

MEMBERSHIP & SUBSCRIPTION **GROWTH** WEEKLY

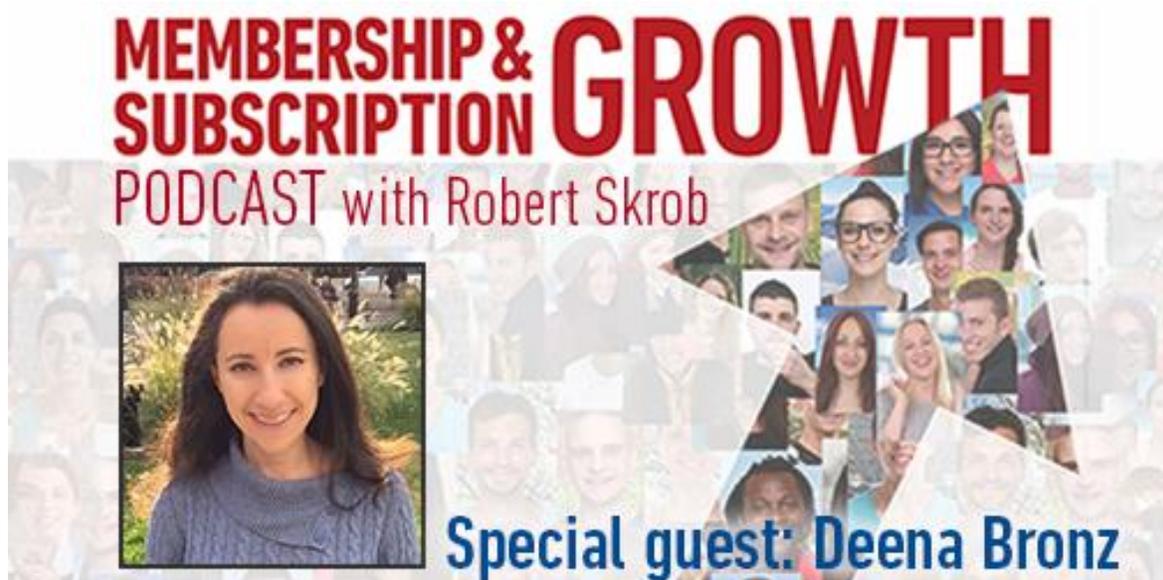
**Subscription Economy
Secrets of a Successful
CEO/Founder/Harvard MBA
to Launch a Membership in a
Hyper-Competitive Industry
- A Conversation with
Deena Bronz**

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Membership Services, Inc
New + Retention = Growth!

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This program features our special guest: Deena Bronz

Deena Bronz, co-founder of KitNipBox, is an accomplished entrepreneur with a lengthy list of experience in product management. Before KitNipBox, Deena was the Director of Product Management at MarkLogic as well as the founder and CEO of a social commerce website. Prior to that, Deena was the leader of a senior product management team at Symantec. She holds an MBA from Harvard Business School, and has also attained a Master of Science degree in Engineering and a Bachelor of Science degree in Information Systems with high distinction from the University of Colorado at Boulder.

Subscription Economy Secrets of a Successful CEO/Founder/Harvard MBA to Launch a Membership in a Hyper-Competitive Industry

While pet owners enjoy spending money on their pets, the pet supply business is already crowded, cluttered and challenging to break through. But, with a keen eye to opportunity, Deena Bronz discovered an underserved group of customers that were a perfect fit for the subscription economy.

Deena Bronz is the co-founder of KitNipBox, a curated monthly box of cat products, including toys, treats, accessories and even Halloween costumes. Deena shares her advice for finding the right product or service to offer, building a community for the members, and focusing on retention.

Discover Opportunities by Digging Beyond the Surface

The single most important question to answer before launching any subscription service, including subscription boxes, is, “Who is my target customer?” While most start-ups fall in love with their product, service, SAAS tool or the contents of their box, the smartest start-ups focus on their target customer instead. Then, they create a product that meets the needs and wants of that potential subscriber.

When Deena started her market research, she focused on the pet industry. She had a long history of volunteering with pets, and she was able to pour her personal interest into her research. And although the best industry includes huge corporate players and several existing subscription boxes, her research revealed a gap in the market for servicing cat owners. Deena reveals that “80% or more of the shelf space in pet stores is dedicated to dogs, and much of the innovation in the pet space has really been focused on dogs.”

Once you have determined your product and target audience, Deena recommends taking a lean startup approach as described in the book, **The Lean Startup**, by Eric

Ries. “The gist of my advice would be to test early and test often, and experiment and see if there's demand for your product. Rather than just doing market research, put together the first version of your product and try to actually sell it and see if people subscribe to it.” She adds, “the most important question you can answer before investing a great deal into establishing your own operations, or maybe building that perfect website instead of a basic one, is whether or not people will actually buy your product.”

Member Retention Starts by Delivering a Great Product

Member retention involves staying engaged with the customer as well as continued attention to your product or service. “If you don't have a wonderful and joyful unboxing experience, and if both the owner doesn't feel that there's value and quality there and the cat doesn't engage with the item, then you're going to lose that customer sooner rather than later,” Deena warns.

To keep that unboxing experience positive requires a lot of product testing. At KitNipBox, product safety is their first concern. When a product passes their stringent cat safety requirements, they experiment with features to delight both the cat and the owner. “If the cat doesn't engage with our box, no matter how cute or how high in value the human thinks it is, they're not going to keep subscribing.” Deena adds, “if you do your homework and you do things right, you can satisfy a human personality and similarly, you can have a great product for a cat personality too.”

Reduce Churn and Increase Retention by Engaging Subscribers into Your Community

For most subscription economy businesses, their member retention efforts end with the product they deliver. Too many believe that a great product will drive retention. While the quality of your product is critical, KitNipBox also engages subscribers into a vibrant tribal community. Deena shares that she “invested upfront in creating a very engaged and vibrant social media community. It's just something customers enjoy doing and want to do. They see other people's unboxing videos and kitties enjoying the toys and they want to share their own. We never really have a shortage of subscribers sharing. The community that we built feeds on itself, and there are people that post all

the time and subscribers that know each other from our social media channels and just love sharing their experiences with each other and with us.”

To stay in touch with her subscribers, Deena has implemented an email sequence. “We want to make sure that they're always up to date on exactly when they're getting their box and what's going on, and we also try to engage them on social media. For example, on every product insert that goes in the box, we have our social media icons. We encourage them to post pictures and videos and we also make ourselves available.”

Your three keys for maximum subscription growth are a focus on your target customer, delivering a great product experience for your customer and engage subscribers in a vibrant tribal community.

Learn more about building a successful subscription business from Deena’s interview on Membership and Subscription Growth.

To continue to get membership and subscription growth insights as well as advice from some of the most successful entrepreneurs in the subscription economy, subscribe to the podcast Membership and Subscription Growth.

Conversation with Deena Bronz

Robert: Coming up on today's episode of Membership and Subscription Growth.

Deena: They say a picture is worth a thousand words, but I think to your point on video, the video is worth many thousands of words, so that's been an effective marketing strategy for us. If the cat doesn't engage with our box, no matter how cute or high value the human thinks it is, they're not going to keep subscribing. Test early and test often and experiment and see if there's demand for your product.

Robert: Welcome to Membership and Subscription Growth podcast. I'm your host, Robert Skrob. I have a very special guest today, Deena Bronze, who is the co-founder and CEO of KitNipBox, a subscription box for cat ladies and their furry friends. She has grown a subscription box in a very competitive market, pets. While it's certainly a large market, very hard to break through the clutter and get heard and Deena has built a terrific business. Make sure you listen in today's show for her process of how to identify a niche. It's really something that you could use for any subscription offering. Also, her keys for long term member retention as well as the recommendations for how to start a niche subscription box. Another huge recommendation, KitNipBox community engagement. I absolutely encourage you to subscribe to KitNipBox, take a look at their community because no matter what type of subscription you're offering, you could learn a ton from what Deena at her team are doing at KitNipBox, so without any delay, let's get to the program.

Welcome to Membership and Subscription Growth podcast. I'm your host, Robert Skrob. I'm here today with Deena Bronze, co-founder of KitNipBox. Welcome Deena. Happy to have you today.

Deena: Thanks so much, Robert. I'm excited to be here.

Robert: Well, I know what KitNipBox is, because I have several boxes and I bring them to my wife who is always very, very excited to share them with her kitties. I'm a little embarrassed to say that my wife is one of those who has

exceeded her cat population limit and she has no remorse about this whatsoever, but nonetheless, she loves sharing KitNipBox with her furry friends. What exactly, for folks that maybe not have yet discovered the joy that arrives every month with KitNipBox, what is that?

Deena: Sure. Yeah. Thank you so much for your kind words. KitNipBox is a curative monthly box of cat products and so every month, we have a new fun and exciting theme and we send completely new toys, treats and other products, like sometimes accessories or hygiene items or even Halloween costumes for your cat.

Robert: Nice. It's for every, anybody that has a crazy cat lady on your gift list, KitNipBox is absolutely the perfect gift. Give them a 12 month subscription or more because they're going to love every box and it's like this big production. They've got to open the box with the kitty around, or kitties, and share the toys and then the cat rolls in the box and then they play with the toys. It's absolutely great for any crazy cat ladies in your life.

Deena: Absolutely. Often times, the cats know that the box is for them before the human even has a chance to open it. That's one of the most common pieces of feedback that we get is, "My kitties just knew and they were so excited. They started opening the box themselves."

Robert: Yep. This is pretty amazing. Deena, you have a Harvard MBA. You have a very illustrious background before founding KitNipBox. What was it about these cat ladies and the subscription model and boxes that lure you into co-founding KitNipBox?

Deena: Yeah. I knew that I wanted to do something entrepreneurial and I also knew that I wanted it to be in a field that is impactful and makes a positive difference in the world and so as I was researching the different opportunities, specifically in the pet space, in which I've been involved on a volunteer basis for essentially my entire adult and even young adult life. One of the things I noticed is that there's really a gap in servicing cat owners, so for instance, if you go to any pet store, you'll notice that 80% or more of the shelf space is dedicated to dogs and much of the innovation in the pet space has really been focused on dogs.

A great example of that is Bark Box, which was around quite a bit before we launched KitNipBox and so as we started looking, we just noticed that the innovations that were happening for dogs weren't happening for cats and for cat owners and we started wondering why, so we started analyzing the market and seeing the market for cats is actually quite large. There are almost 50 million cat households in the US alone and though cat owners spend slightly less money per month on their cats than dog owners, it's still a very large and vibrant marketplace and so we decided to test the subscription box idea. We were big fans of the concept of recurring revenue and the concept of establishing a long-term relationship with our subscribers rather than just a one-time transaction because we really wanted to deliver a continuous experience. We wanted to get to know them and we wanted to bring them some joy in the process.

Those were some of the thoughts as well as analysis that went into launching KitNipBox.

Robert: That's awesome. Had you been a subscriber of boxes in the past? It seems like you know all about subscription boxes and are a rabid fan or you don't know anything about it. How did you come to discover this whole world of subscription boxes?

Deena: Actually, there have been a couple of subscription box companies including the one that started the most recent wave of the subscription box craze, which was BirchBox and those were launched by other HBS alumni, so BirchBox is an example, Plated is another example, Blue Apron, Keeley Crate. There are quite a few box companies launched by other alumni, so in that sense, I was very familiar with the business model. There were people I could reach out to to learn more about the model and understand the challenges and success factors and on the consumer side, to be perfectly transparent, I can't describe myself as a rabid consumer of boxes. I wasn't subscribed to ten boxes before I started KitNipBox. I certainly did start subscribing to them like crazy once we launched KitNipBox because that is a great way to learn and understand the industry, but I did do quite a bit of research, both on the subscription service side as well as the pet industry in general.

Robert: Neat. You had mentioned dogs and of course, we did a podcast not too long ago with Dustin McAdams of PupJoy and one of the greatest things about doing marketing with an animal product or product for pets is that you get to use images of pets in all of your marketing. If there was one thing that, if YouTube could have only one video, there's no question that it would have cats doing crazy things. There's probably no video that has ever been more viral than a cat video. Being able to use cats in all of your marketing is just terrific, so what is it that you do in order to generate new subscribers? What are some of the strategies that you've implemented?

Deena: Yeah, that's a great question. I think the best way to win over new subscribers is to communicate the experience to them, so to show them what would happen if they got a box. That's why visual channels like Facebook or YouTube or any place where you can play a video are ideal and so a lot of the videos, a lot of our marketing is unboxing experiences and at that point, when you see cats opening the box themselves and rolling around with the toys and just having a blast and a great time, that's really what, if you have a cat, you know, you want to give that gift of joy to your cat. You want your cat to have that same experience. We've definitely found that to be effective. They say a picture is worth a thousand words, but I think to your point on videos, a video is worth many thousands of words, so that's been an effective marketing strategy for us.

Robert: Do you incentivize your customers to give you these videos? How do you encourage them to share?

Deena: You know, that happens very organically. I think we don't explicitly incentivize customers to share the videos, because we invested upfront in creating a very engaged and vibrant social media community, it's just something customers enjoy doing and want to do. They see other people's unboxing videos and kitties enjoying the toys and they want to share their own. We never really have a shortage of subscribers sharing.

We do occasionally, if we see a particularly great video, but maybe it's lower resolution because they posted it on, let's say our Facebook page, we would reach out and ask for a higher quality version, the original recording that they have, but that's about it. The communities that we built feeds on itself and there are people that post all the time and subscribers that know each

other from our social media channels and just love sharing their experiences with each other and with us.

Robert: Wow. You're also going right into the sweet spot for subscription box customers, which normally skew female. Because you're targeting a female demographic predominately, you're right in the meat of that market. It's interesting that while although it may not be explicitly inviting folks to post a video, having it be a thing within your social media channels where they're seeing other people's videos, it certain implicitly says, "People like us do things like this," and it shows them via example what we're supposed to do around here that and that is, share this video and even though a lot of folks probably need technical support from their kids in order to get a video and figure out how to get it posted, they'll make that happen in order to make sure their cat is featured on the KitNipBox Facebook page as well as all those other cats that they've seen.

Deena: Right. I think inheritability, one of the things that you hear about cat owners is they're just the perfect demographic for the internet. With dog owners, for instance, you go to dog parks and you walk your dog outside and that's often how you socialize with other dog owners and of course, you do it online too, but with cat owners, you know, very few cats actually like going for walks. You certainly can't take a cat to a cat park or any kind of cat filled social settings because there are just different comfort zones there [crosstalk 00:14:30]. Really ... What's that?

Robert: The cats would fight because they're territorial type animals.

Deena: Exactly. Exactly.

Robert: It wouldn't work at all.

Deena: Exactly. I mean, you know this as someone who is married to a crazy cat lady, right? The way that you socialize and the way that you show off your beautiful kitty to the world is through the internet and that's really why the internet is dominated by cat videos and pictures and there are quite a few more of those than any other animal.

Robert: Nice. Yeah, yeah. We got to take, even the photos that don't make it to the Facebook page, I get them via text of the cat sleeping or the cats sleeping together. The cat ladies like the photos of the cats. What is it, so what are some of the things that you're doing? One of the things that I've always thought about the cat boxes versus the dog boxes is that the cat people are more loyal long term. While certainly dog owners love their dogs, you know, a cat person would be a more loyal type subscriber and for any sort of thing related to their animals. What are some of the things that you're doing in order to build that community and improve retention within your subscription business?

Deena: Yeah. That's a great question. I do think that yes, it's definitely possible that cat households are better optimized for this and one of the reasons is, they're often just simply more cats in a household. They're about 2.3 cats per household on average just in the US for instance, whereas most dog households usually have just one dog, so if you have more cats, you obviously go through the products faster and you need replenishment every month. That said, there is a lot of work that goes in implicitly on our side to maximize retention and I think the most important piece of that is the product itself.

If you don't have a wonderful and joyful unboxing experience and if both, the owner doesn't feel that there's value and quality there and the cat doesn't engage with the item, then you're going to lose that customer sooner rather than later. It's actually, in a way, I think a more interesting optimization problem than just a subscription box of human products because you really have two customers with some needs and expectations that overlap but some that are very different. Those customers being humans and cats and you really have to hit a home run with both of them in order for them to stay on.

Robert: What are some of the things that you're thinking about in order to optimize your box for cats?

Deena: We definitely do a lot of play testing. Safety is by far the biggest thing and the most important thing that we think about all the time. First and foremost, it has to be safe for cats, so a lot of items that, you know, might be appealing to humans and are interesting and fun and high quality, but don't

meet the most stringent safety requirements for cats don't make it in. Then, there is the features that the product has that keeps them engaged, some of which the human doesn't even necessarily see because they're inside the product and maybe it makes an interesting noise for the cat or maybe it's a certain texture that is easy for them to scratch, so the cat is definitely, if the cat doesn't engage with our box, no matter how cute or how high value the human thinks it is, they're not going to keep subscribing if the items aren't being used, so everything between toys and the treats being delicious just have to be perfect for the cat.

Robert: With the holidays coming up, there's going to be a lot of gift boxing, or gift purchasing where folks are buying a box or a series of boxes from some period of time for that special cat lady in their life. What are some of the strategies that you use in order to convert that gift subscriber into a maybe paid long term subscriber?

Deena: That's a great question as well. Again, I think the number one way to convert them is to really wow them with the box and with the product inside, but of course, in addition to that, there is any number of things to be done there from putting inserts in the box with calls to action to convert and become a full time subscriber to email marketing to getting them engaged on social media and becoming part of that community, so it's really a multi-channel approach to building a relationship with that gift recipient, just like we would build a relationship with a regular subscriber.

Robert: With your new subscribers and your email sequence, do you have a follow up sequence for new subscribers? How do you think about that new subscriber relationship and what you want to try to do with them over the first couple of days or weeks that they're a subscriber?

Deena: Yeah, so we definitely have an email sequence and we want to make sure that they're always up to date on exactly when they're getting their box and what's going on and we also try to engage them on social media. For example, every product insert that goes in the box, we also have our social media icons. We encourage them to post pictures and videos and we also make ourselves available. I think one of the things that really sets our team apart is our investment in customer service. We really want to make sure that that is stellar and that everyone has not only a great product

experience but a great experience every time they talk to us and I think in addition to all the marketing pieces of that, like email and how we communicate to them in the box and how we communicate to them in social media, I think customer service is also an important piece in building that relationship.

Robert: Nice. You've had a lot of background in tech and a lot of experience creating companies and even selling them. What advice do you have for somebody who wants to get in the subscription box world and is just starting out?

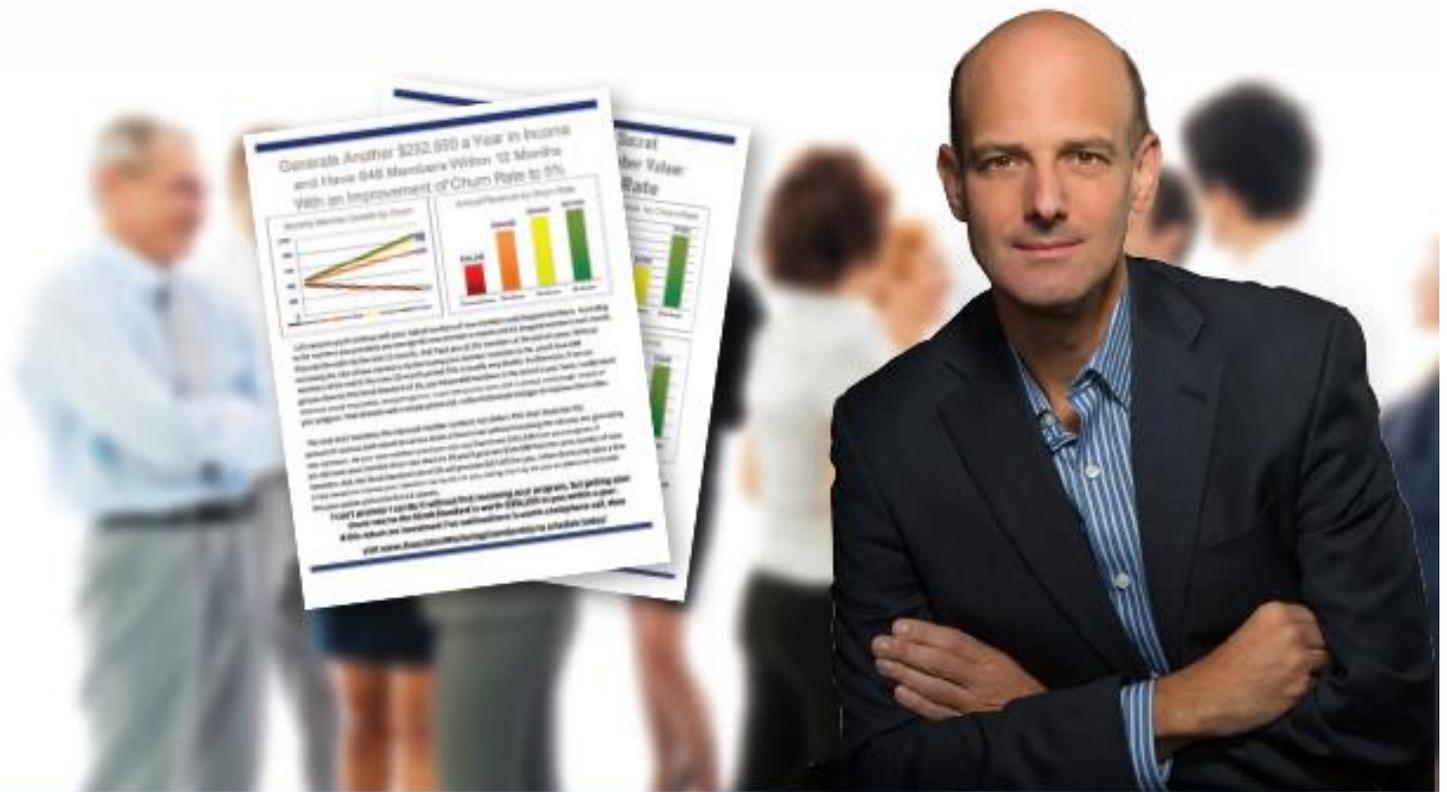
Deena: Yeah. I would say that for any startup and especially for a subscription box startup because there is so many companies but also so many more niche and even larger opportunities, I think it's very important to take a lean start up approach to this. There's actually a book that you can read called The Lean Startup that outlines this, but basically, the gist of my advice would be to test early and test often and experiment and see if there's demand for your product, so rather than you know, just researching and just doing market research, put together the first version of your product and try to actually sell it and see if people subscribe to it. That's going to be your best data point and of course, you're going to make changes as you go along, and the product is going to evolve, but the most important question you can answer before investing a great deal into establishing your own operations or maybe building just that perfect website, instead of a basic one is whether or not people will actually buy your product.

Robert: That's great advice. The Lean Startup author is Eric Ries and certainly, that's a very valuable lesson is to test, get something that is good and then test it and see if folks will actually buy it and then continue to learn and innovate as you go. Certainly, what you've built with the KitNipBox community is something that anybody that's in the subscription world would do well to study and seeing how your customers interact with each other and how much they love sharing their videos and photos is something that anyone could share and swipe, no matter what your box is all about, certainly a great example for anybody that is in the subscription box world or even the subscription and membership world. Deena, thank you so much for being my guest today on Membership and Subscription Growth. It's very, very interesting to have an opportunity to connect with you.

Deena: It was my pleasure. Thanks so much for having me, Robert.

Robert: I hope you enjoyed today's episode. Let me know what you thought. Post a review on iTunes or shoot to send me an email and make sure you subscribe because next week is a very special interview that Kim Walsh Phillips did of me. She recently reached out to me and had me as her guest on her podcast, The Morning Coffee Marketer, and she interviewed me and there's going to be a tremendous amount of great information in that program, if I do say so myself. We're going to talk about the differences between marketing for individual transactions and generating subscription customers, the first step to creating a vibrant tribe of followers and the number one secret for transforming the results of your new member marketing and retention campaigns. It's going to completely revolutionize everything that you do there and that's coming up next week on Membership and Subscription podcast, so make sure you subscribe, and we will talk with you then.

Too Many of Your Members Quit I Can Help You Stop Your Members from Quitting



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"I spent the day with Robert Skrob to learn how to increase the retention in my membership program. During the time we spent together we created \$2-3 million dollars in revenue. If you have any intentions of increasing your membership retention, Robert is the guy. You better get ahold of him as soon as you can."

Ron LeGrand, Global Publishing



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