



Mike Morrison:

Hello there. Welcome to another episode of The Membership Guide's Podcast. I'm your host Mike Morrison, and if you're looking for proven practical tips and advice on how to grow a successful, meaningful, profitable membership website, you're in the right place. Thank you ever so much for joining me. If you're a new subscriber or a new listener even, make sure that you hit the subscribe button in iTunes, Stitcher, Overcast, Spotify, wherever it is you're listening to this episode, hit subscribe to make sure that you don't miss a thing. If you're a long time listener, or a regular listener, you know that I love you guys. Thanks so much for checking back in with me, for all of your support.

Today, we're talking about pricing, specifically, how to know when you are undercharging for your membership site. This is something that I've seen coming up a few times over the past month or so inside our Facebook group. It's a question that gets asked, it's a topic that gets addressed and raised every now and then inside our Facebook group and inside our membership, but certainly it's one that we've had quite a few people bring up lately, so I thought I'd do a little Podcast episode and maybe pull out the salt box a little bit to address this question.

First and foremost, if you think that you're undercharging, you're not charging enough for your membership site, then the first question you have to ask yourself is why? Why do you think you're undercharging? What is your basis for not thinking that you're charging enough? We've talked before about how to decide your price for a membership site. You'll know if you've listened to that episode, or if you've followed along with our training material, that pricing itself doesn't always make sense. It's not an exact science where you punch some number in and it spits out the perfect price. There's a lot of subconscious elements. There's a lot that comes down to perception and positioning, and all of that sort of stuff. There really is no one size fits all approach to pricing. However, there is definitely a typical or a common price range for a membership site.

First and foremost, we want to look at whether or not you are going to charge for your membership. We need to think about what that typical price range for most memberships tends to be. There are a whole range of different factors that make up the decision making behind your pricing, and we're going to talk about some of those later. As a rule of thumb, memberships that serve a business to business market typically fall between \$30 and \$60 a month. B to C, business to customer memberships, typically these are based around hobbies and stuff like that. They usually fall on the lower end. They tend to come in around \$15 to \$40 a month at most. If you fall at the lower end of those ranges, if you have a B to B membership, and it's \$25 to \$30 a month ... If you have a B to C that's coming in at around \$10 to \$15, then maybe you do have a good case for thinking, or at least being curious about whether or not you're undercharging for your membership.

A big part of that does come down to what you're actually providing inside your membership, and we're going to come back to that, too. However, what prompted this episode is that we've seen quite a few people who sit at the mid to top end of those ranges. They're round about the \$60 benchmark. They're worried that they're drastically undercharging. They're not thinking, should I be charging \$10 a month more? They're thinking, should I should be charging hundreds or even thousands of dollars per month for my membership site? Again, if you're generally coming in at the low end of a typical price range of membership, then sure, you've probably got a good case for thinking you may be undercharging, and that's something where I would encourage you to perhaps even do some split testing on your pricing.

Over the space of a month, maybe you have two versions of your sales page. One priced at \$10 a month, one priced at \$15. You use a tool like Google Experiment to split your traffic and see which of those works best. It's always worth testing this stuff out. Before this episode, I really want to zero in on that mindset where you're already at the top end of a typical price range, and you're thinking, this still is not enough. I want to break down some of the common reasons, the common explanations we see from people for that sort of mindset, why they think they may be undercharging for their membership site when, in the grand scheme of things, by comparison, they're already at that top end of what you'd expect to pay. One of the more common things that we see is people saying if this were a course, it would cost \$2,000, so I want to charge \$200 a month for my ongoing membership.

The problem with this is you're comparing apples to oranges. A course is not a membership site. If you want to get technical and purely in terms of semantics, technically a course is a type of membership site on a technical basis, but the context in which people talk about courses and membership sites in this sort of space, with a course they usually mean is one big, epic educational piece. Maybe it's anywhere from five hours to twenty hours of recorded content that dives deep on a very specific topic. When you buy it, it's all there. It's a finished product. It's got a defined outcome. It's split into modules and this, that and the other, but this is a membership site where the expectation is, there's going to be less premium content. You don't have that huge, epic, central piece of content. It's an ongoing evolving thing and you pay that monthly recurring fee for it. These are two very different

products in terms of what's actually being provided in terms of expectations and this, that and the other.

One of the biggest problems that people make when it comes to this sort of comparison, if I was teaching this as a course, I'd charge thousands, so my membership should at least be hundreds. They forget, with a cost usually, it's a one time fee. You pay your \$2,000 for the course and that's it. To; lifetime access. It's one big drop of cash at the beginning and that's it. Whereas with the membership site, the expectation is that someone's going to be a member for months or even years on an ongoing basis. While yes, you may only be getting \$50 per month, you're planning, or you're building a model that is designed to get people to pay you that \$50 for 12 months, 24 months, 36 months. Ultimately, that might not add up in the long run to what you potentially have made if you charged them a couple of thousand dollars for a cost, rather than doing it as a membership site, but you're not selling a course.

If you want a course, go and create a course. There's a reason why you're not. There's a reason why you're doing a membership site. With a membership site you need that longterm view. You need to understand that you are essentially distributing the money you make per member over a longer period of time. The upside, with a course, you would be spending a lot more time up front creating this material than you typically do with a membership site. There's usually a lot more that you need to spend on advertising. A lot more you need to pay out to affiliates. A much higher refund rate on courses versus membership sites. Of course with a membership site, you have that rising baseline of income that's not directly tied to sales. You want to make money from a course? You've got to get big ticket sales. Making money from your membership on a month to month basis isn't directly related to sales.

If you've got 100 members paying you \$50 a month, and you decide to not engage in any dedicated sales activity this month, you still have that baseline of income that comes in. If you decide this month you're not going to sell your course, you make no money. You can't use the fact that you would charge more for a course as a basis to wack your prices up for your membership. They're two very different products and there are trade offs between doing a membership to doing a course. If you want to do a course, go and do a course. You can't have all the upsides that you get from a membership site while also charging the type of premium that you would for a course.

The second thing that we see given as a common reason for thinking that you should be massively putting up your membership pricing is this. I would normally charge X amount of dollars per hour for consultancy, so my time is worth this amount, and therefore, if I'm going to be spending X amount of time per week answering questions in a form or create content, then I should be charging X amount to my members, based on my hourly rate. It simply doesn't work like that. The deal that you make when you adopt a one to many strategy, is that when you're serving multiple people rather than giving one person dedicated focus time for the entirety of them engaging you, the distribution of your output, in terms of attention, in terms of how many people are on the receiving end of your content and this, that and the

other. That distribution of your output is balanced by a wider distribution of their financial input.

Just because you would charge someone \$250 to sit down one on one with them for an hour, doesn't mean you can justify charging \$250 per month to each and every member of your membership site. It just doesn't work like that. It just doesn't add up. You need to get out of that mindset of this is how much I'm worth, so absolutely any individual person who engages with me needs to pay me what I am worth. You are distributing your output over a wider net of people and the trade off for that is they pay a bit less than they would if they were getting more direct access to you, more facilitation and all that stuff. You can't, once again, compare apples to oranges as your reason for majorly hiking up your membership price. You'll also find that you have a lower cost of customer acquisition when it comes to members versus consultancy or coaching clients. Again, that's something you really need to figure in.

Next up, this is one that we see quite often. My business coach, slash friend, slash mentor, slash mastermind body, slash babysitter, dog groomer, told me that I need to charge more money. That I need to double it. That I need to 10X my membership. Like most advice, obviously excluding this advice, most advice isn't worth the paper it's printed on, or the breath it took to express it. Often people making these piffy suggestions, don't run and have never run a membership before. They're making that apples to oranges mistake on your behalf. They're thinking, I charge this amount for my coaching clients.

I charge this amount for my small group programme, so you should be charging more for your membership. It's also very easy advice to give. It's advice that makes you, as the giver, seem ballsy, seem brave, seem like this really on the edge entrepreneurial mind to say, you know what, your undercharging. Charge what you're worth. Charge what you're worth. Just double it. In some cases that advice rings true, certainly when it comes to consults or when it comes to one on one memberships. With memberships it's easier said than done. With digital products in general, it is easier said than done. It is very easy to give that as blanket advice, but unless that advice is coming from someone who's actually run a membership site, and someone who understands the implication of that advice. It's usually baseless because that person has no understanding of the model.

Obviously that's based on advice coming from business coaches, mentors. However, sometimes you'll hear that from your members as well. You'll have members who will actually say, this website is so great, You could easily be charging more for it. If you're hearing that, please don't read too much into it. Basically it's a kin to people saying, this is such great value, rather than please charge me and other people double.

Finally, and this is one that again, we see quite often. We only want people who are willing to invest big because if people aren't paying a premium for my membership, they won't value it and they won't take action because they have no skin in the game. A case can be made for this sort of reasoning. If you're at the really bargain basement low priced end of things, where if someone's only paying \$5 a month for a membership site, chances are

they're not going to value it because it's not such a high figure that it actually registers for them on a month to month basis that they're still a member. It's more a case of people being likely to forget about it or feel no financial incentive to spend any time or brainpower on it. It's more likely to be that then them simply not feeling that it's worth while. It's not worth your time, but in most cases, this line of reasoning, particularly the part about people not taking action unless they're investing big, you need to understand that it takes more than just money to have skin in the game.

You can't get somebody to buy into what you're teaching, and if you can't compel them to take action inside your membership, that's your shortcoming. It's not because they haven't given you enough money. However, this is where things start to get a bit sticky because actually, there's a little bit of merit in this argument about the connection and premium pricing and value perception. This is where we need to now start thinking about and talking about the type of factors that make up your pricing. It's not just a given that more expensive means more value, however, a key pricing factor to consider is who your market actually are. If you're targeting multimillionaires, then they're definitely more likely to turn their nose up at a membership site that's priced \$38 a month. It's a perception thing. Even if the offering is the same as if you were to just stick a \$300 a month price tag on it, the nature of the market affects their perception of value. It's not actually a reflection of the value. It's perception, not reflection.

The truth is that lawyers, accountants, investment bankers and so on, these high powered, high paid careers, they will perceive pricing very differently from cash strapped students, new business startups and casual hobbyists. That's definitely a factor to consider. If you know that you have a target audience who will negatively judge a low priced product, or even negatively judge a product that otherwise in any of the market, would be deemed reasonable, or even slightly expensive. If you know that your market are going to look at that and think, wow, that's too cheap. There's no way these guys can satisfy what we need. Then, that could certainly be a good reason to charge more than a standard. That's definitely something to take into consideration.

You want to think of some of the other pricing factors, too. Exclusivity is a big one. If your membership is deliberately small, you only accept a certain amount of people into it, that exclusivity justifies a premium. Competition is another factor. If you're the only person in a market capable of solving a particular problem through your membership, that commands a premium. It also is an area in which your potential for pricing your product is going to be directly affected by what other people are pricing. If there's someone else out there in the market who has a good reputation, who's credible, who's seen as one of the bigger names in your particular industry, if their offering is pretty much identical to your offering, then you're going to have a hard time justifying your pricing being double what their price is, or even being \$10 or \$20 a month more. I think a good litmus test for this would be if someone joined your membership and your competitor's membership, and trust me, this will happen, and they contacted you to ask why yours costs more. Could you actually give an answer, a legitimate answer that wasn't just throwing smoke up your own backside, and that didn't involve criticising your competitor?

Competition is definitely a big factor to consider. Facilitation is another area, and we've gone to depth on these factors in previous episodes, but if you're actually providing some sort of hands on facilitation, so your membership definitely has elements of either done for you or done with you. It's not just a do it yourself where people come in and they have the material, they have content, but ultimately it's down to them to use it. That facilitation again, justifies a premium. Again, we mentioned before, the one to many model where your output is distributed across a wider amount of people. Actually, if your membership has channels to turn that one to many onto one to one, then again, there's justification for a premium.

Final pricing factor, that again, will give you a good reason for perhaps charging more than people may expect is the value of the result that you provide. If you have proven your membership's ability to help people double what they earn in salary by landing a promotion, that's a higher impact result than simply helping somebody improve their calligraphy skills. Again, these are all things that you need to factor into your decision to increase your pricing, especially if it goes beyond expected levels within your market.

Again, coming back to this question of are you undercharging for your membership site? When you think of those factors, market profile, exclusivity, competition, facilitation, direct access and value of result. Do you feel, based on those elements, that you have a compelling reason to charge significantly more than the general ranges that I gave as a rule of thumb at the top of this episode. If so, and it's not just wishful thinking, or dare I say it, arrogance, then go for it. Charge more, because if you were pinned down again by someone wanting to join your membership, and they asked you to justify your pricing, you can give them a good reason based on stuff we've talked about. However, I want to make more money isn't a compelling enough reason.

If you're sitting there shaking your head thinking, what does this guy know? It's not like he's been doing this for years, and runs a successful membership, or has seen all shapes and sizes of membership, if you just want to flat out ignore me, please do. Stick your price up anywhere. Even if you can't justify it, stick your price up anywhere, but I can pretty much guarantee you're not going to get the results that you want to get. Quite often this mentality about I need to be charging a significant amount, I need to be charging hundreds per month to make it worth my while. It's usually indicative of one of three things.

First, a lack of confidence. A lack of confidence to really make the one to many model work. The whole basis to a membership site is that it is a lower ticket product, but that is balanced out by having a larger number of paying customers. It all adds up to actually being a significant income that also give you that rising baseline on a month to month basis, where your revenue and your income isn't directly tied to sales. Of course, one to many involves you actually attracting the many. Quite often this idea to massively inflate pricing is down to a lack of confidence in the ability to really, really get the most from that one to many approach.

Second thing we see driving this is just a lack of understanding of the membership model. Some people just cannot wrap their head around the

fact that their membership cannot be compared to a course, cannot be compared to coaching, cannot be compared to one on one services. They just don't get it. They don't understand that memberships are a slow burn. They're a marathon. They're not a sprint. It takes time to build this accumulation, this rising baseline of recurring revenue. Some people just don't get it. Memberships aren't for everyone. Some people go into them for the wrong reasons. They go into memberships because they recognised a trend, or because they've tried a few of the things that just haven't worked, and a membership site is just the next thing on the list. They're not doing because they understand and they love the model and they see real potential of it. They're doing it because someone somewhere told them that it's something they should be doing, or they bought into the idea that it's this silver bullet or a golden goose to overnight effortless riches that's going to enable them to kick back on a beach sipping cocktails as all of this money magically appears in their bank account.

That doesn't happen. Quite often that lack of understanding or lack of appreciation for the membership model drives this kind of mindset I've been talking about in this episode. Quite often, from memberships that are already up and running, where you almost get that membership site owner's remorse where they're saying, I just can't shake this feeling that I should be charging more, or I'm spending too much time doing this or doing that, and I don't feel like that's worth my while. I should be doing more. Quite often, it's masking a failure to attract and retain members. Again, this is coming back to just not being able to make the one to many model actually work.

Quite often it's people deflecting from the fact that they're just not doing very well in terms of getting members in through the door and getting them to stick around. They're deflecting away from the fact that they just can't get and keep members, and instead, focusing on this perceived problem, but the members they have managed to get just aren't paying them enough. Ultimately, if you want to make money from your membership site, then so be it. I can't fault that, just as long as you're not being diluted about how much you should be charging, how much you could be charging, and you're not being led down the wrong path by outside influences that have steered you off in the wrong direction.

If you do want to make more money from your membership site, but you can't realistically justify a major price hike based on the stuff that we talked about here, then there are three different paths you can take. The first of those is to change your product. This is the easy answer. If you want to charge more for your membership, justify charging more, That means chagrining one of the pricing factors we discussed. Change the market your membership is targeted at. Change the level of exclusivity, so that your membership is deliberately small. It's a whole Groucho Marx thing, I think it was Groucho anyway, it might be the only one. He said, "I don't want to be a member of a club that will accept me." You're wanting that type of exclusivity, that can justify a premium, add that as an element in your membership. If your ability to up your pricing is down to the fact there are other established competitors all around the same price range, pivot away from a point of differentiation between what you're doing and what they're doing. Find, again, a reason to justify a price hike.

Bring in things like increased facilitation. Have it done with you or done for you. If you don't want to do that, hire people who can come in and provide that facilitation to your members. Find a way of providing direct access. Find a way of focusing on higher value, higher impact result. All those pricing factors, if you can't justify a price while right now based on those factors, just change those factors to give you that justification. That's the first thing. You do want to make more money? First, change your product. Second, instead, if you don't want to change your product to justify that hike, change the perception of your product. Focus, instead, on creating a brand that is perceived as premium and high value. This is essentially focusing on style over substance, and it works. There's plenty of companies out there, which are all sizzle with a very mediocre sausage. This can be hard to do. Honestly, you'll end up spending so much to create this premium brand image that your profit margins will likely be crunched down to what they would be if your product was priced a little lower. It's certainly an avenue you can take if you want to justify massively increasing your pricing.

Finally, you can just go ahead and change the price regardless. Change the fee for an ordinary membership offering. Don't worry about your ability to justify it. If somebody questions that, tough. They're the wrong person, right? Just understand that if you do this, you're going to have to market your butt off, because a far lower percentage of your audience are going to convert. You're going to have a much harder time positioning and promoting your product with that hefty price tag. You'll naturally end up with a smaller membership. This is why we say if you're going to box yourself into a corner, where you're only going to attract a very small number of people, just because you have an off putting price tag. Embrace that. Make the small size of your membership a feature. Make it so you're deliberately exclusive. At least then there's a little bit of justification. A small membership isn't necessarily a bad thing. Having that small high paying member base, there's definitely pros to that, but there's absolutely some cons there too.

This has been quite the meaty one. It's possibly been a little more ranty, a little more salt boxy than some of the episodes you guys will be used to. Hopefully you've enjoyed that. Hopefully you haven't been put off. It's certainly not intended to be critical of a desire to increase your pricing, or a curiosity as to whether you should be charging more. As we said at the beginning, if you look at the general scale of what memberships charge, and if you're on that lower end, you've probably got a good chance of increasing your pricing. This episode hasn't been aimed at you.

Similarly, if you're offering based on those pricing factors we talked about, facilitation., exclusivity all that sort of stuff. If you know that what you're offering really goes beyond what a typical membership site will offer, then naturally you would be expected to charge more than a typical membership site would charge. What I was really hoping to crack here is that mindset of wanting to charge more just because you think you should make more from your membership. What I really want to crack here was that kind of mindset where people want to massively, and we're talking massively, jump their pricing up because they're totally looking at things the right way, or they're taking bad advice, or they just can't wrap their head around what a membership site actually is and how you figure out what to price it for.

Hopefully, this has helped to hit at the heart at some of the stuff behind that kind of mindset. If its helped even one person, than it was worth getting the salt box out for this episode. I'd love to hear your opinion. I'd love to hear what you think of all this. If you're in our free Facebook group, let me know in there. If you're not in the group than either search on Facebook for Membership Mastermind. You should see our group there. There's about six and a half thousand membership site holder's on there, or in your browser, just type in talk memberships dot com. That's talkmemberships.com. That will take you through a redirect to the group. Join in there. Let me know what you thought of this episode. Do you agree with what I said? It's fine not to agree. Let me know. I'm always happy to debate this stuff and to take into consideration other perspectives on this. I'd love to get your input. Let me know. Hit me up on Twitter if you're not a Facebook kind of person, @membershipguides. Let me know your thoughts on this episode.

Of course, if this had helped you make a decision, if it's helped snap you out of a negative mindset when it comes to membership pricing, then I'd love to know about that too. That's it for me for this week. Hopefully you've found it useful, at the very least, entertaining. I'll be back again next week with another instalment of the Membership Guy's Podcast.

