

REDUCING YOUR MEMBERSHIP PRICE



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Mike Morrison:

Hey, everyone. Welcome to Episode 197 of The Membership Guys Podcast. I'm your host, Mike Morrison. Thank you so much for spending part of your day with me, you are listening to the number one show of a proven practical tips and advice on growing a successful membership. Today, we're talking about how to reduce the price of your membership in a way that doesn't annoy and alienate your existing members.

Now, you may be thinking to yourself, "Mike, why in the world would I want to reduce the price of my membership? Surely that's the opposite of what we should be doing. Surely as time goes on, as more content gets released into the membership, as your confidence and your ability to deliver as a membership site owner grows, the value of your membership gets higher and higher and as such the scope to actually increase the price of your own membership gets higher and higher. Why would we want to go backwards?"

Well, there are some very good legit situations in which you might need to lower your price. You may need to lower it if you've completely changed your offering. So, you've totally transformed the nature of your membership, you played around with the model to the extent that it's practically a totally different product. As such, you might be bringing in additional membership levels, or maybe you've actually diminished the value of your membership.

A quite common situation where that happens is where someone starts off with a very high touch membership where they're very involved. They're very hands-on and a lot of the value proposition centers around having access to them as the expert and authority in their industry. But then maybe they decide that's not something they want to do anymore. Maybe they just don't have room for it in their lives, and so they changed the membership, essentially they exercise themselves from it, and as a result, you might need to reduce the price accordingly. So that's one situation where you may very well need to lower your price.

Another is where perhaps you've just priced your membership far too high in the first place. So, you've launched, you've come out the gates with a high ticket, high priced membership, and nobody's joining. There's a very legitimate case for reducing your price in that situation. Or maybe you recently increased your prices and your signups have flat lined, people just aren't joining anymore, or they've reduced to a point that you're now a little bit worried and you're thinking about whether you made a mistake.

So, while of course, it's never a good thing to have to go backwards in your pricing and to bring your prices down, there's some definite situations where that may be a necessity or where it may very well be worth considering. In fact, this is a question we've had a few times now on our live Q&A calls and that's what inspired me to make this episode.

So, let's first of all talk about the implications of lowering your price. I've said a few times now that the last thing we want to do is reduce the price of your membership. But why is that? First and foremost, let's be frank, reducing your price will, in most cases, be seen as a failure, a step back, an admission that you got something wrong or that your





membership wasn't worth the price that you were selling at. It will be perceived, in many cases, as a negative. And that's something that could be damaging to your brand, to your credibility. It might give people pause for thought, if they're considering joining your membership.

Depending on the circumstances in which you're lowering or price, it could be a massive, massive red flag. If you just launched your membership, and then already two months later, you're reducing the price of it, then people may actually think that you're in trouble. People may decide not to join your membership because they might think, well, hold on, they just launched, now they've cut their price, surely this means they've gone down the wrong path. They're in trouble. They're struggling. And why should I join now, because they may very well be out of business in six months?

Same thing goes for if there's a price increase, again, depending on the type of membership that you have, if you have one in the business space, for example, and you increase your price, and then you're reducing it again, people might actually question whether you have the business smarts, whether you have the knowledge, whether you're a reliable person to take advice from if you have just made what they may see as a whopping big mistake.

So, there's no denying the fact that lowering your price in some circles, in some situations, will be viewed as a failure. But also one of the biggest issues that you have to consider is that you may already have people paying that higher price and those guys are probably not going to be happy if suddenly new members joining your site get exactly the same thing as they do, but they're getting it at a fraction of the cost.

It's with those existing members that things get a little complicated when it comes to lowering your price, because even if you want to give your existing members the new lower price, most membership plugins and platforms will not enable you to adjust the price someone is paying on their subscription. Now, that is something that frustrates people. Anytime people ask about putting the prices up, putting the prices down, changing anything about the subscription, how much people are paying, when they find out that in most cases you can't, they get so frustrated but it's actually a positive thing because that protects people from being scammed.

You don't have to go too far online to find the type of people who would quite happily, if they could, trick their audience into signing up for a \$5 a month membership and then without them knowing work the price up to \$500 a month by just adjusting the price that they're paying for their subscription. Most plugins, most payment providers won't allow you to do that for that very reason to avoid people getting scammed. But it does have the downside to introducing more complexity to a situation where you might need to reduce somebody's prices.

So, that does mean that if you want to put someone's price down, your members will need to take action themselves, you are relying on them taking the steps to switch either by downgrading to the cheaper membership price, which some membership plugins facilitate, or by canceling their membership and then rejoining. So this is all to





say that reducing your price isn't a decision to be taken lightly. So, how do you handle it? How do you approach it?

First thing I suggest you do is to really question whether you actually need to reduce your price, that you're not just instinctively thinking that that's the only solution, really examine this. If you've increased your price, and you've found that signups have dropped, that doesn't mean you need to bring your price down. If you're dealing with a price increase, you will expect to see signups going down. A higher price does mean that you're less affordable, less accessible to some people, so it reduces the number of people who are even able to join your membership.

For some people it will make the buying decision less of a no-brainer than perhaps it was before if you were more attractively priced, so yes if you put your prices up, signups will generally go down. It's not always the case. We actually increased our price for the academy a couple of years ago and we saw signups increase when we did that, but in a lot of cases a price increase at least initially will see a drop off in signups it's very important with anything membership related that you actually do the math, so that you don't look at things on a surface level because memberships are not about the initial transaction.

It's not about the number of signups, it's all about the customer lifetime value. You have to do the math on this. If you double your price and you get half as many signups, overall you still make the same amount of money, right? Assuming people stay for the same length of time. Assuming your churn remains the same, then doubling the price essentially doubles the lifetime value, which means you need half as many people in order to earn the same amount of money, right?

So, a drop off in signups doesn't mean that you have made a mistake. You've got to do the maths on this. You get 20 members at \$10 a month staying for 10 months, their lifetime value per member is \$100. So, those 20 members are worth \$2,000 to you. You get 10 members signing up at \$20 a month and they stay for 10 months, the lifetime value per member is \$200. So 10 members are worth \$2,000. The maths behind this are very, very important to do.

So again, factor that into your decision about whether or not to reduce your price. As we've said, you put your prices up, you have to expect some drop off. But some people see that and then they panic thinking that they made the wrong move, but when you do the math, if you still come out on top, then you probably don't need to reduce your price. So definitely question whether or not you actually need to reduce your price based on the figures, based on the effect that that price increase has had on your business income.

If you do the maths, you still come out on top, don't reduce your price. Maybe you tweak your marketing, maybe you refine your messaging to attract more of the right kind of people who perhaps aren't as price sensitive. But unless your price increases cause their hit financially, then the price isn't the issue. That's really the second question you need to ask, is pricing the problem or does the issue lie somewhere else? If you've just launched your membership and nobody is joining, there's a very good





chance that price has nothing to do with it.

Most of the time when people launch a new membership and it goes absolutely nowhere, it flops, it's a total dirt, it's usually an issue with one of two things. One, they either didn't build up an audience before they launched their membership. So many people fall into the, "Build it, and they will come" trap. But that just does not work in online business, and certainly not with memberships. So, some people think they can skip off or go the audience building part. If you haven't built up an audience, you don't have anyone to sell to, and so your problem is that you just do not have leads prospect or anyone even aware of the fact you have a membership site.

So, in that instance, it doesn't matter what the price is because the price isn't the problem. The problem is your lack of audience. Quite often too even people who have huge audiences, every now and then, they'll launch a membership and it just does not get off the ground. A big part of the reason, again, a huge area people fall down is that they haven't validated the idea, they haven't actually spoken to their audience, they haven't done the research to see whether there's even demand for this membership, whether they're trying to solve a problem that doesn't exist, or whether their solution is wrong for the problem that they're trying to address.

Idea validation and audience building are the two fundamental activities people need to be doing before they start a membership. But the problem is, people get so excited about the idea of starting a membership, they get so swept along by looking at membership plugins and planning out their courses and all that sort of stuff that they skip past these two elements. And then they launch the membership, just doesn't work and they start scrambling, they start panicking, and they start looking at things like pricing.

So, if you have launched a membership and it's just kind of flopped, it's just fizzled, don't automatically assume that price is even a factor. Chances are it's a total nonissue. Are you getting traffic? Are you getting email leads? Have you sold anything to this audience before? Maybe you've got another membership, maybe you've sold online courses or coaching programs. How does this compare to those in terms of whether it's the same audience you're trying to serve, whether it's just more of the same, its repetition? So maybe people aren't sure why they would need to join a membership when they've already bought your course and stuff like that.

Have you surveyed your audience? Have you actually asked them? What are they telling you? If you're asking them, "I've just launched my membership, but you haven't joined. Do you mind telling me some of the reasons why that may be?" What are they actually telling you? If they are telling you that price is the main problem, again, I'd be surprised in most cases unless you priced it ridiculously high. In most cases, the issue won't be the price. But if they are saying the price, is the issue with affordability in terms of you know, you're trying to sell a real high priced product to a very, very budget limited audience, or are you just not doing a very good job of describing the value proposition of actually positioning your membership?





With stuff like this, it could be a whole range of potential issues but people are too quick to think that it's the price. The reason is because the price seems like an easy fix. Changing from \$50 a month to \$40 a month means changing one number, right? Now, we know that it's not as straightforward as that. But again, it's easy to see why people zero in on stuff like this as the cause of the problems and in doing so they overlook the real, real issue. So definitely ask yourself those two questions, if you're thinking about lowering your price. One, do you need to reduce your price at all? What does the math tell you?

If member numbers have dropped off, that is to be expected. But if you're still coming out on top financially, when you look at things like lifetime value, then that's a sign you don't actually need to reduce your price and if you're having problems, is the price the actual problem or are you missing a bigger problem elsewhere? Now, let's say that you've really, really examined those two areas and you are utterly convinced, yes, the pricing is absolutely the problem. I messed up. I priced my membership at \$800 a month, and clearly that is ludicrous. I need to reduce the price. What do I do?

So, here are tips. Number one, be transparent in your communication about this decision. Again, we talked about the fact that quite often reducing your price can be seen as a failure. You can counteract that by telling the story behind this. First thing you want to do is make sure you communicate this upcoming change to your existing members first. They shouldn't find out about this second hand or through your blog or through your podcast. They should find out about this before the pricing change actually happens publicly.

Honestly explain your decision, give information on what this means for them. Be clear, be transparent, it's always the best policy with this sort of thing. You also want to make it as easy as possible for people to switch from their current subscription to a lower one. Now, some of this will depend on the membership plugin that you're using. Again, some will give you the ability to make it quite easy for people to just click a button and downgrade. Others will require members to cancel and then resign up. Whichever situation you're in, you are relying on members taking action themselves.

When that happens, it can be a little bit frustrating because members don't always act as quickly as you want. Not everyone will see the emails that you send about it. You might get an email in three months time from someone saying, "Well, hold on. I've only just seen this." It's going to happen. You need to prepare yourself for that. But do what you can to make it as easy and as clear as possible how people can actually make that switch. So, take the time to put together a little how to video, maybe address some frequently asked questions. Try and anticipate some issues or questions people may have.

Maybe even do a walkthrough video where you actually show people, screen by screen the process of how you actually go about making that change and actually tell them why you need to do it. You know, I mentioned before that you as a membership site owner can't just force a change in the price someone is paying. That's a good thing for members. Make sure they know that. Tell them that, the reason yes, it's a little bit of a hassle that you've got to cancel and then resign up. However, the reason for that is the payment





providers don't allow us to change it for you. That's to stop nefarious people from tripling your membership fees. So, it's a good thing for you. But it does mean two minutes of inconvenience for you right now. Sorry about that. But you know, it is how it is.

So, again, make it as clear as easy as possible for people to make that switch. You might also consider giving your existing high rate paying members some sort of incentive such as free time or a bonus, such as maybe giving them a little bit of free time on their memberships, or two or three months for free, maybe some bonuses. So, if you've got other courses or other products, maybe you throw that in as a little thank you, or a little apology for that inconvenience.

Now, the extent to which you want to do this will kind of depend on how much the price drop will be, and how long people have been actually paying the higher rate. If you put your price up three months ago, and now you're dropping it by \$10 a month, then members probably aren't going to feel too hard done by when you announce their price change. Okay, over three months, they paid \$30 more. If you're clear and you're transparent and you get them on board, people aren't going to kick up a fuss about that. In fact, they'll probably be pretty happy that something they're paying for is now cheaper.

After all, they knew the price they were signing up for, right? However, if you're halving your price, so you're cutting it by 50%, and maybe that means that you're reducing it by \$30 a month or more and you've got members who've been paying that rate for a year or longer, then you might be more likely to get some people feeling like they've been overpaying for something that should have been cheaper all along.

Are they right? Not really, but this is all to say that factors like this should be considered when it comes to finding a way of easing that transition for the people who have been paying a higher rate. Now, something you could do, rather than just reducing the price of your membership, it's to take a completely alternative approach. Instead of bringing the price down, lowering the price for your membership down, could you perhaps turn your membership into a two tier membership, so you find something to add to your current price point that makes it a premium membership level.

Maybe it's extra content, maybe it's more Q&A calls, maybe it's a quarterly one-on-one call with you, some sort of group coaching, something that your current high rate payers aren't already getting that takes their membership to a higher level. So they're getting more you keep that at the current price point and then create a second tier at the lower price point. Those members at the lower price point they get what your membership currently offers. So they get just the basics, none of the new stuff.

So essentially, you get the best of both worlds here. The people who are paying that higher rate remain your premium members. They are your high level members. They're on that premium tier, and they're getting all this extra stuff that they weren't getting before. They're still paying the same price, right? They're getting more for their money than they were getting before, and they have the option of downgrading to the cheaper level, the cheaper price if they want to.





This approach turns a problematic situation into a total win-win. Nobody's going to feel hard done by, you're not going to lose members by making them go through the rigmarole of canceling and rejoining. People who are happy at the current price can continue paying it and get even more awesome stuff than they were before. People who want to take advantage of the lower price or who were happy with just the basics that they're currently getting, they can make the choice to switch to that and pay less than they previously were, while still getting everything that they were previously getting.

Honestly, to me, this is a much more attractive alternative to lowering your price. Now, it's not going to be feasible for everybody. Maybe there's simply no scope for you being able to offer more stuff to people. Maybe the reason you want to lower your price is because you want to actually reduce your involvement or reduce what you're offering in your membership. But if the main reason you're looking to reduce your price is purely because you think you might have overpriced it, maybe you priced too high at launch or your price increases caused a drop off in members, this is a great, great way of taking a negative and turning it into a positive.

It's not a price reduction. It's the introduction of a lower level tier and the enhancement of the membership rate that your current members are on in terms of what they're now getting for their money. So hopefully that approach does make sense. Essentially, how it would work is okay, you've got members paying \$50 a month right now, and for that they get a monthly Q&A call, a monthly live training webinar, and they have access to your library, your archives, and your community, and they pay \$50 a month for that.

So, the new model you're going to have a \$30 a month membership that gets a monthly training call, a monthly Q&A, community and your library, and that's it, and they get all that at \$30. So, the offering is what you're offering now to your higher rate. You're just pricing that at \$30, which is what the case would be if you just did a straight price reduction, but instead of that reduction, you now have a premium tier that \$50 a month that gets all of that stuff, plus, instead of one Q&A call, they get two a month, and they get a quarterly one-on-one coaching call, and they get access to a premium course that you normally sell separately.

So, you've navigated the sticky negative situation of having to bring your price down. And instead, as an alternative, you've created a two tiered membership that is a win-win for you and for your members. I prefer that personally. But again, as we said, it's not going to be right for everyone, but it's a great compromise. Now, some of you listening to this may be quite early in your membership journey and maybe you're starting to panic a little bit about getting your pricing wrong about this been something you'll need to do.

So, how do you avoid getting in a situation where you have to reduce your price? First of all, just to ease your mind, this isn't something that's a highly common occurrence. It's a fairly rare thing to have to drop your price after you've launched or after you put your price up or anything like that. So, don't panic. This isn't part for the course, this isn't something that you'll likely have to deal with at all in your membership. So don't get too





worried. Don't let this episode put you off starting a membership or make you overly anxious about getting your pricing absolutely perfect.

As we said earlier, sometimes people own sites and nobody joins, that does happen but it's usually got nothing to do with price. It's more often that they've rushed into it before validating their idea and before validating their audience. So, if you're going to worry about anything, it's that. Make sure you've done that before you push forward on your membership plans. We also recommend that if you have a price in mind for your membership, launch lower.

So, you may have this vision, you have this idea and plan that your membership will be a \$50 a month membership. We always like the idea of launching a couple of price points below that initially. So, first of all, when you very first open your doors, you're generally going to want to have some sort of special launch offer price. Usually this will be the lowest price you ever sell your membership for. The whole idea is within the first week or two of your doors being open, the price to join your membership is such a no-brainer that you're going to get that initial influx of members that will help your membership actually build some momentum.

Usually that launch offer will only be available for a week or two and then it goes up to the next price. But I generally say that that next price up, maybe you're going to have a step or two between that launch offer and the price that you'd ultimately like to charge for your membership. There's a few reasons for this. First of all, while you might want your membership to be a \$50 a month membership, it might not be worth it yet. Maybe that archive of content that people will get access to hasn't yet been built up. Maybe you're still finding your feet in terms of really nailing down the type of content to create, or how to answer questions effectively on the Q&A calls. Maybe you just got too much on your plate to show up in the way that you want to show up in your community.

So, all these kind of things, maybe your offering isn't quite at that level of value just yet, and so launching that little bit lower, not drastically lower, but giving yourself a little bit of room to make one or two steps before you get to your ultimate final charge, final price for your membership that just gives you a little more room for maneuver, a little more breathing space, and some more room just in case it turns out that you got things wrong to help you avoid having to reduce your price.

It gives you more chance of finding that sweet spot. You may actually find, you know, six months into the membership, perhaps you'd intended to sell your membership at \$50 a month, but you might get such a surge of members at that \$40 a month that you think you know what, we're going to keep it here. We're going to keep it at \$40 a month to remain competitive, and we're going to keep it at \$40 a month because it means we can stay competitive and also still make a really good living from the membership.

It also gives time for other parts of your marketing machine to catch up, for you to get your funnels right, for you to gather testimonials, and all that sort of stuff that's going to really help you to do a better job of selling a more highly priced membership. When we launched Member Site Academy, we knew that we were going to charge \$49 a





month for it eventually. We knew that was the price point that we were shooting for. But when we very first launched, we launched at \$29 as part of our launch promotion.

So, for the first two weeks of our membership site being open, people could join at \$29 a month and lock in that \$29 a month pricing for the life of their membership. After that, it went up to \$39. It remained at that price point for a year, and then it went up to \$49 and it's been that price ever since, and it probably won't increase in price.

So, rather than coming out the doors with our membership price of 49 bucks, we gave ourselves these steps before we got that final price just to give ourselves that little bit more space to actually determine whether or not that pricing was right, and to ensure that we were on the right track, and that our membership could evolve to a point at which it would be a no-brainer for \$49 a month. So, launching that little bit cheaper than you might ultimately want to charge, again, gives you a little more room for maneuver, reduces the chance that you might have to consider rolling things back, reducing your price and so on.

I'd also say a good way to avoid the situation is making sure you don't fall into common traps when you're first deciding your price. We see a lot of people get the logic wrong when it comes to working on how much they should price their membership at. These are usually people who've sold other types of things before. Maybe they've been coaches or maybe they've been designers or something else where you typically have an hourly charge and all that sort of stuff. So, they approach pricing by thinking, "Okay, well, I would normally charge \$300 for a coaching session. So there's no possible way that I can only charge \$50 a month for my membership."

It just doesn't work like that. It's a totally different business model. Memberships are one-to-many, coaching sometimes is one-to-many, but usually one-to-one. And so it's apples and oranges. You can't base your pricing for your membership on how you would price a completely different type of product or offering.

We also see people where they'll look at what others in the market are doing, then they'll think, "Okay. So Joe Bloggs is charging \$100 a month for his membership and he's only got 10 courses in there. I'm going to have 20 courses, so by that logic, I can charge \$200 a month. Twice as much content, twice as higher price." Again, it just doesn't work like that.

Another trap that people fall into when determining prices, they listen to some of the wrong people. You might find that you have coaches or people in your mastermind, business advisors, network connections, and so on telling you that you should price higher than your research and your instincts suggest that you should. But quite often, these people have zero experience with online memberships. So don't take that type of advice at face value. Because again, usually they'll be basing their logic and their thought process about pricing on a business model that is completely different to the membership model.

You can't price a membership the same way you price bespoke coaching services, and so on. So, these sorts of things will help you to avoid a situation where you might need





to consider reducing your price. But if that situation does come up, hopefully what we talked about today will help you to better deal with it. Unless you have totally overhauled what you're offering, lowering your price should be a last resort. It will be seen as a failure, a step back. It will cause complications and problems with your existing member base.

Definitely question whether the price is the problem or whether the problem lies elsewhere, and also whether the financial implications of any drop off in sign ups or anything like that that you may be experiencing after putting your price up, whether or not that is actually as bad as you think it is, or whether you're still coming out on top.

It's just that initial surface level change and results has caused you to panic a little bit. Make sure you're transparent in your communication do you kind of make things easy as possible for people to switch and perhaps consider an alternative approach where instead of reducing your price, you introduce an additional tier that allows you to get the best of both worlds and give your members a choice over whether they want to pay less for what they're currently getting, or stay paying the same amount and get more bang for their buck.

Okay, we're going to wrap things up there. Hopefully if you are in a situation where the possibility of lowering your price is something you've considered, I do hope that some of the tips that we've given you in this episode has helped. If you're not in that situation, hopefully you will now be better equipped should something like that come up in the future. That's it from me for this week. I'll be back again next week, as always, with a brand new installment of The Membership Guys Podcast. I'll see you then.

