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$100M Playbook: Retention

How to Get Customers to Keep Buying

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"You're doing sales because you failed at marketing. You're doing marketing because you failed at product."
— Naval

June 2019.

It was no secret I could solve marketing problems by getting people to beat down your door with a Grand Slam offer. It was no secret I could solve sales problems with a tidal wave of sales appointments. Get enough appointments and get more customers. Easy peasy. And it was also no secret that once you got the customer… it wasn't my problem anymore. See, I always thought that you could make up for one customer leaving by selling two more. And it worked… *until it didn't.*

We had 1,000 gym owners in our program. Pretty good. And, as promised, they all got customers faster and easier than they did before. Also pretty good. But we had a problem. They'd lose their customers as fast as they'd get them. And a business with a revolving door of customers is hardly a business at all. So I had two problems to solve. First, with the average owner in the microgym space making $30,000 a year, every penny mattered. Second, if their businesses went under, so would mine. The writing was on the wall. Something had to change. Off to the lab I went.

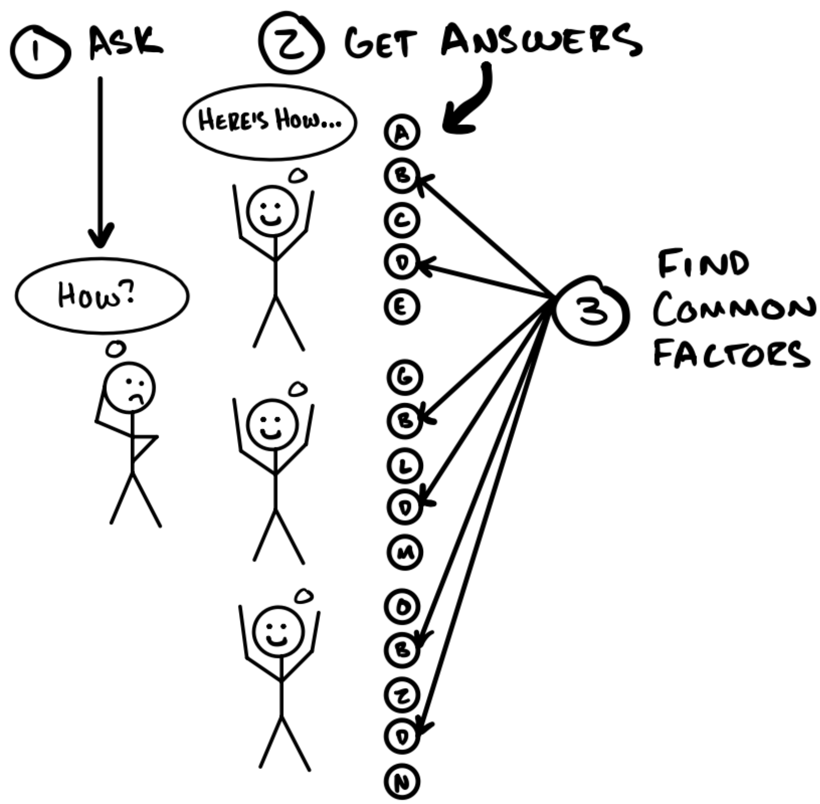
At 15% month-over-month churn, a gym owner loses 83% of their members in a year. That means that with 250 members on January 1st, they would need 208 new clients by Dec 31st, *to stay the same*. And with 12.5% margins, if you fell behind by even two customers per month…you'd lose your gym. And they would. And it sucked.

I call this a leaky bucket business. And it's a scary way to live. If you get behind at all… your business dies.

Solving Problems Like The Big Boys

Wracking my brain, I remembered my consulting days working within the Department Of Defense. As consultants, we had to (...somehow…in six months) learn more about a complex problem than people who had been doing it for their entire careers. Then, come up with solutions they all believed in. A tall task. But, we kept getting brought back. So, *something we did was working*. We had a very particular process for solving problems. It went like this.

1) Ask experts (*plural)* about the problem.
2) Get all their answers.
3) Find common threads to solve the problem.



Talking to *people who already know your problem* gets you solutions faster than doing it all on your own. And since everyone puts their own spin on stuff, talking to *as many as you can* helps eliminate bias and reveals the core problem. And finally, you look through all the notes and do a "common factors analysis." A fancy way to say "Find the stuff they have in common."

The last part can get tricky. But it works like this. Say every expert lists 5 factors contributing to your problem. But, if you overlap all the factors from all the experts the same 2 pop up each time– *solve for those.* And that's exactly what we did.

Following this process.

- I researched *all* the gym owners with less than 3% month-over-month churn for the last 6 months. They were the churn-reducing experts!
- I interviewed each about every single thing they did to reduce churn.
- I found 5 common factors – which became The 5 Horsemen of Retention.

The 5 Horsemen of Retention

1) **Track attendance:** If a member went to the gym three times per week or more, they would stick. If they went less than twice per week or less, they'd churn out. Attendance looked like this:

    Week 1: 3 sessions

    Week 2: 2 sessions

    Week 3: 2 sessions

    Week 4: 1 sessions

    Week 5: CANCEL

    The good news: If you talked to them *right* when their attendance goes down to two sessions, you could rescue them.

    a) Week 1: 3 sessions
    b) Week 2: 2 sessions (reach out)
    c) Week 3: 3 sessions
    d) Week 4: 3 sessions
    e) Week 5: 3 sessions

2) **Reach out 2x per week:** Praising customers about their participation and progress goes a long way. Solving little problems they have does too. Do both.

3) **Handwritten cards:** Send hand-written cards when they sign up, when you ask for referrals at three, six, twelve month milestones. I like holiday and birthday cards too, up to you. Honestly, there's never a bad time to send a handwritten card *so long as you make it yourself.*

4) **Member events:** Hold regular events *on an internal calendar*. Keep them regular to you and random to them. Every 21, 42, or 63 days is a good cadence. *Use handwritten invites* (see above). You reduce churn AND get referrals – a win-win.

5) **Exit interviews:** If a person says they want to leave then *talk to them before they do*. Do this right, and save about HALF the phone and email cancellations. Yes, really. First, set the expectation you'll require an exit interview when you onboard new customers. Second, use their cancellation notice as the sign to set up the exit interview. Then you can talk to them about it, solve their problems, and get them back on the wagon. Realistically you'd cut churn by 25% (assuming half show). That's a respectable 33% increase in LTV.

The 5 Horsemen Of Retention: Results

We started to implement all five horsemen of retention with the gyms and here's what happened:

- Month 1: churn UP by 50% ← Spooky, but I will explain.
- Month 2: churn DOWN by 50%
- Month 3: churn DOWN by another 50%

Churn going up right away raises eyebrows– but I call it "shaking the three." First, you've got the people who would've canceled anyway. Second, some people have churned as *consumers* but automated billing still occurs. So once you remind them of it, they cancel. Big surprise there. But all's well that ends well. And they made more money, so it ends well. As more gyms started to feel ok with "shaking the three," their numbers looked like this:

- Month 1: 10% to 15% churn (up 50%)
- Month 2: 15% to 7% churn (down ~50%)
- Month 3: 7% to 3% churn (down ~50%)

We would tell gym owners to expect churn to increase at first. But as long as they do the stuff, churn would go down month after month. Remember, a reduction in churn from 9% to 3% is a **3.3x increase in lifetime value**. The devil is in the details. I have yet to see a business with less than 3% churn that does not make great money.

"The Five Horsemen" for gyms is alive and well. (If you want more details, check out my first book *Gym Launch Secrets.* It's basically all my playbooks to make a profitable gym.)

***

Let me bring you to the present day. We own Skool which has millions of memberships. And as owner, I can look at the hard data (rather than subjective data).

So I can share even more things with you that I know reduce churn in memberships. And to be clear - I don't know *why* these things work. Same as the five horsemen. I don't know *why* they work. I just know *that* they work. So with that being said, let's dive in.

What Is Churn?

Churn refers to customers who *leave* over a specific period of time. All businesses churn customers, but I explain it with monthly billing because it makes churn easier to see. For example: If you start with 100 customers this month and have 95 of those customers the next month, 5% of that customer pool churned out. You can also say you retained 95% of them.

a) Last Period = 100

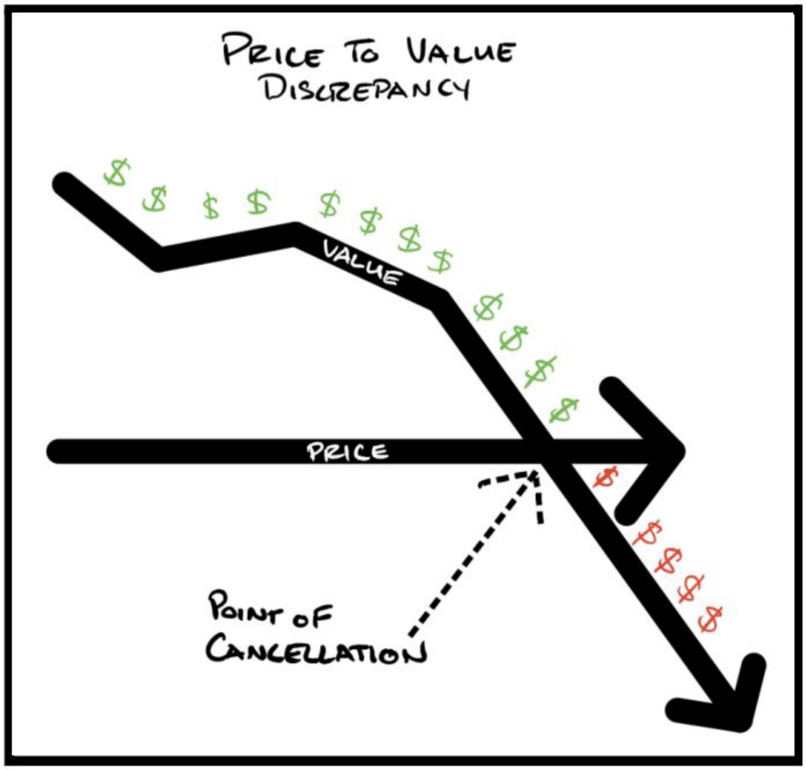
b) This period = 95

c) Difference = 100-95= 5

d) Churn = people who left divided by original customer pool= 5 / 100 = 5%

Note: Churn only counts the pool of customers from the first timepoint. People get this twisted. Don't be one. If you sign up new clients during this time, *churn stays the same*. You could sign up zero or 1,000 new clients during the same month. But if you still lost five of the original one hundred, your churn is still five percent.

Price, Value, And Churn



As Warren Buffett says, "Price is what you pay. Value is what you get." If you can keep the value customers get greater than the price they pay, customers will stick. You can do this two ways. First, you can provide more value (thereby keeping customers longer). Second, you can lower its price. I prefer the first. To determine how to keep customers longer, I flip the question on its head.

Instead of asking "How should I retain all my customers?", I ask "What would make my customers leave?" Then, *I do the exact opposite.*

"What can I do to churn 100% of my customers?"

- Ignore them
- Break promises
- Miscommunicate
- Treat them poorly
- Set unrealistic expectations

- Hide progress and other updates from them
- Keep them away from other happy customers
- Make my stuff harder to use.

So to keep 100% of customers, *do the opposite:*

- Talk with them
- Keep your promises
- Communicate clearly
- Treat them like royalty
- Set realistic expectations
- Give them status updates
- Connect them with other happy customers
- Make it as easy as possible for them to get the most value they can.

Seems obvious. But nobody does it. Because….it's work.

Let's dive into all three variables: price, value, and churn.

Relationship Between Price and Churn

The most sales at the highest LTV is the best price. This doesn't necessarily mean lowest churn, but bear with me. Look at the chart below. Let's assume we sell something for $10. You can see the various other factors the price affects, including churn.

Price	Clicks	Conv Rate	Sales	Churn	LTV	Total Return	Difference
$10	100	5%	5	10%	$100	$500	-
$20	100	4%	4	10%	$200	$800	60%
$100	100	2%	2	33%	$300	600	20%

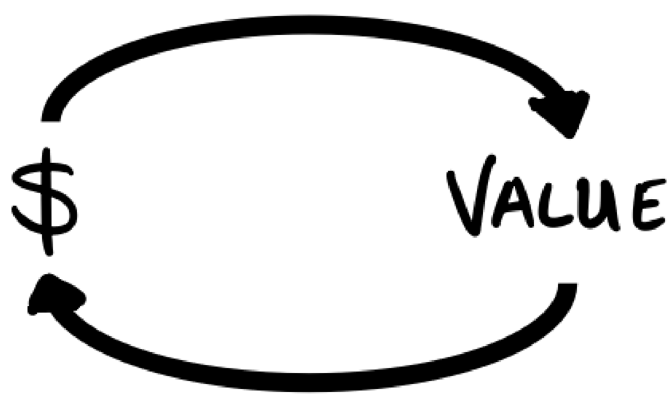
Note: The price in the example doesn't matter, but the relationship between the numbers does.

So what's the best price? The $20 price point. Now, we'd probably test more prices between $20 and $100. I'd look at $39 - $59. Because if churn stays lowish, these may be the most profitable options. But pricing affects both conversion rate and churn rate, which both suffer as prices go up, but not always proportionally. If you can double your price and close 20% fewer deals, with all else staying the same…you should do it! And that's exactly what the chart shows with the relationship between the $10 and $20 price point. So the first and most important thing to do is test, test, test.

Across the Skool platform, unsurprisingly, the higher the price, the higher the churn. Many businesses misprice their products. For example, they'll try to create something recurring out of something that has one-time value. You want to match your business model with the pricing model that makes the most sense.

A big part of succeeding in a recurring revenue business, is providing ongoing value. So, let's go there next.

Provide On-Going Value To Get On-Going Customers



Think value per second, not seconds of value. Less but better is better than more and decent. Overwhelm is the #1 reason for churn.

I have a friend who ran a newsletter business that made $500k per month. I asked him what he did to decrease churn. He said "I can tell you all the things that didn't work. When churn was the lowest I did one Q&A call per month and I just stayed on until everyone's questions were answered. Then I wrote one long physical newsletter per month." I asked him what he did after that. "I went from calls once per month to calls once per week. Then I added all these other things…but everything I added increased churn." Moral of the story:

Sometimes less is more. There is wisdom in deletion. Decide on the core 2-3 things you deliver and focus on making them really good.

For example, Gym Launch is on its 10th version. Each version has gotten shorter and simpler because the #1 reason for churn is overwhelm.

Retention comes down making sure they CONSUME the value, not to overwhelm them with it. So you want it to be as little and as good as possible. The vast majority of people start a YouTube video and don't finish it. They start a course and don't finish it. They set a goal and don't follow through. You need to make it as easy as possible for them to consume your product. Reduce effort and sacrifice. When customers stop consuming, you want to contact them more and more often.

This all seems like a lot of work, so let me explain why I think it's *well* worth the effort.

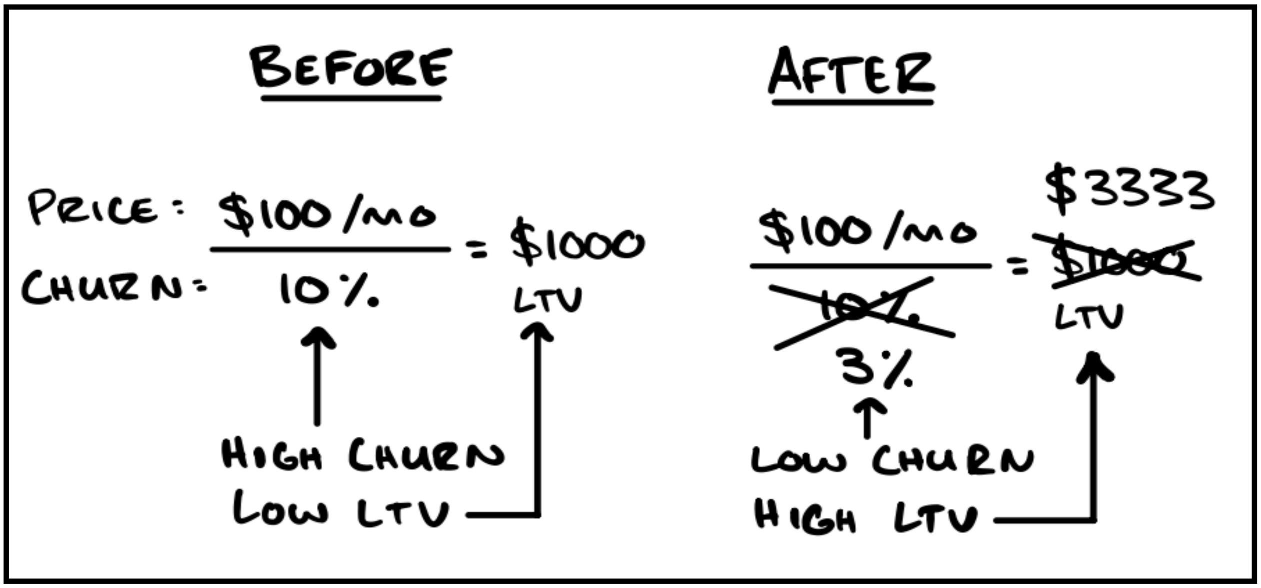
Why Is Reducing Churn So Important?

It's easier to sell customers than it is to sell strangers. Think about it this way…imagine you had a prospect who:

- Already trusted you
- Already received value from you
- Already gave you their credit card
- Has no acquisition costs
- Is your ideal customer

This isn't a prospect - these are your existing customers. Your existing customers are easier to sell (and cost significantly less) than new customers. So - invest effort accordingly.

To show how impactful this is, if you cut your churn from 10% to 3%, you 3.3x the lifetime value of every customer. Instead of staying for 10 months, your customer stays for 33 months. Of course, you have some additional costs (retention investments) on the customer, but they're usually small.



Contrast that with the amount of effort it would take to 3.3x the number of customers you sell every month. First, that would cost way more to do - that's a promise. Second, even if you did that, you accelerate how quickly everyone in your market knows you suck. Also bad.

And here's three more reasons, as if you needed them:

1) **Best returns on effort.** It costs five (5x) to twenty-five times (25x) more to acquire a new customer compared to retaining one. So, if you're looking at your resources, entrepreneurs who allocate money to keeping customers make…*way* better returns.

    a) Just give yourself a budget of what you're willing to spend *extra* to keep a customer. Make it 1/5th of CAC and you'd be amazed how far that goes.

2) **Tiny changes make huge differences in profit.** A study by Harvard Business Review found that increasing retention by five percent increased profits by *twenty-five to ninety-five percent***.** So if you went from customers canceling in 1 month to 1.05 months on average, and you could increase profits by twenty-five to ninety-five percent. Monstrous.

3) **It's the only path to compounding growth.** If referrals are greater than churn, you never stop growing. For example, if 10% of your customers churn every month but you get another 10% in referrals (and don't acquire customers any other way), you'll stay flat. But if you decrease churn OR increase referrals, you'll grow. Bonus: when you do the activities that decrease churn, you have happier customers and happier customers send more referrals.

Okay. Hopefully you're sold on why you should decrease churn. Now, let's cover how we do it.

Author Note: Churn Varies By Industry

If you are in an industry where you serve VSMBs (very small business owners), you will have what's called "structural churn". They go out of business. This makes your business, a high churn business. And that's okay. You still want to decrease it. And if you do, you can still build a big company. Shopify and Skool are both examples of large businesses that serve (by percentage) very small customers. To be clear, it doesn't mean that you can't *make more money* from your bigger customers.

Churn Checklist

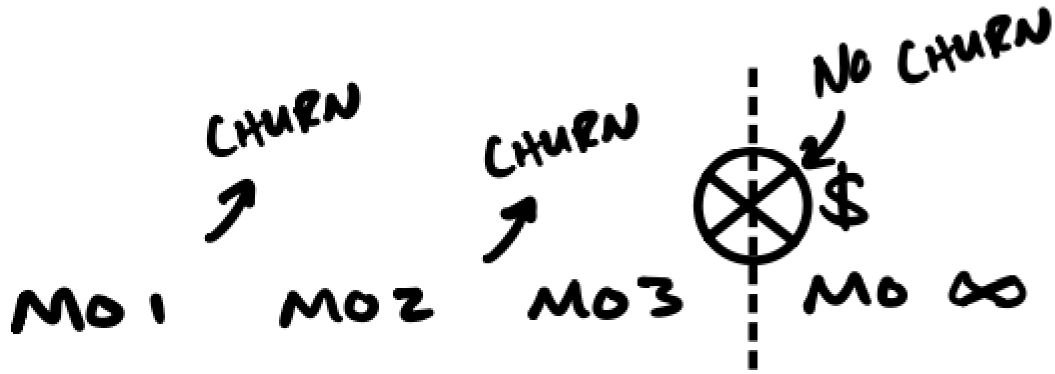
For the purpose of this playbook, we're going to boil churn-reduction (or customer retention!) down to simple activities that I know work across many businesses.

The churn checklist steps are as follows:

1) Figure out activation points
2) Onboard your customers
3) Incentivize customer activation
4) Community linking / events
5) Fire or Correct Bad Customers
6) Add Annual Pricing Options
7) Cancellation call/video
8) Survey Customers Regularly
9) Four-Step Customer Journey

To make these real, I am going to use Skool as an example throughout. This checklist reduces churn across zillions of different businesses hosted on the Skool platform. And one last thing, not all of these will apply to your business. So if you find one and think "That won't work for me" - you might be right - but *many of them will.*

With that being said, let's start *Activation Point.*



Churn Checklist #1: Figure Out Your Activation Points

Activation points refer to leading indicators of customer retention. Use this template: Every customer that does (X thing) or gets (Y result) stays for longer than customers who don't.

A Skool host retains more customers when they interact in the Skool community more often. And we break the customer activity into different levels, each one with a retention statistic. When the customer reaches an activity level of "3" *they have the highest chance of staying the longest.*

Exact numbers matter less for you than knowing: First, that customer engagement matters. Second, segmenting customers based on their engagement makes customer retention tools more effective.

Skool retains its hosts by helping them get customers. For instance, current data show hosts that get *at least* 3 group members stick with Skool *way longer*. That means we can roll the dice and hope they can get 3 members or… *help them get 3 members*. And Skool helps its hosts acquire members with custom tools, education, and other resources in development as we speak.

Here's how to find your activation point:.

- **Find your churned customers**. Gather all the data you can about churned customers. Of those churned customers,
- **Find who stayed for 3 months or longer.** Three months is a convention, but there is nothing special about three months. You can do whatever time you want.
- **Order that list by who spent the most money.** Take the top 20% of customers.

- **Learn everything you can about them.** Look at demographics, psychographics, income, business size, revenue, and any other data you have. Survey customers if you don't know.
    - PR Agency Example: you analyze your customers and find that one specific avatar pays more, stays longer and gets better results. You only serve them. *True story with a company I advised who10x'd their business over the next 24 months.*
- **Figure out how they used your stuff and how you treated them.** And like the solution framework from earlier, common factors become your activation-point candidates. Narrow it down to 5 factors and start working your way down the list. Some will matter and some won't. But find the ones that do, and you'll win big.

> **Author Note: All Roads Lead To Activation**
>
> Make finding activation points your top priority. They have the greatest effect on customer churn. If you find the stuff that keeps people from leaving, then you can do that stuff... and keep them from leaving.

Bonus: Update your messaging

Remember all the work you did investigating the biggest spenders that stayed the longest? *Advertise to those people.* Update your paid aids, organic content, and customer onboarding to select for the perfect customer. Then you can focus on treating them that way.

- Updating Messaging: When I ran Gym Launch, I had a competitor who would sell just as many people as we did. But I would make 70x more profit. His cost to acquire a customer was about the same as mine. He ran ads to everyone in fitness. I only targeted people who had the highest chance of staying the longest (thus, paying the most). But the main difference was his customers were worth $5,000 and mine were worth $42,000 (in the first year). We did this by finding the common factors between the top 20% of our customers, and used those to qualify prospects *ahead of time*. Result? *70x more profit.*
- Updating Onboarding: At Gym Launch, our churn was at 8% and we wanted to get it to 4%. We asked "When do people first get value from the product?" The more

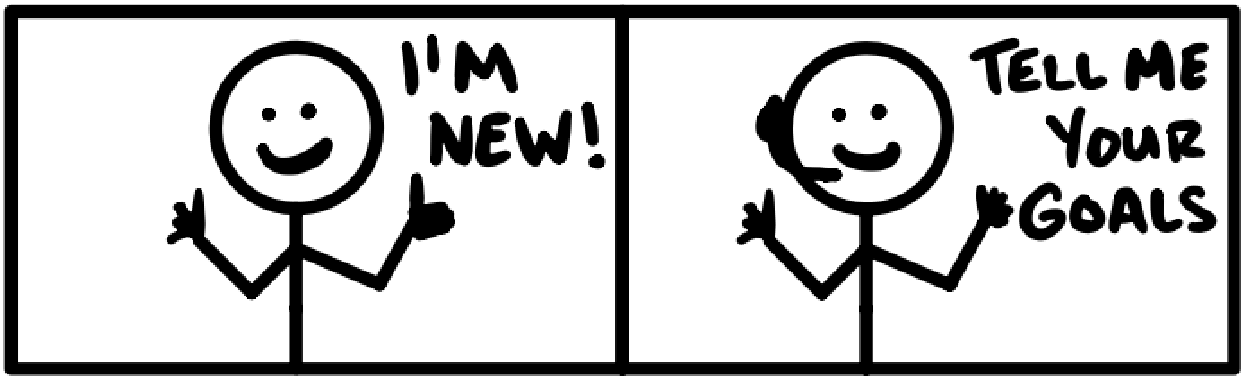
we honed in on it, we noticed the people leaving didn't make their investment back quickly. And the people who stayed the longest made their investment back in the first 30 days. So we created what we called "The Fast Cash Play" and pushed every client to recoup their investment in their first 30 days.

- Churn went from 8% to 3% within 6 months.
- Common activation points: they are different for every company. But here are a few common examples:
  - B2B service company: first time they get leads
  - Software company: first time they login and see the dashboard
  - Physical product: first time they use the consumable product

Action Step: Find who your best customers are. Find your activation point. Update your messaging to attract your best customers. Update your onboarding to drive to your activation point. Retest every 6-12 months.

Author Note: Who > What

One of the highest leverage things you can do in a business is simply serve better customers. If I improve a $100M business by 10% vs. $1M by 10%, it may be the same work, but it's 100x the value to the first business owner. Find those people. Price appropriately. Ignore the rest.



Churn Checklist #2: Onboard Your Customers.

People use onboarding to mean lots of things. Here, I mean "Teach customers how to hit the activation points I just painstakingly investigated." You can onboard with a booklet, a video, a call, an event, whatever. Just consider these general guidelines.

Custom outperforms generic.

Personal outperforms group.

Live outperforms recorded.

Carrots outperform sticks.

Last, and most important, some beats none.

I onboard customers this way:

- Outline how to get value → Drive them to the activation point

Here's what the best communities on Skool do:

- Tell them to make a post with a specific structure and comment on 1-2 other posts
- Tell them where to start
- Connect the 4-6 people together after the onboarding so they already have people they know
- Tell them what they unlock once they do their homework and get to level 3 (homework gets them to level 3)

        - Show them what to cancel or do to save the money for this membership. Then tell them to do it as homework and show they did

    - Resell the value of the purchase. Important! Frame it within the context of *their goals.*
    - Tell them how they can unlock more value as they stay longer
        - For Skool, some groups say members can get the group for free, for life, once they reach level 8. (It'll make you more than it costs you).
    - Tell them best practices to communicate with you, your team and other customers (especially if they see each other physically or virtually)
        - At Skool, we tell them how the categories of posts work, group rules, and deliverables from you to them.
    - Follow up.
        - Use the onboarding to establish long term communication with the customer. Customers should always know when you'll speak to them next.

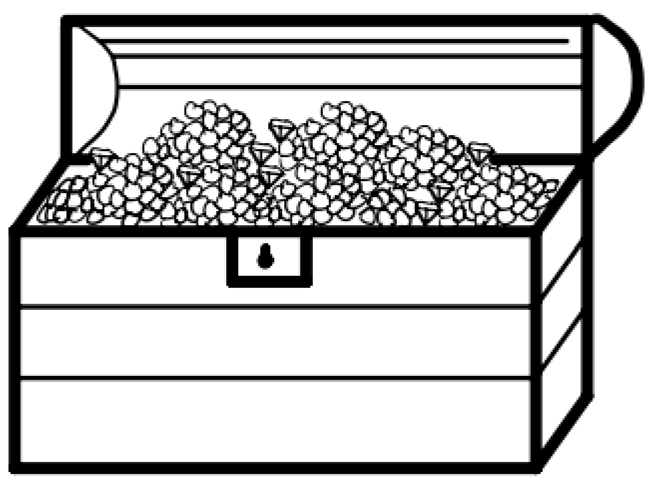
Do this for sales prospects as well. It will increase your close rate.

- Optional: You can **sell** onboarding. For example, you give a new gym member six personal training sessions *before* allowing them into the general attendance group classes. This is wildly effective. You let the customer know they have to *earn* the right to enter the general customer base.

Action Step: Onboard your customers. If you sell an expensive thing, do 1 on 1. If you sell cheap stuff, do what makes the most sense for the cost. *Just do something*. Every time I have followed this checklist, churn goes down. I've never done it and it *not* work.

Author Note: Real Life Outcome

One of our portfolio companies went from group onboarding to 1 on 1 onboarding, and it crushed. First we went from no onboarding to onboarding. And then after a year and change, we thought let's see if we can get to one on one (not easy because it's a huge volume business). We did and it gave us a 25% boost in ascensions. With the higher LTV, they were able to scale ad spend. It was one of the largest contributing factors to going from $2M per month to $2M per week. The more personalized the onboarding, the better.



Churn Checklist #3: Incentivize Customer Activation

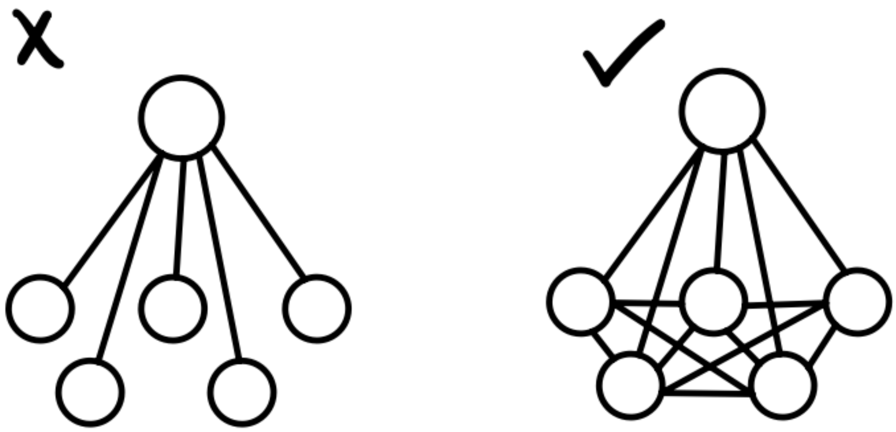
You figured out what the perfect customer does. You onboard all new customers to do all that stuff. Now, it follows to make it worth it for them to do it! This can mean getting new features, recognition, free or discounted products, more access to important people, and so on. You gotta do what makes the most sense for the thing you sell. A vast majority of Skool host cancellations come from people in the bottom two tiers of engagement. This means a vast majority of retained customers sit in the top tier of engagement. Conclusion, the more a customer uses Skool, the longer they stay a customer..

- Ex: Skools incentivizes activation with:
    - Courses that unlock
    - 1-1 consulting calls or bundles of calls once they reach a certain duration or status
    - Tickets to a live or virtual events
    - Access to another set of higher tier calls
    - Custom badges, profile images, and other indicators to say that they're "in".
    - At level 8, (a very hard level to attain) they give members free lifetime access.
- You can also incentivize staying longer for its own sake:
    - By putting some incentives just after major churn points, you can retain more customers on the edge. Easy and effective.
    - Ex: If most customers leave after the third month, put something cool that unlocks on month 4.

Action Step: Give your customers relevant and valuable incentives to become perfect customers. To further reduce churn, make other cool bonuses, unlockables, etc. available only *after* they've stayed beyond major churn points. And you don't need to build it all at once. Each change will have a positive effect on its own.

Pro Tip: Usage Churn

A leading indicator of churn is what's called "Usage Churn", which is *when a customer is still subscribed but no longer uses the product.* If you sell an annual contract but a customer stops using your service at 6 months, it's likely they'll churn. But if you intercept them right when they stop using it and get them to keep using it, it's likely you'll retain them.



Churn Checklist #4: Community Linking

Connect members to each other, not you. It's more scalable to facilitate *multiple, deeper* connections than one single tie to the group. A saying we have in the gym world is *"It's easy to quit a membership, it's hard to leave a relationship."* We also say *"They come for the bikini. They stay for the community."* Here's how we make it happen.

- Group events
    - We have a lady who runs a Skool group and moved from 1 on 1 on-boarding to 1 on 6 onboarding. Not to make it less personalized, but to intentionally connect people and introduce them to each other. As a result, she had low churn.
    - At our gyms, we'd run group events frequently. People came for the 6-pack and stayed for the community.
- Manually connect people. If you think a member would benefit from knowing another member, connect them.
- Start a community podcast. Interview members.
- Elevate micro-celebrities within your community. You do this by calling them out in public channels and praising them for their specific area of expertise.

Action Step: Host group events. Manually connect people. Start a community podcast.

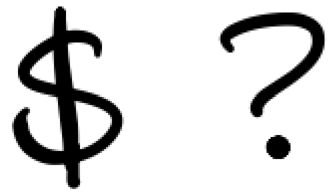
LIKE THIS: ✓ NOT THAT: X

Churn Checklist #5: Correct or Fire Bad Customers. They make it bad for everyone else.

Incentivize positive behaviors and give feedback on bad ones. Here's how we use this for Skool groups:

- Delete bad posts and tell people why they sucked and tell them what good looks like
- Give 3 strikes on bad posters.
- Pin the best 1-2 new posts daily.
  - This elevates those people and provides fresh value to everyone else. Helps them level up to level 3 as well. And signals to the group what types of content you reward.
- Make topic categories for what you want people to post. But include these four: wins, fun, discovered, and meetups. Call them whatever you want.
  - Wins give you testimonials.
  - Fun keeps it light and lets people talk about whatever.
  - Discovered: tell people to share what they've discovered using data and proof.
  - Meetups: gives people a place to connect on or offline.

Action Step: Incentivize good behavior (pin posts, praise in public, provide value to everyone else). Eliminate bad behavior and tell people why it was bad and what good looks like (kick them out after 3 strikes)



Churn Checklist #6: Add Annual Payment Options

Customers who pay for longer stays…stay longer. So, if customers want to stay longer, allow them to pay to stay longer. When you add annual payment options, some customers will take them. And, as a result, stay for an entire year. This extends the average stay per customer.

You can make the annual option mandatory or simply make it an option. If you make it mandatory (as in, the only way to pay), it will decrease sales. But, it will decrease churn as well. Sometimes that will make you more money overall. If you sell over the phone or via webinar, then this is a solid option to consider.

If you sell via website checkout (typically smaller overall price points), simply make the annual option available. Typically 10-20% of people will take the annual option if you price at "buy 10 months get 2 free." To increase the number of people who take annual without removing the monthly option, offer a steeper annual discount.

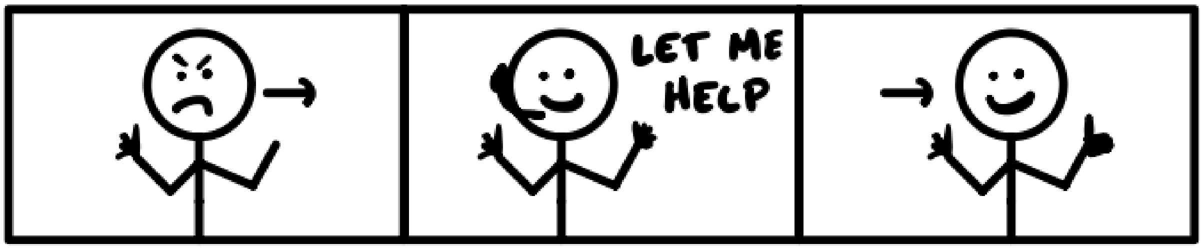
- **Pricing Your Annual Payment Option.** Price it above your avg # of months if less than 12. If your average number of months stayed is greater than 12, make it buy 10 get 2 free (16% off).
  - Example: If your average client stays for 6 months and pays $1,000 per month for a total of $6,000, then price your annual option above $6,000.
- **Alternative One: Big upfront (1-time) with small monthly payments works well.**
  - Make the big upfront thing something that has big one time value (education or one time implementation/setup). Price according to THAT value. Then, make the recurring according to the consumable value (which may be far less).
    - Example: I call this a "big head, long tail" where you might charge $6,800 upfront for education or a setup fee, then $199 for the community and everything after that. What happens is the base continues to stack (you'll likely have a high upsell rate). You might get 30 months of LTV out of the $199 and increase LTV from $6,800 to $12,800 because you are appropriately priced.

- o You can put the high-ticket 1-time purchase in a free community, then sell them into the lower-ticket recurring paid community.
- o Or - someone can join your paid group then you can upsell them to the high-ticket 1-time purchase over the phone.
- o Make sure to include the recurring fee WITH the 1-time up front fee and not make it a second sale. Otherwise, you lose the price anchor between the first big purchase and second small recurring that drives the retention.
- o Agency example from $100M Offers with a one-time setup fee:

Metric	Commodity	Grand Slam	Difference
Advertising Spend	$10,000	$10,000	Unchanged
Impressions Reached	300,000	300,000	Unchanged
Response Rate	0.00013	0.00033	**2.5x Response (more appealing, so more respond)**
Appts Booked	40	100	Result
Show Rate	75%	75%	Unchanged
Appts Showed	30	75	Result
Closing %	16%	37%	**2.3x Closing (more value, so more buy)**
Appts Closed	5	28	Result
Price	$1,000	$3,997	**4x Price (one time fee vs recurring)**
Total	$5,000	$112,000	**22.4x Cash Up Front Collected**
ROAS	.5:1	11.2:1	**Get paid to get customers.**

- **Alternative Two: Implement "founder rates"** to convert more people and keep them longer. A founder rate is a discount for the owner of a business. A 50% decrease is a great way to start (provided gross margins still there).

Action Step: Add annual pricing option. Alternatively, add a one time payment up front with a smaller monthly. Alternatively, create a founders price which incentivizes people to both buy and stay.



Churn Checklist #7: Exit Interviews or Cancellation Videos

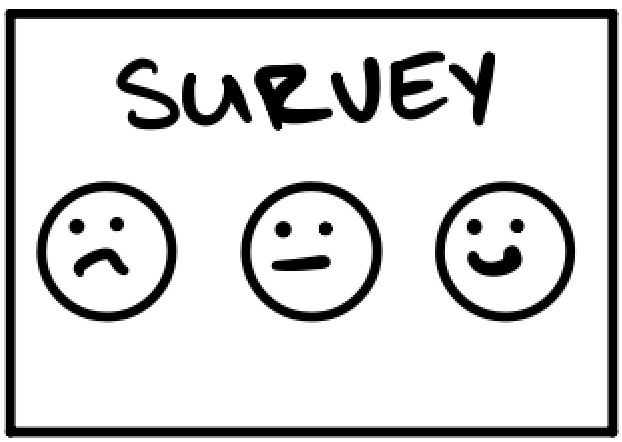
You can usually save half of the people who will hop on a cancellation call.

- Half the people say F you. Of which, you get great feedback on how to improve your stuff. The other half, you can save them in one of two ways:
    - **Save with a redo.** "Let me give it another shot and I'll make it right."
    - **Save with an upsell.** You realize they need more help and should've been in your higher program. You credit their payment toward the higher program. "You should have been sold into that anyways. And that's on me." You still get a higher ticket sale. They still want the result, they don't want to leave. Find the expectation that was unmet and see if you can meet it.
- The chances you'll "save" them on a call are higher than in email or text.
    - Example of what you could say in a text/email: "Hey, no pressure. I would love to hear all the reasons you hate me. It would really help me out so that in the future I can avoid it."
        - Let them vent. Get more upset than they are – only one person can be in the angry boat at the same time. "That's completely ridiculous. You're 100% correct. Will you give me the opportunity to make it right?" Because they just want to feel validated…they don't want to fight. "And just so we're clear, if these things happened, you would be happy?" Then that becomes a clear roadmap for what needs to happen.
- Resell them on why staying helps them achieve their goals
- Tell them what they're gonna lose that they spent time on or gave them status: custom URLs, Posts, Access, Founder pricing.

  - Many software companies are experts at this. If you lose your data, or it's hard to move it, or you lose work you've done…it's less likely you'll cancel.

- If you have a high volume low price business, hopping on the phone with churning customers may not make sense financially (although it almost always does by what you learn from them). But in case that's you, you can cut churn by simply adding a cancellation video that reminds them why they started (aka - resell them) and reminds them of what they risk losing by canceling.

Action Step: Tell new customers you do cancellation calls. Get the customers on the phone. Resell them.



Churn Checklist #8: Survey twice a year with all the things you provide.

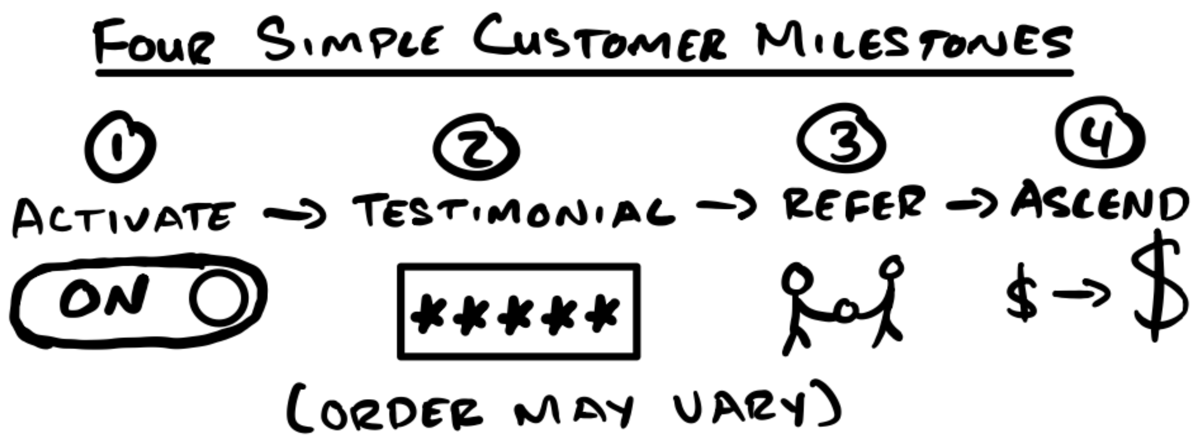
This helps you identify the core 2-3 things your product or service does. Ask them, "If I removed everything on this list but one, what would you want to keep the most?" and follow up with "If I kept everything on this list but one, which would bother you the least to see me remove"

We have a portfolio company who asked this question. They learned their customers loved the events they threw. They listened to what the customers said and events became one of their largest product lines.

- **Between large surveys, reach out to customers regularly.** We found that reaching out to customers 1 on 1 every two to three weeks retained more people than never speaking with customers. The subject of the reach out followed the ACA framework. **A**cknowledge what you've seen them do. **C**omplement them on something. **A**sk a question. Extra finding: counterintuitively, the wealthier the customers, the less handholding they typically want.

Action Step: Survey your customers twice per year and ask them what they value and what they don't. Do more of the stuff they like. And cut that stuff they don't. Reach out to them regularly so it looks like you care (because you should).

Churn Checklist #9: Make a Customer Journey

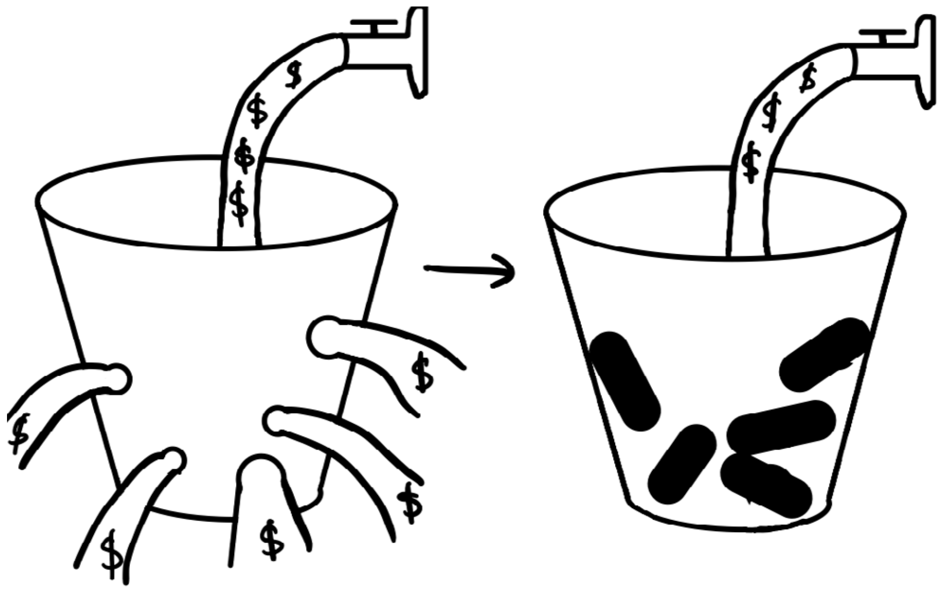


This doesn't have to be complicated. You can start with the four milestones that I want every customer to do: activate, testimonial, refer, ascend. You can also incentivize by giving them something at each milestone. This works great when paired with unlockables.

The last step - ascension- is one I want to emphasize. Customers get an itch to buy more stuff over time. And they're gonna buy it from you or the guy down the street. So you might as well save yourself the churn and bring in new revenue all at once. Afterall, if someone just bought another thing from you, they're the least likely to churn. So ask them to buy!

Note: besides activation, 2-3-4 may all happen in different orders depending on the customer and business model. But ideally, all four happen. And they're definitely more likely to happen if you plan for it than if you don't.

Putting It All Together



If you keep customers longer, your LTV will increase. If your LTV increases you can spend more than anyone else to get more customers. When you do stuff that reduces churn, you do stuff that makes customers happier. Happier customers send more referrals. Goodwill spreads. You build a real brand. You sell for a zillion dollars and cure cancer. The end.

I have never not made more money by going through and applying this checklist. It works every time. And to be clear I don't know which steps worked better than others, I just know that doing them all worked. I'd highly recommend you go through the action steps and implement it into your business. These are the types of high leverage tasks that grow businesses.

As my one final push as to why you should actually follow these steps.

When you implement the churn checklist and keep your customers, you…

- Grow every year no matter what, even if your sales stay the same
- You create more profit from the same customers
- Your business compounds
- You sleep great knowing all your bills are paid for every month and you have a group of customers that love you
- You get *positive* word of mouth, getting you even more customers for free
- You keep the best talent because they see you are actually helping people

When you have high churn, you…

- Have to keep getting new customers every month, just to stay the same size.
- Never create a compounding business
- Make your business hard to sell (and thereby, less valuable)
- Sleep poorly because you're only as good as your last month
- Get poor customer feedback
- Get *negative* word of mouth, preventing you from getting even more customers in the future
- Have trouble keeping employees motivated because they see customers failing and falling off the back end
- Lose credibility because you always have to create "new stuff" to stay alive rather than benefiting from the tailwind of a good reputation.

When we start working with a new portfolio company, the checklist you hold in your hands is the exact checklist we walk through and apply with them. I'm sharing it with you so you can profit from it. All I ask is that you apply it and if you know another business owner who would like it, refer a friend.

Just win,

Alex Hormozi

PS - I included a simple checklist on the next page you can tear off for your own reference.

DO YOU WANT TO SCALE YOUR BUSINESS?

Churn is the invisible hand that suppresses your growth. It's a monster so small in the beginning you barely notice it, until it grows so big you can't escape it. There is no magic bullet for churn. It's 100 tiny things that all save a few people each. And those people stack up into mountains of cash over time. But, if you never fix it, you doom your business to being yet another 'always marketing, never growing' businesses.

If you'd like my help fixing churn, keeping customers, and stacking profits:

BOOK A 1-ON-1 CALL AT: ACQUISITION.COM/SCALE. You can also scan the QR code if you hate typing.

SCAN ME

Decrease Churn: The Churn Checklist

Action Steps Summary:

- ☐ **Figure out activation point**
    - ☐ Who are the top 10%-20% of your customers? This is your avatar.
    - ☐ What did the top 10%-20% do? This is their activation point.
    - ☐ Update your messaging to attract the right customers. Update your onboarding to drive them to the activation point.
- ☐ **Add onboarding calls**
    - ☐ Resell the value. Say names multiple times. Tell them how to get value. Tell them about unlockables. Tell them about community linking. Give them homework with a 7-day deadline. Schedule the next call.
- ☐ **Use unlockables**
    - ☐ Options: course, 1 on 1 call, live or virtual event, a set of higher tier calls, a custom badge, profile image, or some indication of status that they're "in".
    - ☐ Time unlocks: put unlocks *past* average lifespan, then 30 days after, then 3 months later, then 3 months later. Pull from the list above.
- ☐ **Community linking**
    - ☐ Manually introduce members
    - ☐ Host group events for the members
    - ☐ Create a community podcast
    - ☐ Elevate micro-celebrities within your community

- ☐ **Fire or Correct Bad Customers**
    - ☐ Incentivize good behavior (pin posts, praise in public, provide value to everyone else)
    - ☐ Eliminate bad behavior and tell people why it was bad and what good looks like (kick them out after 3 strikes)
- ☐ **Add in Annual Pricing**
    - ☐ Annual billing option
    - ☐ Try big up front with small monthly (if it works for your business)
- ☐ **Cancellation Call / Video**
    - ☐ Tell new customers you require cancellation calls
    - ☐ Resell them on why staying helps with their goals
    - ☐ Tell them what they'll lose if they cancel
- ☐ **Survey Customers**
    - ☐ Make your product easy to consume
    - ☐ Send a survey twice a year "If I removed everything on this list but one, what would you want to keep the most?" and follow up with "If I kept everything on this list but one, which would bother you the least to see me remove"
    - ☐ Reach out to customers to check in on them every few weeks (if the price point allows it). Follow the A-C-A framework.
- ☐ **Have A Basic Customer Journey**
    - ☐ Implement the four milestones
    - ☐ Activation first, then the other three in the order that make sense
    - ☐ Don't forget to sell them again!

