been a member of their loyalty program probably since it consisted of paper cards that got holes punched in them when you bought a cup of coffee, so a long, long time. Now I wrote a good chunk of my first book, Brainfluence, in Panera, so I have a nice emotional attachment to them and I still use them when I'm traveling or want a place to hang out for a bit.

I haven't used them that much lately, but what this email offered was a membership that, for $8.99 cents a month, so about nine bucks a month, they would give me unlimited coffee. And that's probably just the cost of three or so cups. So even as an infrequent customer, I almost jumped on the deal. I can see this as being a big advantage. Once somebody signs up, the choice comes down to man, "Eh, do I go to Starbucks and pay three bucks for a coffee or get a free one in Panera and maybe use that three bucks toward a pastry instead?"

So I'm curious, I'm guessing that you are familiar with this offer. What do you think of it?

Robbie Kellman Baxter: Yeah, I think it's really smart and I'm surprised it's taken restaurants so long to come around to this. Burger King also has a coffee offer. It's only $5 a month, but the same principles apply that you described so well, it's a way to generate consistent revenue, but more importantly, it's more of a loss leader, or at least a breakeven that encourages people to come into the stores and, like you said, buy something a little extra and change their habit. So instead of maybe coming in once a week or once a month, or just coming in for the lunchtime sandwich, maybe coming in in the morning, getting breakfast there, choosing to meet with friends or colleagues there as opposed to Starbucks. So it's a really smart way of building an ongoing relationship with the people who love you most.

Roger Dooley: Yeah, well, for probably 10 years or so, my morning routine involved a trip to the gym and then spending maybe an hour or hour and a half in a Starbucks or a Panera, or whatever coffee shop happened to be convenient. And for me, this would have been a huge money loser for Panera because it would have converted basically a daily paying customer into a nine buck a month customer because I don't do pastries, at least I don't do them very often. So is that one risk of these kinds of deals, that they could take a customer who was reliably producing maybe 50 to 100 bucks a month in revenue and convert them into a 10 buck customer?

Robbie Kellman Baxter: Yeah, absolutely. Cannibalism of one's best business relationships is one of the biggest unknowns for companies moving from a transactional business to one that's more ongoing and relational. Another funny example of those extreme edge cases, which make everybody so worried, when carwashes go from having fixed pricing, let's say $10 for a carwash, to, let's say $20 or $30 a month for car washes. I think the thing that they didn't expect, or that many didn't expect was the Uber drivers, who have to have a clean car every day, using that as kind of your gym. You'd go to the gym every morning to start your day and then get a cup of coffee, and the Uber drivers cruise through that carwash every morning.

So when you have real fixed costs and when you have existing customers who might end up spending less with you, those are probably two of the biggest risks for existing businesses that are thinking about moving to a membership or subscription model.

Roger Dooley: Right. Well I guess Panera, since I'm a member of their loyalty program, and theirs doesn't seem quite as sophisticated as Starbucks, but nevertheless, they probably knew quite well how many customers they have that fell into that sort of a cup a day and nothing else category, and could make at least some sort of a calculated judgment here-

Robbie Kellman Baxter: Yeah.

Roger Dooley: And, "Okay, yeah, we're probably going to convert a few of these people, but maybe some of them will buy more stuff," or they knew what their exposure would be and they probably wouldn't develop a whole bunch of low revenue customers. Although, in my case, the risk would have been switching from Starbucks, where I probably went two thirds of the time, to my entire free coffee habit to Panera. So more store visits, not necessarily more revenue.

Robbie Kellman Baxter: Yeah. When I'm working with companies, I always encourage them to do the math on both of these things, on what is the impact if you're cannibalizing your best customers so they're going from, let's say, you said one cup of coffee a day at $3 a piece, to one cup of coffee a day for $9 a month, and what happens if the only people that transition to the new model are those people? What would the impact to our business be there? And then what is the more reasonable expectation of the breakdown of existing customers who you now lose money on versus new customers coming in who you would make money on? So hopefully they've done those calculations.

Roger Dooley: I'm sure they did. And that brings us to a related topic, Robbie, is experimentation. I would guess that in a multi-outlet store like Panera, they could take a small city someplace and run that offer there as a test case and just see what happened, right?

Robbie Kellman Baxter: Yeah. They probably did that. Adobe is an example people often use as a company that did a really good job at moving from transactional, buy the software in a box, to subscription, and they did a couple of things. One of them is they did pretty detailed calculations of who this new subscription was going to be best for and who was going to be most likely to transition, and who was most likely to stop working with Adobe as a result of it.

And what they realized was professional designers were the ones who were going to love it because they weren't cost-sensitive because their company is paying for it, and because they need the best tools to be successful. So they would be less price-sensitive and more delighted by the features. And the group that was most likely to cancel were the people who were kind of moonlighters or hobbyists, who were paying for the software out of their own pocket and who didn't need the very latest in tools. And they decided that's okay because we're really optimizing our business model around a particular type of person, and that's a person who uses our tools professionally as core to their job.

And then the other thing that Adobe did is they did their initial testings, I believe it was... I'm trying to remember. I think it was in New Zealand, which was a discreet market.

Roger Dooley: Right, about as far away from their major markets as you could get.

Robbie Kellman Baxter: Exactly, exactly. And so then they could see what actually happens. Who actually took the subscription offer? Who complained? What were their profiles? How did their usage change? And so they could test a lot of their scariest hypotheses before rolling it out across the world.

Roger Dooley: Yeah. Well software is such a great example of where this is, I think, a win-win because, in the old model, and I remember the old model well, I've been a software buyer since about the early days of PC software, and you would buy software and then hang onto it forever. The company would be forced to develop a new version and hopefully obsolete the old version and people would want an upgrade, but many people wouldn't upgrade.

And so you had multiple versions out there. It was a nightmare from a support standpoint, from a security standpoint, as that became important, and even from a customer experience standpoint because people wanted those new features, but wow, they couldn't quite bring themselves to pay hundreds of dollars for the new version. So to have software that's continuously updated, it's... If there's a security patch that's needed, it can, particular with cloud technology, now it can roll out really quickly. It's so much better really for all parties, assuming that it doesn't become prohibitively expensive.

Robbie Kellman Baxter: Yeah. Yeah, absolutely. It's the best for people who want consistency over time, have a problem that they want solved over time, and who don't want to be disrupted in it. Of course, it only works really well if the company continues to invest in improving the product.

So in boxed software days, the product team was always looking for that feature that would get you to upgrade, right? So as you said, I can keep using the one that I bought five years ago, but there's some awesome new feature in this new version that might motivate me to shell out some more money. So they were really focused on these big marquee features. Whereas when you have a subscription, you don't really need those headline features so much as you need the ongoing features that you're already engaged customers will need, which may not be as fun and sexy to talk about, but which are the ones where your customers say, "Wow, that's exactly what I need right now." So it really changes not just the marketing, but also what's actually in the product and how the product team innovates.

Roger Dooley: Right. And I guess there's a balance there because I think that emphasis on features produced feature bloat, where the software began getting so complex because it had to have new features every time, and developers are creative folks and they'll come up with those new features-

Robbie Kellman Baxter: Yeah.

Roger Dooley: But at the same time, you don't want to say, "Okay, well we've got everybody signed up and the product's pretty good, so we're going to fire our dev team and stop innovating," because then you'd have the opposite problem, your competition would undo you.

Robbie Kellman Baxter: Yeah. Yeah. Yeah, Exactly.

Roger Dooley: Yeah. So we've talked about a few product categories that are kind of obvious, that all restaurants have loyalty programs and membership programs of various sorts, although they don't all have free coffee deals, and software's obvious, but what other kinds of businesses can benefit from a membership or subscription approach?

Robbie Kellman Baxter: Any business where sales and marketing matter can probably benefit. Any business that wants customers to return on an ongoing basis can benefit. So that could be anything from a physical consumer product like soap and pet food, it can be services. So if you run a professional services firm, people want access to your smarts and your advice on an ongoing basis, rather than per transaction or per hour. I'm seeing it with heavy equipment. Caterpillar is building services around their equipment.

It's almost any business right now. Of course, we've seen a lot of streaming media. We haven't even begun to talk about that. That's an area that has been wild with what they're calling the streaming wars, but it's really anything where the customer wants to have an ongoing relationship with a single provider and the provider wants to have loyalty.

Roger Dooley: One of the interesting examples used in the book, Robbie, is wine. And that's a category that is a consumable, and also, it's a topic of interest for people.

They don't just consume it as a utility, they consume it for enjoyment. The thing that's interesting is the different kinds of approaches that, in that same product category, different companies could use. So tell us how that could work.

Robbie Kellman Baxter: Yeah. So people often say to me, "We want to do Netflix. We want to do the thing that Netflix did for our business." And I think, while I sort of understand what they mean, which is they want subscription revenue, they want engagement from their customers, they want predictability, all of those things, but for every company, that model is going to be a little different, even in the same industry.

So let's say you're a winery, a Napa Valley winery, you're going to focus on people who like your wines and want to understand your story. If you're a liquor store, you might be focusing on discovery of new products and consistent discounts, so something like, you buy a case every month, we surprise you with new reds and whites or whatever you like. Whereas the winery might be able to offer other benefits, like participating in our crush, or come to our harvest dinner, or get to know the wine makers.

So depending on who you're trying to reach and what kind of value you can provide them on an ongoing basis, there's any number of features you can provide, whether it's discounts, which are the thing that people jump to first, or content, information and learning and inspiration, or events, where you could have wine tastings or dinners or other kinds of learning events, or connection with other people who are passionate about the same thing as you.

There's so many ways to layer in value once you stop focusing on the product, that is, "We sell wine," and start focusing on what are the goals of the people who are buying from us, which might be, "Hey, I need wine on my table because it is a utility for our family," or it could be, "I love getting to know these craftsmen, these artisans who are making special products," or, "I want to be an expert and taste as many different things as I can."

If you know who you're trying to serve, you can optimize your membership around those people.

Roger Dooley: Yeah. I think even being part of an affinity group or some sort of a social network can appeal to some people. I recall a Lexus dealer in Indiana that, and I think probably other dealers do this as well, had periodic meetups. Now they did not have a formal membership program, that would be the next stage, but they would bring their customers together for periodic events that would be appropriate for perhaps that sort of aspirational demographic. They'd have very nice entertainment of some kind, very nice hors d'oeuvres, better quality wines, and of course their new vehicles on display so that they were turning what was really, for them, a marketing event, into something that people actually wanted to do, to participate in because it was high end, it was elegant, and they were meeting other people in either their demographic or an aspirational demographic.

So one step beyond that would be to formalize it, kind of like the car enthusiasts in your book, where they really went far beyond that sort of mild approach.

Robbie Kellman Baxter: Yeah. Well Hagerty is a great example of a company you wouldn't expect to have a membership, but that has one. So Hagerty, as you know, is an insurance company that insures classic cars, and classic car owners are enthusiastic. And what they realized was that people want to talk about their cars. Somebody might discover a love for classic cars in their teen years and have a picture of that Mustang they wish that they could have, then they grow up and they buy an old beater car and they try to repair it, maybe working with their parents and working on the car. Then they have to stop the hobby because they have a family and money is tight. And then they keep hoping, "When I'm an empty nester, I'll get that car."

But during that whole phase, most of which they don't even own a classic car, they still love the cars and want to be connected to other classic car people. And Hagerty recognized that, that people thought of themselves as members, that people gathered around Hagerty's brand because they wanted to meet the other people that had cars or because they had questions about the cars that they were thinking of buying or had bought. And so they built this Hagerty driver club, which is a group, Hagerty Drivers Club, which is basically for people who love classic cars, whether or not they own one.

Roger Dooley: Jumping back to wine for a minute, one thing I find a little bit annoying, or maybe a lot annoying, are subscriptions that are easy to start, but hard to cancel. Some fall into that category of what behavioral science folks call dark patterns, where a company adds so much friction to the cancellation process that the customers end up sort of being forced to stay members for longer than they want to because it takes just so much effort to quit.

A year or two ago, I joined The Wall Street Journal Wine Club, which is yet another approach to wine. And there's a sort of a, one of the approaches you were talking about, they curate good wine values, and they make it very easy and enticing to sign up. You can sign up online with just a few clicks and they ship you a really high value package of wine, at least a good value for the money. For a very small amount of money, you get a case plus a few bottles. And for a wine person, they say, "Wow, that's really incredibly cheap," and it is incredibly cheap. And the wine is actually pretty decent, at least the stuff that I was sent, not every one to my taste.

But then to get out of it, you can go to their website. And there's a little toggle switch that says "turn off auto-renew", because otherwise, you're going to get a shipment coming your way. And the toggle switch is disabled. It only works in one direction. If it's off, you can turn it on. But if it's on, you have to, in fact, call the phone number, which is not necessarily easy to find, but it was on their website. And you go through a voice menu and then you talk to a human who says, "Oh, you want to turn that off? You've got to talk to another human." You go into another queue. And then finally, the second human, who is sort of a closer or a retention specialist tries to convince you, using various methods, that you really don't want to turn that off, but eventually, that's how you do it.

And to me, I just found that really high effort. And what could have been a pretty good experience, just sort of left me kind of feeling bad, you know, "Those guys are really jerks." It's when they force you to go to that much effort, it almost seems like a behavioral science strategy, a sort of reverse nudge, what Richard Thaler calls a sludge. It's not an accident. And do you see a lot of this going on, where companies make it difficult to get out of their subscription? And what are the effects of that? Is it really a benefit? Do they retain enough people for an extra iteration or two that it's worth it?

Robbie Kellman Baxter: Yeah. I went to a CEO roundtable where one of the CEOs was actually presenting to his colleagues. They were all talking about growth tactics and tactics for building revenue. And he didn't say about hiding the cancel button, he said like, "By redesigning our cancel process, we've actually been able to extend our average membership by two months." Then he was teaching other people how to do that.

I think, in the short term, it drives revenue of course. So if I were desperate to hit my quarterly number so that my board would give me my bonus, I might do that. I mean, I, Robbie, wouldn't hopefully, but I could see the temptation to do that if you have a very short term focus. It kills your brand in the longterm. And also, in the United States, the FTC has their eyes open looking for cases of bad actors.

I recently spoke at the Subscription Show, which was a big conference put on by Subscription Insider in November in Boston. And one of the other, the keynote for... I was on I guess the first day. And she was the keynote on the second day, was Lesley Fair, who is responsible for all subscription businesses lawsuits at the FTC, talking about who she goes after and some of the egregious behavior of some of these subscription providers who, you gave the example of requiring you to call to cancel, and then making it really hard to cancel. There were all kinds of other behaviors, a $4 trial for a product that cost $196 a month, and no obvious way to cancel between the trial and the first shipment, and it's not returnable.

So there are bad actors. I think, as a result of that, we're experiencing kind of an epidemic of subscription fatigue where, five years ago, when I told people that I was a subscription expert, people would say, "Huh, that's quirky. That's interesting. That's very small."

Roger Dooley: So you work with magazines?

Robbie Kellman Baxter: Right, exactly. "Do you work with magazines? Do you work with gyms? Columbia? 13 CDs for a dollar, for a penny?" Today, when I tell people that, more than half the time I get complaints, right? "Oh, you do subscriptions. I have a terrible subscription story for you," and that's just a sign that people are really frustrated with the bad actors that are using subscriptions and either not providing a lot of value in exchange for your subscription money, or subscriptions that are really hard to use enough to justify the investment. So I think of that as kind of The New Yorker problem, right? I know it's really good content. I know I should read it all, but the magazines keep stacking up and make me feel bad about myself.

And then the third reason is what you brought up, which is people hiding the cancel button. That's creating a real backlash with subscription businesses, where, when you present your new subscription to your prospective subscribers, you'll often get a really cynical response that you have to overcome.

Roger Dooley: Yeah. And I think my example wasn't really unethical, almost certainly it wasn't illegal, it was just kind of personally frustrating. And I have had subscriptions that I failed to cancel in a timely manner simply because I was in a rush, I couldn't figure it out. I'd figure I'd wait a day or two, and then gosh darn if I didn't renew for another month or another quarter, or whatever it was because I couldn't do it.

So I understand how that CEO that you mentioned could see an increase in revenue, but in general, it turns what could be a good experience, where, "Gee, if I can turn this off for now and then I can just click it back on later," once you have to go through the process of extricating yourself, you really don't want to subject yourself to that again.

Something in your book that's interesting is that you talk about the emotions of the people inside the business itself. If a company is planning on converting, at least either converting to a subscription model or introducing that kind of model, people aren't always on board with this, are they? It seems like, "Well, the company is going to do business a different way, everybody should just fall into line," but I guess, in your experience, that doesn't always happen.

Robbie Kellman Baxter: No, no. Well, anytime that there's a change, there are going to be winners and losers. There are going to people who will say, "This change really helps me," or, "This change hurts me," or, people who say, "I don't know what this change means for me," or, "I don't know what this change means for my company."

So in the case of moving to subscription, there's a bunch of people whose roles are really dramatically changed. For example, in a software company, let's say you have an enterprise software company that sells enterprise software licenses that start in the mid six figures, right? And you're a salesperson and you make in the mid six figures, or maybe you even make in the seven figures, and suddenly, your company wants to move to a software as a service model where it's in the five figures each year, and where it's really, really easy to get started and they can do it online by calling into an inside salesperson. If you're a big game hunting salesperson that's used to these long deals that require tremendous expertise, and suddenly your company doesn't need that anymore, you might be dragging your feet and not supporting the transformation.

If you're a product person and you really want to make products that are super cool, but your company is focused on building products that are going to engage the user for the ongoing relationship, you might be frustrated that you're no longer the person who gets to decide what the product looks like. So the example there is, if you're a automotive designer and you're trying to really optimize for moms, I'm making a generalization here, and the moms want cup holders and TV screens and spill-proof upholstery, and what you want to do is build a giant engine, it's frustrating to be told they don't care.

I worked with the bicycle industry, and one of the things that my partner and I found was that there was a huge market opportunity to sell bikes to families, and particularly to moms who were buying on behalf of the families. A lot of the bike manufacturers didn't want to make bikes for families. They wanted to make bikes for bike enthusiasts, those guys, mostly, who have 10 different bikes hanging from the ceiling of their garage, not the people who, "I want my bike in purple."

Roger Dooley: Oh, those are probably the founders of the company, and also a lot of the key employees who joined the company are the enthusiasts.

Robbie Kellman Baxter: Exactly. Most bike businesses, both on the manufacturing and the retail side, are owned by former bike athletes, racers or mechanics. And so, they weren't really interested. They didn't get into the business to run a business, they got into the business because they loved it and they wanted to be around people like them, which is totally fine, but don't be surprised that your business isn't going to grow very fast if you're not interested in the needs of your prospective customers.

Roger Dooley: Sure. Well, I mean, if you're going to sell six figure sports cars, they're probably really cool cars, but you're going to capture just a fraction of a percent of the market, no matter how good you are.

Robbie Kellman Baxter: Right, right. It's like right now, we have this issue in Silicon Valley with the best engineers, in many cases, want to work on the toughest engineering problems. They don't want to work on the products that are most needed.

Roger Dooley: Yeah. Well, I guess maybe part of that is establishing a mission statement that sort of says what the company is about to at least guide people's actions. But you quote Satya Nadella mission statement for Microsoft, "To empower every person on the planet to achieve more." And I guess that's an interesting thing to say, and it's better than saying, "We want to build the best word processor," but does something so broad encompass too much? It seems like anything could be made to fit that mission statement.

Robbie Kellman Baxter: Yeah. I mean, it is more like a north star. And I've done work at Microsoft, and I think that the way that they apply that is not to say, "I'm going to help people achieve more by opening a gym or teaching meditation lessons," something that you'd think that maybe Microsoft would never do, it's very focused on, "Through the products and services that we sell," so through the technology that they create. But what it does do is it gets them thinking differently about how to build those products and how to measure their effectiveness.

So it's not about... Like a lot of companies measure their effectiveness with their products by how product-y they are. So for example, a carwash manufacturer might say, "Our car wash system takes nine minutes and 30 seconds," versus the competitor who's takes 10 minutes, when really what the customer wants is not to have to go to the carwash at all. What they might want is a mobile carwash that comes to their home or their parking lot at work and cleans the car while the person goes on with their regular life. So it just reframes what you're doing and creates all kinds of potential for new ways to add value to the customer.

In the case of helping people achieve more, a lot of that at Microsoft is about collaboration, for example. So yeah, having a good word processor is great, but what's really great is if you've created a document similar to mine, what if they could recognize that and say to me, "Hey, you should reach out and call Roger in your network because he seems to have created some similar documents."

Roger Dooley: So if you want to get people to subscribe or join, Robbie, there's different approaches, there's freemium models, but how do you determine what the... I guess maybe I can answer that. I'd say maybe it's experimentation, but how do you balance making it really easy or really attractive, from signing new people up from a conversion standpoint, versus a retention standpoint? Like my wine club, the initial deal was simply too good to pass up. I thought, "Wow, you're stupid not to get this deal." I'm sure a lot of people feel that way, and I assume I must be an outlier to not even take the first full priced shipment afterwards because they seemed to stay in business over time.

So some people must appreciate the value, but in my case, it wasn't worth it, and so the bells was kind of off. And I would guess too, if you have a really attractive free offer, you may get a ton of initial signups, but not necessarily people continuing. How do you determine where that point is?

Robbie Kellman Baxter: Yeah. So one rule of thumb that I've seen a lot of organizations use is a three to one rule for your lifetime value versus your cost of acquisition. So in your case with the wine company, with The Wall Street wine program, that cost of acquisition is pretty high because they're giving you such a sweet deal on that first shipment or that trial shipment, and obviously you didn't stay long enough for them to get three times the value from you to pay for it.

An example like that is Blue Apron, the meal kit company. They were spending so much on acquisition because they were giving away meal kits. And a lot of people were like you where they'd take the meal kit, and maybe they even, in good faith, would try a couple of the paid kits, and then they would cancel before they were even in the money, before they'd even paid the cost of the trial. And as a result, it's a really interesting phenomenon because it looked like revenue was going up really fast, number of customers was going up really fast, but actually, they were losing money on every individual. So the unit economics, kind of where the true story was being told...

So the advice for companies is, when you're acquiring, make sure you know that they're going to stay, make sure you're only attracting the kind of people that you know are likely to stay for the duration. And the other thing that I would say is a free trial is, or even a discounted trial, is what you do when the thing holding people back from signing up is that they don't understand what the offer is or they don't believe it's as delicious as you promise. And so you say, "What? You don't believe that my cookies are as delicious as I said? Try one." And you're like, "Oh, that's delicious. I'll buy one." In your case, you knew what it tasted like, literally. Those were wines that you were familiar with, so they didn't need to give you a trial.

Roger Dooley: Well actually, they were new wines. So I mean-

Robbie Kellman Baxter: Oh they were? Okay.

Roger Dooley: Because all wines are different, but yeah, I think you make a good point, Robbie. And sometimes I think maybe if you find that you are in that zone where you're having too many people drop out, maybe the initial offer just isn't quite as good so the people who really want it will take it. Like to use meal kits as an example, if you have a person who seriously wants meal kits, for whatever reason, health reasons, convenience reasons, whatever, they don't necessarily need the same inducement as a random person like me, right? I'm not really looking for meal kits, but maybe if somebody said, "Hey, we'll give you two months free,"-

Robbie Kellman Baxter: Free meal, yeah.

Roger Dooley: It's like, "Well, hey, sure, why not?" But I would not be a really good customer in that case, where that more motivated customer might respond to a moderate discount on the first month, or something as a smaller incentive.

Robbie Kellman Baxter: Yeah, or even a different incentive. So a lot of times, the reason that people aren't signing up is not... Because again, a free trial, "I don't understand. I don't believe you." Those are the reasons. And a lot of times, people don't sign up for something for reasons different than that. Like, "I don't want to spend that much money on those products. I don't believe it's worth it," right? Or with the product comes a lot of work.

So let's say it's a weight loss program, right? And it's diet meals. You might be thinking, "I'm not really sure I want to eat diet meals. Even if they're delicious, I don't think I can stick with it." That has nothing to do with the cost, that has to do with the person's other motivations. Or, as you said in your examples, I might sign up for the Blue Apron because I want healthy meals, and then it might turn out that most of the meals are not aligned with my diet, right? So that has nothing to do with the cost, it has to do with the product.

So it's really important. If your acquisition, engagement, retention are not looking good, that you diagnose where the problem is. Is it a problem that they don't understand what it tastes like? Or is the thing that's holding your model back a product problem, or even a channel problem, that the right people aren't aware of your offer?

Roger Dooley: Yeah. So Robbie, I want to be respectful of your time to ask you one last question. Do you have any good examples to spark our listeners' imagination of subscription or membership models that aren't necessarily obvious? Either they're in a business that seems rather small or just that is unexpected? Just to get everyone's creative juices flowing.

Robbie Kellman Baxter: A membership model or a subscription model can be in any business that you could possibly think of, and you can develop it just by taking a step back and saying, "What is the real value that's driving people to buy?" So for example, a nail salon. We don't go to a nail salon because we want a manicure, we go to a nail salon because we want our nails to look well-groomed, right? So if you, instead of charging, let's say, $10 for a manicure, said $30 to have your nails always look good, you might get more members.

If you're a local restaurant, let's say you're the restaurant down the street from a big office building, you might say, "We'll provide you with a lunch every day." This is what they do in Switzerland. You get a lunch every day, you pay a monthly fee. It's much cheaper than buying it individually every month. You don't necessarily get as much choice, but you have a place. And there are other patrons who are coming at the same time, so you have a community, a sense of family. You don't have to exchange money every time you go.

So there's a lot of ways to step back and say, "What's the ongoing problem and how do we kind of make it smoother and easier for the person to solve that ongoing problem?"

Roger Dooley: Great. Well, today, we are speaking with Robbie Kellman Baxter, author of the Membership Economy and the new book, The Forever Transaction: How to Build a Subscription Model So Compelling, Your Customers Will Never Want to Leave.

And speaking of subscriptions, if you are listening to this, you are most likely a Brainfluence subscriber. If not, be sure to hit the subscribe button on your player. And please take a second to scroll down and give us a five star rating. That helps us stand out from the million other podcasts out there and reach new people like you.

Robbie, how can people find you?

Robbie Kellman Baxter: Robbiekellmanbaxter.com, or on LinkedIn at Robbie Kellman Baxter.

Roger Dooley: Great. Well we will link to those places and to any other resources we spoke about on the show notes page at rogerdooley.com/podcast, and we'll have a text version of our conversation there too.

Robbie, thanks for being on the show and I hope you become our subscriber.

Robbie Kellman Baxter: Thanks so much for having me, Roger.

Thank you for tuning into this episode of Brainfluence. To find more episodes like this one, and to access all of Roger's online writing and resources, the best starting point is RogerDooley.com.

And remember, Roger's new book, *Friction*, is now available at Amazon, Barnes and Noble, and book sellers everywhere. Bestselling author Dan Pink calls it, "An important read," and Wharton Professor Dr. Joana Berger said, "You'll understand Friction's power and how to harness it."

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