



James Schramko here, welcome back to SuperFastBusiness.com. Today I've got another solo podcast, just me today with a really important topic, why the recurring subscription model is the secret to wealth.

If you're like many business owners, you may think the key to financial success is having a lot of customers. Having many paying customers is good, but if each customer buys only one of your products or services, a lot of your business's resources has to go into continually finding new customers.

There is a great solution to this, however. If you look at the profit formula, where Profit = Customers x Transaction Value x Frequency x Margin, if you can up the frequency by which a customer purchases from you, you can boost the value of each customer and hence your profit. Imagine if each customer you sold were to buy not just once, but 6 or 10 or 12 times.

### **The advantages of a subscription model**

So why a subscription model? Because the average customer value is higher. You don't need as many customers.

More farming, less hunting. Promotions and product launches are not only costly, but tiring, and have to be done repeatedly to get those one-time sales you're after. With a subscription model, instead of pouring your energy into attracting new customers, you can focus on caring for the customers you have, nurturing relationships and refining your existing products.

People tend to use what they pay for, and buy more. A thriving subscription model gives you a qualified customer, and they pay to consume. If they like what they get from you, they're much more likely to buy complementary products or services that you offer.

One advantage of the subscription model is that the customer has to actually do something in order for their billing to stop. It takes an effort for them to overcome the inertia of comfort and stability. A really good service that genuinely solves a problem will bring to mind the pain of disconnect when the customer considers discontinuing it.

The stable, recurring basis in which subscriptions grow allow you to monitor your churn rate, or your how many people come in and how many leave, and get the right staff and systems to deal with expansion comfortably.

Big, successful companies do it. Consider Amazon with their Prime membership, or Whatsapp, or any of the other utility companies that you depend on.

### **Tips for success**

So get yourself set up for success. Be clear about what your customer wants. Pinpoint your customers' values and build your product or service around a genuine need. Do your research. See what subscription models are ready in your target market. Take note of what doesn't work and seek to create a better solution that will set you apart from the competition.

For a services business, bundle tasks and time into an attractive package. Put a dollar value on it and talk about the deliverables of that package.

For a one-time product, i.e. website development, consider the wholesale or vendor role in the marketplace rather than the retail position. Adopt the recurring relationship model, with your ideal clients being agencies and many customers who have a recurring need.

Reactivate and re-engage customers constantly. One way is by sending weekly news, reminding them of their investment in themselves, and providing content that makes them feel they're getting great value.

### **The challenges you may encounter**

Here are some of the challenges with a subscription model. On the tech side, you'll need to find a billing system that supports recurring subscriptions. Depending on your product, you may need something that can handle not just monthly but yearly billings. You'll also need a way to keep an eye on subscriptions to detect billing failures, and a support system that will allow you to continue adding customers and growing your business. You'll also want some tech that allows you to follow up people who unsubscribe.

You may need to accept lower payment amounts up front, breaking even or even losing money on early sales in order to make money as payments recur.

The recurring subscription model can require a lot of work in the beginning, however once in full swing, there's no greater return on investment. You can liken it to a freight train, where you need to shovel in some coal at the start, but once momentum builds, you can ease off and the train keeps going.

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I'm James Schramko, thanks so much for listening.

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