

Continuity Offers

Continuity Offers



- Continuity Offers provide ongoing value that customers make ongoing payments for—until they cancel.
- They boost the profit from every customer and give you one last thing to sell.
- Continuity Offers are awesome because you sell once, but get paid again and again.

Explanation:

- Let's say you offer a \$1000 thing to 100 people and 10 buy—you make \$10,000 ($10 \times \1000).
- Now, let's say you talk to the same 100 people but you make your \$1000 thing...\$50 per month instead.
- At fifty bucks, we can get 40 out of 100 to buy.
- And, if you keep those people for twenty months. *You still make \$1000 from each customer.*
- You go from making \$10,000 now and \$0 over time to \$2000 now and \$40,000 over time.
- As an added bonus, in the first example, if you only sold 10 customers, you'd only have 10 customers to upsell later.
- If you used a Continuity Offers and sold 40 customers, you'd have four times the customers to upsell later. A massive difference.

PROS:

- You can attract more customers compared to something more expensive

CONS:

- but you make way less money now. That makes it tough to use as an Attraction Offer on its own.

TLDR: By making continuity offers *last*, we get the best of all worlds. We get cash today from Attraction Offers, Upsell Offers and Downsell Offers. We get a little cash today and tons of cash tomorrow from Continuity Offers.

Note: To be clear – you can make Continuity Offers wherever and however you want. They can attract new customers, upsell and downsell current customers or re-engage old customers.

Objective: Maximize lifetime profit per customer

Note: These usually have lower absolute gross profit but high gross margins

Continuity Offers: Three Topics

1. Downsell the Upsell
2. Calculating Back of Napkin LTV
3. Bigger The Head Longer the tail



Continuity Offers: Downsell The Upsell



Alex's .02: I've found it works best to downsell your upsell.

- Get more cash up front.
- Sell shorter duration.
- Then add value, and sell it for less.

- **Here's how it sounds:**

- "So have you enjoyed everything so far?" Yes
- Mind if I tell you about a way to save a little and get more? Yes
- So - given you have enjoyed XYZ, we want you here for the long term. So here's what we're gonna do. If you're in this with us for the long term, we want to reward you with even more stuff...and do it for less. You in?

- People think about monthly cash flow more than they think about duration.
- This is the power of commitments and contracts. It'll significantly increase LTV.

Continuity Offers: Calculating LTGP

- **Price/Churn = Lifetime Revenue**
 - Ex: \$100 Price / 10% churn = \$1000 Lifetime Rev.
- **Gross Margin * Lifetime Revenue = LTGP**
 - Ex: (Price - COGS) *100% = Gross Margin
 - (\$100 Price - \$20 COGS) *100% = 80%
 - 80% * \$1000 = \$800 LTGP

Continuity Offers: Calculating LTGP

- Getting people into continuity automatically extends LTV
- Even with a company that does 1-time transactions most recurring is 3 months – which 3x their LTV.
- **Valuable Money Lesson: People think more about price than they do about term.**

Continuity Offers: Calculating LTGP

- Extending LTGP
- $\$100 / 10\% \text{ Churn} = \1000
- $\$100 / 3\% \text{ Churn} = \3000

Churn = How many customers leave monthly from the ones who started the month (by percentage)

If you want big LTGP = conquer churn

Continuity Offers: Big Head, Long Tail

John taught me this: "you can shear a shape for a lifetime but you can only skin it once"

Different membership levels: \$100 down then \$10/mo

Vs

Waived \$100 and \$10/mo but need to pay upon exit

VS

\$19/mo

Hormozi tip: Where education and media go wrong

- Don't price bundle one-off things with continuity things
- E.g. one-off thing is teaching somebody something. Once they've learnt it they don't want to keep being charged. But can keep charging them for continuity value you provide.

- Best to price real high upfront (when exchanging one-off thing) then low price overtime for continuity.

Real World Therapy Offer:

\$5000 Down, \$200/mo

→Also helps with CFA & onboarding costs

Cancellation rate? Very low.

Sunk Cost Fallacy.

Continuity Offers: Enterprise Value

Enterprise Value: Discount applied to future cash flows.

“How much” & “how likely”

Lots of money – very likely = **big multiple**

Little money – unlikely = **small multiple (or none)**

Continuity Offers: Enterprise Value

Recurring or Reoccurring

Netflix = Recurring

Coca Cola = Reoccurring

Both are great – just need to demonstrate it.

Continuity Offers: Enterprise Value

Company 1

Topline: \$10,000,000

EBITDA: \$3,000,000

**Transactional (4x)
\$2,000,000**

Company 2

Topline: \$10,000,000

EBITDA: \$3,000,000

**Recurring (8-15x)
EV: \$24-\$45,000,000**

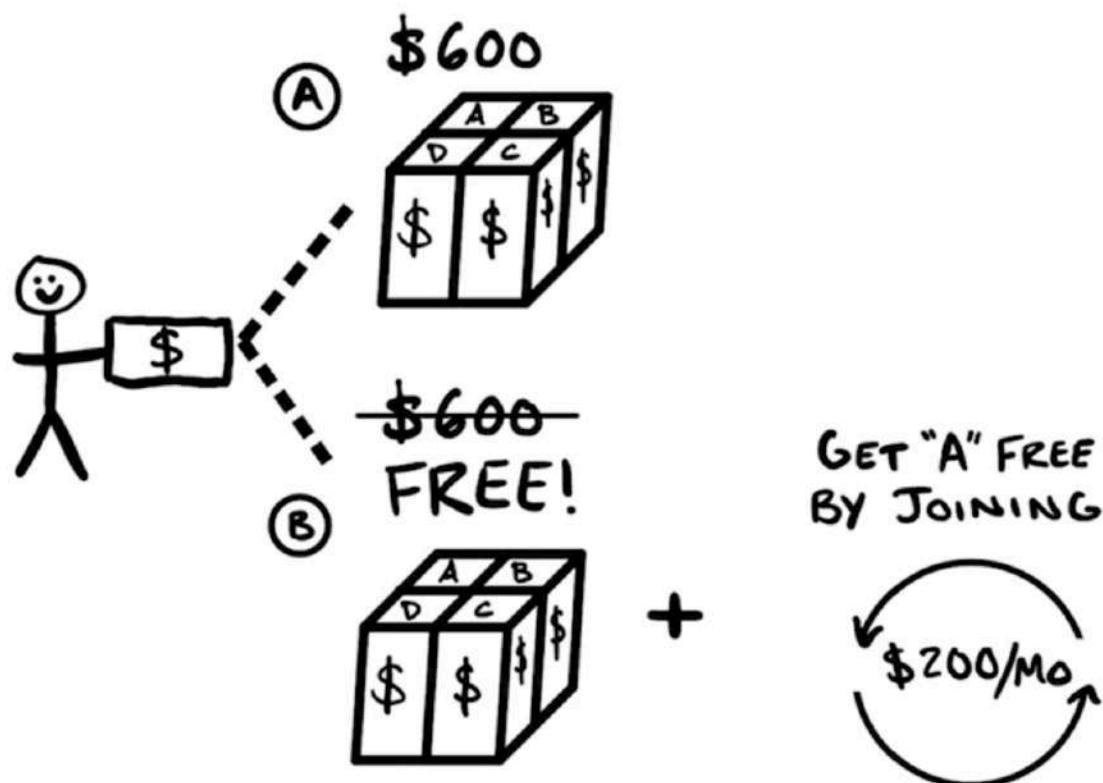
If they stay, buyers will pay.

Continuity Offers: Enterprise Value

Personal Note: You sleep great when you know on the first of the month all your bills are paid and profit is already locked in. And everything else you do is gravy.

Recurring/Continuity = STABILITY

Continuity Bonus Offer: #1



1) How I Learned It

- Ethical Bribe "giving away all my courses for free"
- What's the catch?
- \$24,000 one time (for all his \$2000 courses ever)
 - OR
- Trial into \$399/mo
- Pay Today \$299/mo
 - + bonus
- Note: He didn't offer the \$24,000 offer - he just valued it.

1) How I Learned It

- Gym owner crushing everyone's numbers
- Asked what he was doing
- Explained he had a new way of getting members
- He increased the price of his challenge (bonus)
- Then offered it as a gift for becoming a member (far cheaper)
- He was closing 70-80%

Continuity Offers: Continuity Bonus

- With **Continuity Bonuses** you give the customer an awesome thing *if* they sign up today. Typically, the bonus itself has more value than the first continuity payment. That's all there is to it.
 - *Bonus-adding value.*
 - **For products**, you can give away many small things or one big product that complements the subscription.
 - **For services**, you give away a defined program, onboarding, setup, or feature that adds value.
 - *Discount-lowering costs.* Remember, anything you offer for free you can also offer as a discount. Free stuff and discounts both affect how we make decisions. So, we want to do *both* to get the benefits of both.
- Get “X very large value” if you sign up today
 - When making Continuity Offers, I get more people to start if I **add more good stuff (bonuses)** and **take away bad stuff (discounts)**.
 - **To make it work better, add urgency**—if they join now.
 - Also, you can offer the bonus as a standalone purchase, **OR** you can only make it available if they buy your continuity. Either works.
 - On their own, Continuity Offers get less cash now, and that makes it tough for getting customers profitably.
 - But the way I use them, we can still **hit our 30-day profit goals**.
 - **Here's how:** First, I do all my big-cash Attraction, Upsell and Downsell offers. Then, Continuity Offers get a little bit of cash from the first month's payments. Then, I offer people who bought one month a discount on prepaying more months. This further boosts 30-day profits, giving me more cash to advertise, and stacks recurring revenue.

Continuity Offers: Continuity Bonus

Physical Product: Pet Food Continuity Offer

- *One-Time Bonus:* Get every dog toy we've ever made for free, an \$800 value, when you sign up for monthly dog food shipments for \$59 per month.
- *Monthly Bonuses:* You'll get a new dog toy every month as a member.

Service: Short Term Accelerator Offer

- *One-Time Bonus:* Short Term Accelerator costs \$1,000 on its own. Get it free when you become a member for \$100 per month.
- *Bonus Package:* The VIP community members enjoy first in line access to our events, longer support hours, better support reps, etc.

Digital Product Offer.

- *One-Time Bonus:* Get all my past 40 newsletters valued \$15,880 by becoming a member today for only \$399/mo after a 30 day free trial.
- *Lifetime Discount + Lifetime Bonuses:* If you pay today, you can lock in a lifetime discount to \$299 per month. Get early digital access and a physical copy every month.

- **Focus On The Bonus, Not The Membership.** "Join my membership program" isn't nearly as compelling as "get this free valuable thing." So advertise that. Then, explain the rest after they show interest.

- **Bonuses Work Kinda Like Upsells.**

- *More of the same:* You get two years of past newsletters free by becoming a member.
 - *Complementary:* You get nutrition services for free when you sign up for our fitness membership.
 - *Upgrade:* You get a free gold membership when you buy a bronze membership (limited availability)

- **Keep Your Bonuses Related To Your Core Offer.** If the bonus is too different you will attract the wrong customers. For instance, don't advertise a free t-shirt to upsell tech services. But, advertising a free t-shirt to upsell t-shirt printing makes sense.

- **Make Bonuses Things You Already Have And Do.** For instance, the two past years of newsletters cost no extra time but are super high value. And onboarding is something you have to do with the client anyways, so you might as well slap a price on it and give to 'em as a bonus. If you value it, they will too.

- **Physical Bonuses on Digital Products and Digital Bonuses with Physical Products.**

- If I have a digital membership, I might offer a hat, shirt, or tool, etc related to the offer.
 - If I have a physical product or service, like a boxing gym membership, offering live stream classes can get more people to sign up.
 - This strategy often lowers the cost of getting a customer more than the cost of the bonus. And that's the point. Also, if some people take the bonus and run, the lower advertising costs can still make up for it. If customers are too expensive, give it a try.

- **Use Realistic Bonus Pricing.** The bigger the value-anchor on your bonus, the more compelling the offer. But, you also have to make that anchor believable. Some business owners make up ridiculous values. Don't do this. It won't anchor the customer and you'll lose trust with them. This is a great opportunity to give away products you've sold before. You can anchor their actual prices as real discounts and bonuses.

- **You Can Bonus Your Customers By Giving Them Titles.** Consider giving customers titles after they stay three, six or twelve months and beyond. Titles like silver, gold, diamond, double diamond, etc.

- A good friend of mine does this, and after a while, she found her customers cared more about the title than any other bonus. She told me they even introduced themselves to her by their title! So, if you can't think of something to give them, at the very least, you can call them something special.

- **You Can Make Free Bonuses Discounts and Make Discounts Free Bonuses**

- Free Bonus: Become a member for \$200 then you get this \$1000 program as a free bonus!
- Steep Discount: Get the \$1,000 program for \$1 if you become a member for \$200.

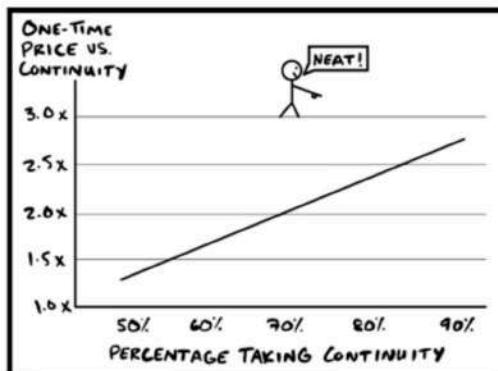
- **When Making Your Continuity Offer, Anchor The Bonuses. F**

- First, sell them the benefits of the amazing bonus. Not your Continuity Offer—the bonus.
- Then, use your high-value bonus as an anchor. It may shock them – and that's okay.
- Because then you ask, "Do you want to know how you can get this for free?" If they do, which they will, explain how: "Become a VIP member today and you'll get it all as a free gift for joining. Or, you can just buy it for \$XXX— which would you prefer?"

- **More Bonuses Get More People To Join.** After you ask them if they want to know how to get it for free, you tell them they can get it when they join. Then you say "on top of that... when you become a member you'll get...amazing thing 1, amazing thing 2, amazing thing 3." *Mention the individual dollar values of each to anchor the value.* Stacking bonuses this way gets even more people to join your continuity.

- **Pricing For Continuity Vs Upfront Cash.** For whatever reason, some people pick one-time payments over continuity...even with higher one-time payments. So offer a higher one-time payment option. This way some customers will make you more money *today* while others stack recurring revenue for *tomorrow*. We change the price depending on our goals. I've tested this a ton and, at least for me, the data in this range look clear.

Check it out:



- if the price is $3 \times 90\%$ of people take continuity
- vs if the price if $1.5 \times 50\%$ of people take continuity

Take Rates Of Continuity Vs. One Time Thing By Price If Offered Standalone

- To get 50% to choose continuity make the standalone offer 1.33x more.
 - Ex: \$399 standalone (\$266/mo) or \$199/mo membership.
- To get 60% to choose continuity make the standalone offer 1.66x more.
 - Ex: \$499 standalone (\$333/mo) or \$199/mo membership
- To get 70% to choose continuity make the standalone offer 2x more.
 - Ex: \$599 standalone (\$399/mo) or \$199/mo membership
- To get 80% to choose continuity make the standalone offer 2.33x more.
 - Ex: \$699 standalone (\$466/mo) or \$199/mo membership
- To get 90% to choose continuity make the standalone offer 2.66x more.
 - Ex: \$799 standalone (\$532/mo) offer or \$199/mo membership

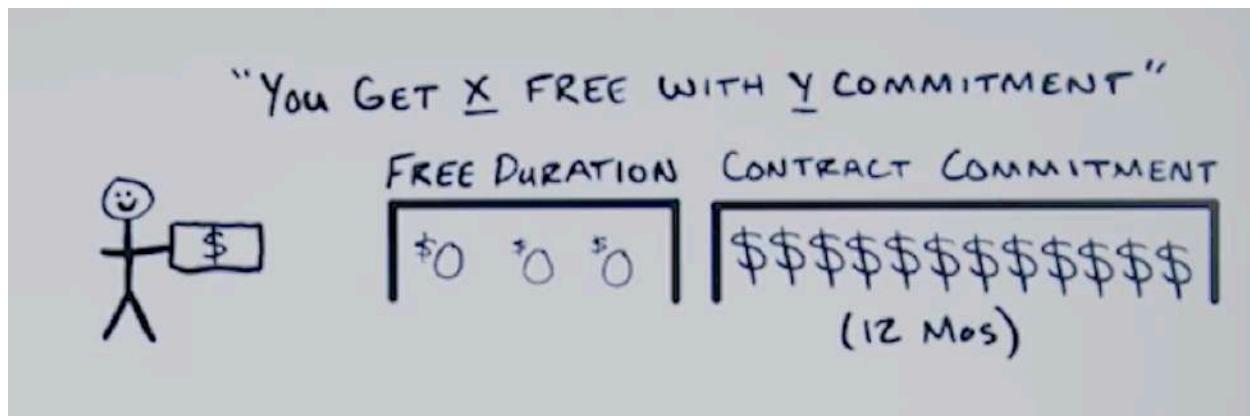
The exact numbers matter less than the principle. *The smaller the standalone price compared to the continuity price, the more people buy the standalone. The larger the standalone price compared to the continuity price, the more people choose continuity.*

- First bullet point of 1.33x more shows people value not-being on continuity by 33% the value of the thing
 - **If You Want More Up Front Cash.** Make bonuses and continuity+bonuses separate offers. Make the bonus-only offer a single payment that's 33% to 266% more expensive than the first month of the continuity+bonus offer.
 - The bigger the price difference, the fewer standalone purchases you'll have. But, the more money you make up front from each. Based on the data I just shared, people pay 33% more to avoid continuity. In other words, even if you charge 33% more for a one time purchase, half will buy it!
 - **If You Want Even More Cash - Offer Bulk Prepaid Discounts.** Bulk continuity upsells boost 30-day profits by a lot.
 - Ex: You offer "buy five months get one free." Only *one out of every eight people* have to take the upsell to raise 30-day profits by 50%! That can make or break your Money Model.
 - **Note:** The laws of discounting apply – the larger the discount, the more people will take it.
 - **If You Want Commitments.** You can pair the bonus with a commitment.
 - Ex: Only allow customers to get the bonus if they join and commit to 3-6-12+ months. You will get more people to commit this way, but fewer will take it – at least compared to giving it to everyone.
 - In the beginning, keep it simple. Just offer bonuses standalone and continuity month-to-month.

Continuity Offers: Continuity Bonus - Summary

- With Continuity Bonuses you give the customer an awesome thing *if* they sign up today. Typically, the bonus itself has more value than the first continuity payment.
- If you use Continuity as an attraction offer, advertise what you give away *not* what you sell.
- Make your bonus related to your core offer so you engage the right leads.
- If possible, make your bonuses stuff you already have and do. This way, you don't need to change your business or create new products.
- More people start continuity if you add more bonuses and discounts.
- To add bonuses—add more good stuff *only* if they sign up
- To discount—take away the cost of actual products, services, and features you sell.
- Sell the value of the bonus *before* telling them how they can get it for free.
- Offer bonuses as a standalone option for more up front cash.
- If you want half the people to take the standalone offer, price it 33% above your continuity.
- Boost upfront cash even more by offering continuity at a discount if they buy in bulk

Continuity Bonus Offer: #2 Continuity Discounts



1) How I Learned It

- Young neighbor who had exited his waste management company
- Explained how he got his customers
- Ran up credit cards for a year
- Then started stacking cash
- Exited for a great multiple

Continuity Offers: Continuity Bonus - Description

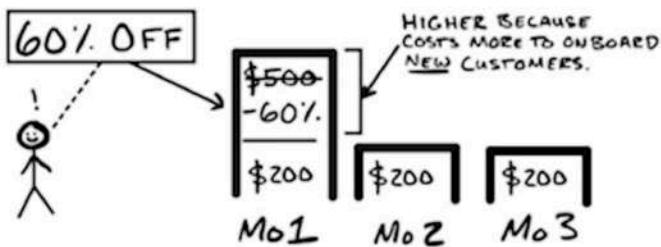
- To make a one-time continuity discount, you give products or services away for free if the customer commits to buying more products and services over time.
- This can attract loads of potential customers and makes an easy sale anyone can close.
- If you look around, you'll see this offer in many different industries.
- Think internet, pool cleaning, gym memberships, landscaping, and anything rentable.
- You can make this work in any business so long as you know two things.
 - First, **how you'll apply the discount** – I do it four ways.
 - And second, **your cancellation policy** – because people don't always keep their commitments.

Continuity Offers: Continuity Bonus - Examples

① UPFRONT



- **Up Front.** You apply the discount up front and push out the term. As in, the "official" time starts after their free time ends.
- This works best in industries that have a successful history of enforcing contracts (cell phones, storage, real estate, equipment, or anything with collateral).
- If you have historically high churn, then skip this one and consider the others.
- This does not get customers profitably. It gets customers, but delays cash. So if you want more profitable options, continue on.



- **Up Front.** Note that instead of giving time away for free you can also give it away at a discount to protect up front cash flow.

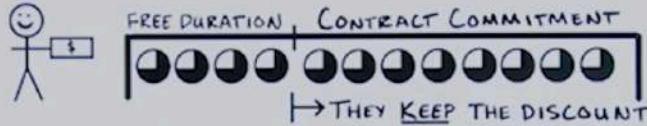
② AT THE END



- **At The End.** You can apply the entire discount at the end and push out the term. So long as they make every payment *on time*... they get a bonus time equal to the value of the discount.
- They *earn* their free time.

(3) SPREAD OVER TIME

$$\begin{array}{r} \$0 + \$1000 \quad \$1000 \quad \$1000 \\ \hline 4 \end{array} = \$750/\text{MO}$$



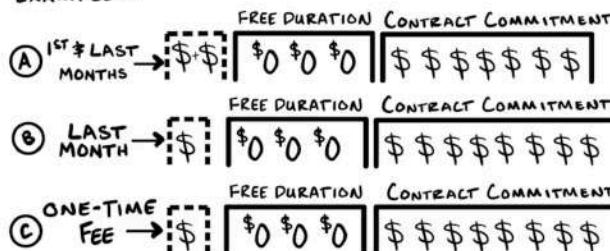
- Spread Over Time. Apply the discount across the term.

Ex: you give 3 months free for a one year commitment. At \$200 per month you've discounted \$600. By spreading that \$600 over 12 months, they get a \$600/12 months = \$50 discount each month.

You can also tell them that if they make all their payments on time, they can keep the discount for life after the term is over.

(4) AFTER THE FIRST 1-2 PAYMENTS

EXAMPLES:



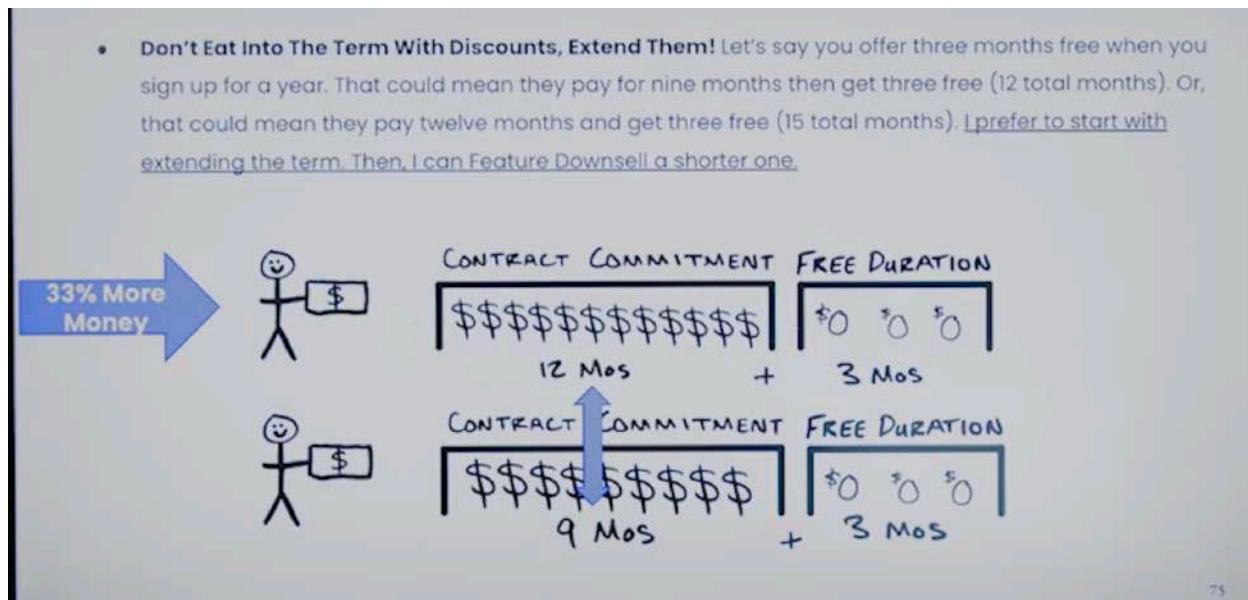
- After the first 1-2 payments. They pay a few times and then they get their one-time discount. This way you collect a bit of cash to cover advertising and some delivery costs.
- I prefer to do it by presenting the offer as "first and last month", "last month up front" or adding some sort of activation fee before getting the bonus value.
- It also ensures the customer uses a payment method that works...a small but important detail (ha).

Additional Examples:

- **REAL ESTATE:** Two months free lease with signed 12 months
- **STORAGE:** FREE MONTH W 12 MONTH COMMITMENT
- **GYM:** 2 Months free w 12 months (pay 10 months first, then get two)
- **CLEANERS:** THREE FREE CLEANINGS. With 6 mo contract.
- **MASSAGE:** 2 months of massage (2x/mo). Pro-rate the free massages over the duration so they still pay up front (like the Rollover Upsell except with cash).

- **Display “\$1000/mo with 3 free months” in 4 ways:**

- What is Free→3 Free Months
- Absolute \$ Off→\$3000 Off
- Percentage Off→25% Off
- Comparison→We’ll discount your mortgage



- **Highest Value Per Word Note In This Presentation.** Bill weekly (weekly, every 2 weeks, 4 weeks, 12 weeks etc). Here’s why.
 - There are 12 months in a year, but the year has 13 four-week cycles. That’s an 8.3% difference. If I offer my thing at “\$100 every four weeks” (versus \$100 a month) the same number of people buy. But, I make 8.3% more annually.
 - To put this into perspective, if your business has twenty percent margins, this skyrockets annual profit by 41%.
 - And the best part is, you don’t do any more work. Just change a few words.

- **Get 3% More Revenue For Four Extra Words.** "Yea, it's \$X plus a 3% processing fee." I've never had anyone not buy because of a processing fee. But 3% added to your topline *for no extra work* goes straight to your bottom line. If you run a 10% profit business, and add 3%, you just added 30% to your profit. Worth it. And this works especially well when paired with...
- **Get Two Forms Of Payment.** Recurring businesses lose mountains of cash because of payment processing problems. **First**, customers don't cancel but their payment information changes or expires. **Second**, customers max out cards or have insufficient funds. Fix both issues with the same solution.
 - I ask them if they want a 3% discount (a pretty standard processing fee) "*Do you want to save the processing fee? ...awesome. Give us a second form of payment in case anything happens to the first one.*" If they ask why, which they rarely do, just say "*We only have the processing fee because it costs us man hours to get new payment information every month from our customers. So if you save us time, we pass the savings onto you.*"
- **Get ACH If You Can.** If you get a second form of payment, try to get ACH. This is a form of payment that links directly to their bank account. It's the cheapest way to transact besides cash. If you don't know what ACH is, look it up.

- Get two forms of payment - give up your 3% bonus to decrease churn from cards not working
 - **Gift Cards.** Give the discounted time in the form of a physical gift card. You can mail it to them if they are out of the area. The customer can apply the discount whenever they want *after first three payments or so*. Then you can say they can also gift it to a friend if they want. Beyond that, many people simply forget to use it. In that instance, you just got a full-priced sign up.
 - **Try Lifetime Discount At Your Most Common Churn Point.** You advertise the lifetime discount. But, you make customers *earn* it. They get a lower rate *if* they stay past X period. Make X the month your average customer drops off.
 - Let's say you know every customer stays four months on average. You'd tell everyone up front they get a lifetime discount after month four.
 - As the time approaches, tell them their new lower rate is right around the corner.
 - **Real world example:** I saw a rice company selling (a lot) of rice. They offered three pricing options: 1) a one time price 2) a 5% off subscription. And 3) 15% off *if you stayed on the subscription for 5 straight months*. You earned the lifetime lower rate. I'm sure they figured out that it was just beyond where most people canceled.

Cancellations

- **Four Ways To Approach Cancellations:**
 - **Cancel During Trial:** If you offer free up front time, you can give people option to cancel. It'll increase sales but decrease stick.
 - **No Cancellations:** Can say zero cancellations allowed (only works with good customers). It'll decrease sales and increase stick.
 - **Prorated Fee Based on Savings Accrued:** If they cancel month 6 and got two months free, you just bill them the difference of what they saved.
 - **One Time Breaking Fee:** You can have an out clause. Increases stick, sales, and you get money on the way out (can use as negotiating chip to figure out something else).
 - **My Favorite**
- When someone cancels see if you can chat to them and can begin to leverage the cancellation fee by “waiving it” if they take another offer, give a review etc

CANCELLATIONS

- **You Need To Have A Cancellation Policy Figured Out Ahead Of Time.** There are many common ones. Thirty or sixty days notice. Cancellation fees. Cancel anytime. Etc. Since everyone comes into my Continuity Offers on a discount of some kind, this is my favorite:
 - Just make the cancellation fee *equal to the discount they agreed to get*. So if they got \$600 in discounts by committing, they can pay \$600 whenever they want to cancel. This is simple to explain.
- **Make Sure Customers Know How To Cancel.** If customers have nowhere to complain inside your business, they will definitely complain *outside* of your business.
 - If you have no obvious way for them to cancel, more people will vanish *and* complain. By having a clear way for them to contact you, then you can have a real chance to save it.
 - *Small businesses don't get rich by making stuff hard for their customers.* If you make it easy, you'll suffer fewer 1-star reviews and have a chance to save them when they do - because you'll know about it.

CANCELLATIONS

- **If A Customer Wants To Cancel, Ask To Do An Exit Interview.** Some people like to vent. Let them. Get more angry about the problem than them. They may try to calm you down. Sometimes, they will save themselves!
 - If they complain about something you can solve then, by golly, solve it.
 - And if they wanted a better product, do a rollover upsell into a higher level of service if you have one to offer. I've had many people buy a lower cost offer and then complain because they wanted the higher cost features. So I offer higher cost features, and they buy. Yes. It happens. And yes, it works.
- **Use Cancellation Fees To The Customer's Advantage.** I might say "I'll waive your cancellation fee if you come in and tell me what I could do better." This gives customers a *real* reason to give feedback.
 - Then, I can use their feedback to fix the problem - or - offer something better suited for them.
 - At the very least, they'll have nicer things to say about the business if I actually try to solve the problem. I routinely save a third of customers that agree to exit interviews.

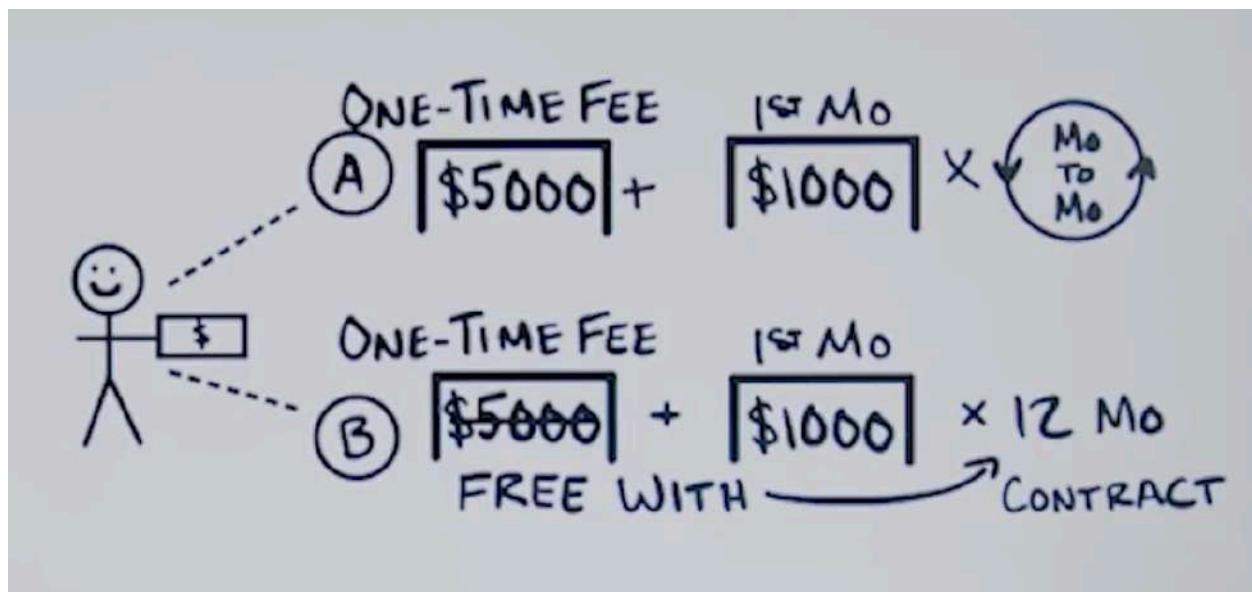
- dont go straight to sales in the meeting, format:
 - let them vent
 - Let them feel validated
 - Be more upset than them
 - Have them calm you down
 - Admit that you made the mistake and it's unacceptable
 - Ask if you can make it up to them
 - Then go into the rollover offer

Continuity Offers: Continuity Disc. - Summary

- Continuity Discounts Offers give continuity time for free if the customer signs up today.
- Frontloaded discounts convert more customers, but may have higher churn.
- Backloading discounts converts fewer customers, but they lower churn.
- Spreading the discount keeps cash flowing while providing the full discount.
- Use Gift cards to give the discount to new customers and allow them to gift it to a friend or use it on themselves at a later date. You get a full priced sign up and a referral!
- Allow customers to earn a lifetime discount at your month of greatest churn to encourage customers to stick through it for a lifetime lower rate.
- Light cancellation terms get more people to sign up but more people leave. Harsher terms get fewer sign ups but fewer leave. I prefer customers cancel by paying the discount they got with their commitment. This puts them back at the month-to-month rate.
- Make sure customers know how to cancel.
- If a customer wants to cancel, ask for an exit interview. Incentivize them by saying you'll waive the cancellation fee if they do. You'll often be able to save or upsell them from the conversation. At the very least, you understand what went wrong so you can get better.
- The goal is to make money not give stuff away.

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Continuity Bonus Offer: #3 Waived Fee



1) How I Learned It

- After a long career in business, a friend of mine entered the consulting space with the intention of creating a lifestyle business.
- "I'd just rather make \$5M per year with 0 employees than have some big company"
- I don't lose anyone. So I don't really need to market.
- So - do you collect payments up front?
- No - mostly payment plans.
- Really?
- Yea - once you hear how I do it you'll kick yourself for not doing this all along.
- So what do you do?

1) How I Learned It

- I just say you can pay \$25,000 to start then go month to month after that for \$4,000 per month. Or you can just go to \$4,000 per month if you commit to the year. So just about everyone takes the year option.
- Then I just have them initial on their contract that they understand that if they exit early they have to cover the \$25,000 onboarding fee.
- So if someone calls to quit, I just say, 'no worries, just wire over the onboarding fee and I'll get you cancelled right away,'" and that usually keeps people in it. It also gets people through the emotional ups and downs of business."

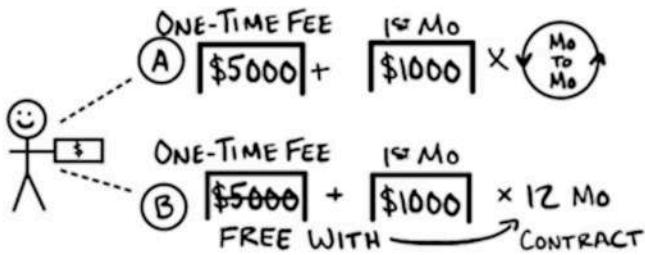
Continuity Offers: Waived Fee with Continuity

- Waived Fee Offers work like this. First, you ask the customer to pay a startup fee as part of joining a month-to-month program.
 - Typically, I do 3-5x my monthly rate.
 - Then, you offer to discount the *entire* fee if they commit longer term.
 - Commitment Period should be min 6 months, ideally 12+
 - But, if they cancel inside the term, they pay the fee.
 - Customers can choose to pay a big fee and keep the option to quit at any time, or they can commit to twelve months and get the fee waived. Many will commit to avoid the big fee.
 - We take a greater risk if they pay month-to-month. But *they* take a greater risk if they commit.
 - If a customer chooses month-to-month, we lower our risk with the startup fee. But, we lower *their* risk year-to-year by waiving those fees.
 - And if they commit and want to quit early, then OK. They pay *as if* they had chosen "month-to-month" from the beginning. Simple.
 - **Bottom Line:** Customers will stay longer if leaving costs more than staying.
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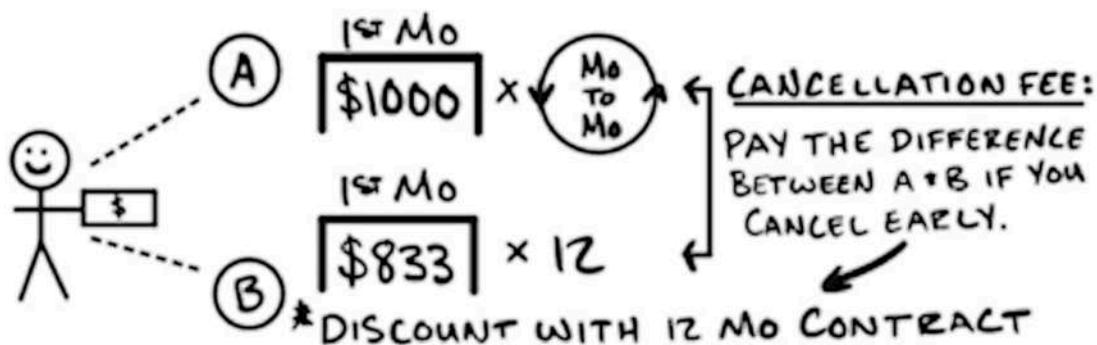
- If you need to feel better about yourself for charging for things, whether real or made up, you should get that looked at. But if you need a "**reason why**," well here is a perfectly reasonable made-up explanation for you:
 - *"Whenever we onboard a new customer, it always takes more resources than an existing customer who has been with us for multiple months. So, in order to give you the best experience we charge a one time on-boarding/setup/activation/engagement/enrollment fee to give you that experience. You'll never have to pay it again, and it's for your own benefit so you get the most of your experience. We know that if you learn how to use our services the right way you will be 23.7x more successful."*
- Initiation, onboarding, enrollment, start up, setup, processing, activation, build, commencement, etc....

3) Examples:

We'll use all combinations but we'll assume: **\$5000 onboarding fee and \$1000/mo rate** for all of them.



- **Waived Fees With Commitment. **My Personal Favorite**** Clean & Simple.
 - 1) Commitment length - 12 months
 - 2) Monthly rate - \$1000 per month
 - 3) Fee - \$5000 if they pay month to month.
- **Option A:** Pay a one-time fee of \$5000 plus \$1000 for the first month. Then pay \$1000 per month thereafter. Cancel whenever you want.
- **Option B:** Waive the \$5000 if you commit to 12 months. Pay \$1000 per month. Only pay the \$5000 fee if you break your commitment early.



- Keep mo to mo rate higher
- If cancel discounted commitment rate (bill difference)
- The longer they stay the greater the penalty for breaking the contract.

Continuity Offers: Waived Fee - Important Pts

Four variables For this Model

- Commitment Length
- Commitment Rate
- Month to Month Rate
- Fee (that you will waive or not)

There are more versions of this beyond the two I shared. You can figure out your own version if you want to recombine them.

- **Fees Get Them To Start.** People get value out of committing *immediately* because they avoid a fee. People want to avoid fees. So, more people sign up to continuity. Mission accomplished.
- **Fees Get Them To Stick.** People will stick for the same reason they started. By sticking, they avoid the fee. People quit for millions of reasons. But, by incurring an additional and larger fee *in order to cancel*, their original reason for quitting immediately shrinks compared to the value of avoiding the fee.
 - In English, if the cost to quit exceeds the cost to stay, they will probably stay.
- **Presenting The Fee.** Justify the fee by explaining the costs of taking on new customers for long-term programs.
 - Basically, if they want short-term flexibility, *they pay their own setup costs.*
 - But, if they commit to staying long-term, *we pay their setup costs for them.*
 - If someone asks for additional reasoning, just say: "*It costs us money to get you started. If you only wanna test us out, you cover those costs. If you commit longer, I'll cover them.*"

- **If More Than 5% Of People Want To Cancel Early, Look Into It.** Pricing incentivizes sticking but it can't (and shouldn't) overcome a terrible product. You want to nudge them, not handcuff people into paying for something they hate. Then, they'll just hate you.
- **If You Want More Up Front Cash, Have A Smaller Fee.**
 - A smaller fee encourages people to go month-to-month.
 - A larger fee encourages people to make the commitment.
 - But if you need more cash up front, you can make the fee 1.5-3x the monthly rate.
 - When you do this, more people will take it, and you'll get more cash up front.
- **Drop The Fee After The Customer Fulfils The Commitment.** If someone stays the entirety of their commitment, then wants to cancel, they have earned their free cancellation. It doesn't stick forever. This makes it fair.

- **I Prefer This Offer For Commitments Of One Year And Longer.** The longer the commitment, the better this works. It works especially well with services that take a long time to work (SEO, Investing, Weight Loss, etc). It keeps people committed when they get emotional.
- **Cancellation Fees For A...Cause?** If you want to keep customers extra motivated—you can donate it to a cause they are against. Ex: "What cause do you absolutely hate?...Great. If you cancel early, I will be donating your setup fee to them." This gives them two reasons to stay. First, because they don't want to shell out the cash. Second, because they don't want a cause they hate to get it.

Continuity Offers: Waived Fee - Summary

- Waived Fee Offers present a month-to-month option with a fee or waive the fee if they commit.
- I typically make the fee 3-5x my monthly rate.
- At minimum, the commitment length should be a year.
- The larger your fee, the more buyers will opt for the commitment. The smaller your fee, the more up front cash you'll get.
- If the customer meets the commitment, the fee officially goes away.