

# MEMBERSHIP & SUBSCRIPTION **GROWTH** WEEKLY

**Secrets That Helped 10X  
Beachbody That Can Enable  
You to Quickly Grow Your  
Monthly Recurring  
Subscription Revenue**

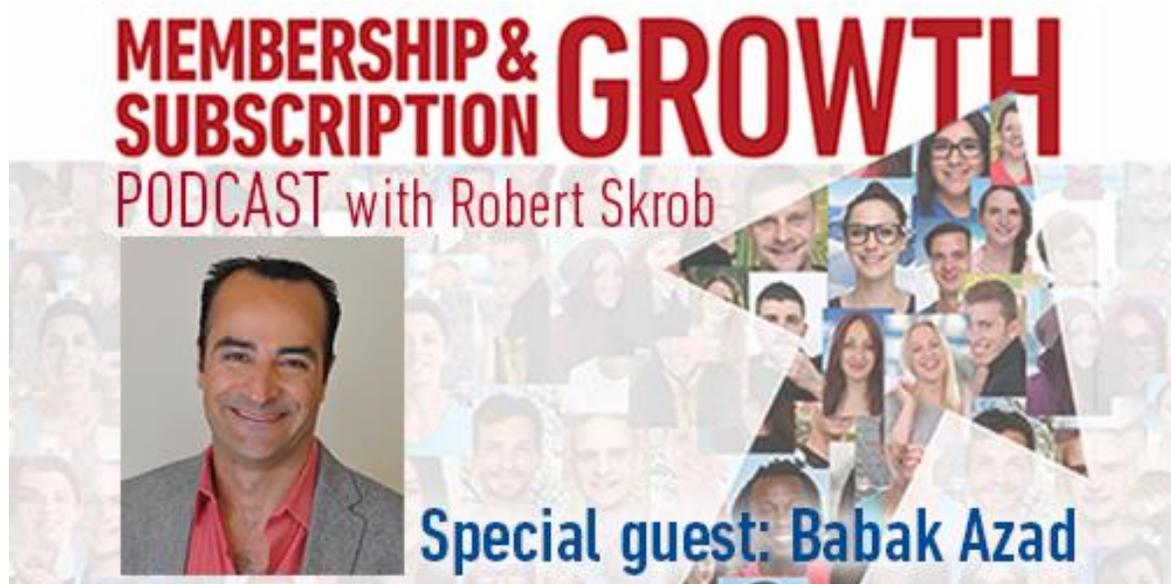
**- A Conversation with  
Babak Azad**

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This program features our special guest: Babak Azad

Babak Azad has grown consumer-focused, eCommerce and subscription businesses over the past decade by blending performance marketing with customer experience. Using a combination of a quantitative approach grounded from his background in analytics with a human and service orientation, he has the unique ability to bring together two very different disciplines.

The bulk of his career was spent at Beachbody (creators of P90X, Insanity, 21 Day Fix and Shakeology) where he helped the business grow 10x from \$100 million in 2007 to over \$1 billion in revenues when he left in 2015. For the first three year there, he built the finance and analytics teams, and then he spent the last five as SVP of Media & Customer Acquisition, overseeing offline and online media as well as the telesales and on-site acquisition teams.

More recently, he has been building Round Two Partners, where he works with brands who are looking to scale and professionalize their marketing activities. His clients have included Stitch Fix, ButcherBox, Revolution Golf, Athletic Greens, Wantable, Tastemade and Digital Marketer.

Babak received his MBA from Stanford Business School and his BS in Mathematics from MIT. The bulk of his spare time now is spent with his wife and 2 sons in Los Angeles.

# Secrets That Helped 10X Beachbody That Can Enable You to Quickly Grow Your Monthly Recurring Subscription Revenue

Would you like to discover the marketing secrets from the team that grew Beachbody from \$100 million to more than \$1 billion in revenue? Babak Azad was a leader within the marketing team that helped launch Beachbody into an iconic brand within the fitness industry.

Today, [Babak Azad](#) is the founder and CEO of [Round Two Partners](#) which works with other brands and subscription companies to help them do the same. I recently caught up with him for an interview for my podcast, [Membership and Subscription Growth](#). While Babak and I discussed several breakthroughs on the podcast, here are two that can have an immediate impact on your subscription revenue growth.

## Position Your Product as a Premium Product That Transforms

Your subscription product is more than a simple transaction and needs to be treated differently. Rather than selling that product, you need to be selling results. The results that your customers are going to personally experience by using or receiving your product are where the focus of your sales message should be.

Every time you mention your product, rather than talking about it, talk about the transformation or how that customer will feel because of your product. “You’ve got to be different from what everyone else is talking about,” suggests Babak. “I am talking so much more about brand and, really, the sense of experience, because that is one of the bigger things that I’m starting to see across pretty much every industry. That focus on creating an experience and creating a memory and stories around it is a big deal, but at the end of the day, it’s, what’s the promise? What is, whether it’s the problem or solution, what is the thing that you’re trying to either solve or help someone with? Are you delivering on it? Are you actually solving that? To what extent? How are you doing it? Things like that.”

Your customers don't care about what you're going to deliver, they only care about how it's going to improve their lives or help them.

# Watch Your Membership KPIs to Discover Growth Opportunities

Few subscription businesses are spending enough time looking at their numbers. Running your subscription business without proper KPI's is similar to taking your family on a road trip without seeing where you are going, having a speedometer or a compass. KPI's are like having GPS navigation for your subscription revenue growth. They tell you exactly what to do for fastest growth.

Babak suggests you start with recording the lifespan of your subscribers' activity. Measure how long your customers stay with you. How many billing cycles do they stay through before you lose them? Tracking this activity of each subscriber will reveal trends and opportunities to make changes to the subscription cycle at the point where you seem to be losing them. This data also helps you determine where to focus your time, staff functions, and dollars to promote growth.

“You don't need a statistical tool. You need Excel and a data dump, and you will at least start to get there. Then undoubtedly, it raises questions and there are things that will start to trickle up. You at least have a baseline. If that means that you don't even go and backfill for 2016 and 2015, fine. Just start with where you are. Then, you've got to create a bit of a process that every month or two months, whatever it is, you update it and then you are trying to test and optimize, to improve those metrics,” adds Babak.

Whether you are starting your subscription business or years deep in it, it is never too late to implement these practices of making your marketing message about your product's results and then measuring the activity of your subscribers to find growth opportunities.

You can discover more from the full interview with Babak Azad on the Membership and Subscription Growth podcast. Subscribe to the podcast to discover the keys to recurring revenue growth from successful entrepreneurs in the subscription economy. Previous and upcoming guests include Robbie Kellman Baxter (author of [The Membership Economy](#)), Amir Elaguizy (CEO of CrateJoy), Dustin McAdams (CEO of PupJoy), Perry Marshall (Founder of Perry Marshall & Associates), Liz Cadman (Founder of MySubscriptionAddiction.com), Deena Bronz (Co-founder and CEO of KitNipBox), Tim Broom (Founder of ITProTV), and Georg Richter (Founder of OceanX)!

# Conversation with Babak Azad

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

**Babak Azad:** “That idea of focus on the customer and the product is a really, really big deal. It sounds so obvious in some ways, but we oftentimes make things about us and about the business and what we do versus ... The customer doesn't care and ... has marketed it substantially better. There's the sense of experience, of identity, of cool, of fun.”

**Robert Skrob:** Welcome to Membership and Subscription Growth podcast. I'm your host, Robert Skrob. We have a very special guest on today's episode, Babak Azad, who was the senior vice president of media and customer acquisition of Beachbody, creators of P90X, 21 Day Fix, and Shakeology. He created the offline and online marketing programs, bought advertising, and helped scale the business from \$100 million to a billion dollars, and we're going to talk about how you can 10X your business.

Today, Babak is the CEO and founder of Round Two Partners, working with brands and subscription companies and helping them grow and 10X themselves. Really one of the key things I encourage you to listen for are when Babak and I talk about the metrics in your subscription business and how to capture those and what you should be looking at. It's very important and I can't tell you, unfortunately, how many people I run into that come to me and want me to help them with their subscription program, and they don't have any numbers. If that's you, don't worry about it. We can work with it. If it is you, you also probably particularly want to pay attention to this program today.

Also, the whole concept of subscription, it's really a premium service, a premium product, and it really needs to be sold that way. So Babak and I talk about a lot of that and how to position yourself as a premium product and why that's different than simply a transaction of I give you stuff and you give me some money. So really fascinating

marketing insights on how to 10X your subscription business coming up on today's episode. So with that, we'll get right to it.

Welcome to Membership and Subscription Growth podcast. My guest today is Babak Azad, an awesome guy who has been building some of the biggest subscription businesses in the world. So, Babak, welcome.

**Babak Azad:** Thank you. Appreciate it. Glad to be here, Robert.

**Robert Skrob:** Now for somebody who hasn't met you yet, Babak, what's important for them to know about you and your background?

**Babak Azad:** I think first and foremost I did not come from a whatever it means to be a traditional performance marketing and really marketing background. I was a math major, did investment banking, went to business school, went that route, started a magazine in L.A. that failed miserably, the best 25 grand I ever lost, and lived with my parents, did that whole thing. So had my own version of humble pie, and then really learned much more and a lot of my professional career was at Beachbody, P90X, Insanity, Shakeology, things like that. Was there for eight years from 100 million, so it was already a good scale when I got there, and left at a billion, so got to talk about the 10X thing.

**Robert Skrob:** Nice.

**Babak Azad:** [inaudible 00:03:36] finance and analytics so certainly ... I mean because i was a math major, I come from a quant background, but built finance and analytics first and then transitioned into a marketing role overseeing media and customer acquisition. So did that for five years. That was TV, digital, social, Amazon, and then the last two and a half years since I've left, I've basically been out on my own.

I work with a handful of brands helping them scale their performance marketing businesses with a heavy attention towards subscription, recurring revenue businesses.

**Robert Skrob:** Fabulous. That's really, really impressive. With your experience helping, being part of the team that 10X Beachbody, I mean that's a very fascinating case study because most of the world is trying to sell fast, easy solutions and of course if you ran ... completely counter that by selling hard work, sweat, and consistent effort, like the three things that most people hate. Everyone else, especially in health, sells simple, easy, and you can eat the food that you enjoy. How were you able to glorify sweat and work ethic while the rest of the world is selling results without work?

**Babak Azad:** I think a big part of it really is about results and especially in the direct response world, especially on TV, [inaudible 00:04:59] I mean Facebook has their own rules now obviously, but I think people ... So we tapped into something that, to your point, had not been done, certainly a higher price point than the 1995 product. It wasn't just a product, but at the end of the day getting some traction originally with the results and transformation and then certainly got a bit lucky about how people wanted to tell their story. So you see user-generated content on YouTube. I think people thought that we seeded that or we paid people. People just wanted to share that, and so certainly there's a component of being a little bit lucky but tapping into people's desire, ego, whatever you want to call it, that they wanted to share their results and share their transformation and certainly when they got ripped or they lost just a bunch of weight and there was a visual transformation, especially in health and fitness, that's a big part of it.

Tapping into that and really this idea that being a little bit counter-cultural, so that it wasn't easy. It was hard work, but it was also if you want to get these kinds of results, that's what it's going to take, and then people seeing that that was possible and that they could see other people that were somewhat like them that they could try to emulate and serve as ... Those people served as role models. I mean that's part of the point of testimonials, amongst others. So I think there's certainly been a bit of luck of timing, but it was also ... Sometimes you've got to be a little bit different than what everyone else is talking about.

**Robert Skrob:** No, and I absolutely, completely agree. I think I've worked with subscription and membership programs for years and try to get them to focus on the results. They all want to talk about their thing. In the Beachbody world, that would be talking about the number of videos you get or the amount of work you're going to have to do or the stuff, how many minutes each video is going to take or whatever. You certainly talk about that within the context of helping them understand the commitment they were making so that when they bought they had an idea of how much time or energy that they were going to be setting aside to actually do this, but the sales message wasn't that, and saying, "You'll get ... "

You didn't also go in and say, "You get 12 DVDs for \$59, but you'll really like ... Double the offer and give you 24 DVDs for the same price." It was all focused on the results, the transformation, how you were going to feel about yourself after you have this and you've done it. That is absolutely how all subscriptions should get sold and certainly how you can 10X a subscription business. When you work with other companies, how do you help them approach this and find their results that they're going to promote and use as their sales story versus talking about what they actually deliver?

**Babak Azad:** I intentionally use language around working with brands because for me ... and so as opposed to necessarily there's not judgment, but generally speaking, not 100%, but generally speaking, people who want to build a brand are focused on product and experience and the customer or the client, and so that for me right off the bat, there's a bit of filtering about who I work with and who I want to work with. I just frankly think it's more fun. I know a lot of people, and again, this is personal choice for some folks, they don't really care as much about the product or the service. They want to make a few extra bucks or they want to have a lifestyle that they want, and again, that's totally fine, but I think when you're trying to build a brand and something that's sustainable and scalable, and by the way, scale means whatever. For some people that's seven figures, for some it's 10.

That idea of focus on the customer and the product is a really, really big deal. It sounds so obvious in some ways, but what is that product?

What is that service? What is that experience? Frankly, what is the promise? It's interesting because I come ... I guess from a marketing side I come much more from a DR performance marketing background. I am talking so much more about brand and really the sense of experience because that is one of the bigger things that I'm starting to see across pretty much every industry, that that focus on creating an experience and creating memory and stories around it is a big deal, but at the end of the day, it's what's the promise? What is, whether it's the problem solution or what is the thing you're trying to either solve or help someone with, and frankly, are you delivering on it, and then how are you delivering on it? Then you start working a bit of this ...

You get reviews language. [inaudible 00:10:00] talks that way, but reverse engineer what you're trying to do for people, whether it's for yourself or other people, and then figure out are you solving that and to what extent, how are you doing it, things like that.

**Robert Skrob:** Yeah, no. I love that. So many people are trying to sell their thing and not the transformation and experience and also what you had said about understanding your customer, and yeah, it's so basic. You hear it all the time, but literally in the last 10 years I have only had one client that showed up with a real understanding of who their customer is, and I can ask everyone else, even folks that are like, "Oh, Robert, I've heard you say you've only had one client ever. I'm the second client." I ask them two, maybe three questions about their customer, and they're stumped and they can't answer it. It's unbelievable how, even though this is something that is rote that nobody wants to hear about, very few people are really doing it.

**Babak Azad:** Yeah, and really I mean it's so funny because on the marketing side, we oftentimes ... I mean, again, some of these things are so obvious in retrospect, but we oftentimes make things about us and about the business and what we do versus ... The customer doesn't care, and they care about themselves. Even when things don't go right ... I remember I was talking to someone a couple days ago about this that when things go wrong or why you can't do something, whether it's technology or UPS or the Xfinity internet went down, customers don't

care. That's your problem. All they care about are their needs being met or what you said you're going to do, are you doing it? So I think the continual reminder of, "What do they want? What do they care about?"

I've told this a couple times. It's a very brief story about when I was in business school I had a professor who said, "The golden rule is wrong," the golden rule being, "Do unto others as you'd prefer to have done unto you." Everyone's thinking, "What are you talking about? I thought the golden rule was right." He's like, "No, it's the wrong thing because ultimately it's do unto others as they would prefer to have done unto them," and oftentimes, again, in the direct response world we're kicking people down a certain funnel, we're only going to show them certain things, or it's what we think is better and maybe only a few people are Steve Jobs that maybe are that good and you know what people should want, but in the grand scheme of things it's, "What does the customer want? What do they prefer? What would make this a better experience for them?"

Sometimes, by the way, that's to the detriment of short-term numbers, and so you may not make as much money on day zero. You may not make as much money on every individual email, but if you're playing a longer game ... I think keeping that stuff in mind. You obviously got to pay the bills, keep the lights on, all that kind of stuff so it's not about be a martyr, but sometimes when you're playing a longer game, how transactional and how intense you make things and frankly how you treat people, that affects the longevity of the business. So I get it. You got to win the short-term for the long-term to be relevant, but at the same time it's a question of how hard you actually press on that.

**Robert Skrob:** No, absolutely. I think your point on people don't care about what you're going to deliver. They only care about how it's going to improve their lives or help them, but you see so many times somebody is selling a subscription box and they're focused on trying to tell you the types of things that are going to be in the box. They even have past boxes where they'll show you what was in previous boxes, or if they've got a SAS, they want to tell you the functions of their tool or if they've

got a publication, they want to tell you about what's going to be in the publication and what you'll learn and what the stock picks will be rather than how that publication is going to help you improve your lives and create a second income.

So when you approach a brand and they've got this marketing that's all about them instead of the customer, how do you help them turn that around so that it focuses instead on the impact that the box or the SAS or the publication has on the customer and improves their life?

**Babak Azad:** To a certain extent, not that it's easy, but there's a bit of a simplicity of what you just described. That is certainly a key component of it, which is start to shift the conversation, and oftentimes ... You can suggest all these things. Results prove themselves out, and so I think sometimes it's you test it, and so it is ... What you just described, which is if there has been so much focus on feature rather than benefit, on the product or the service itself as opposed to what's the reason people care about it, that impact, that's what people really care about and frankly sometimes it's also ...

We're all human beings, and so tap into what people, even though they're marketers and they're business owners or employees or whatever their role is, what about their experience? Sometimes tap into that as a reminder of what their consumer or their client is thinking. So that idea of when we make it all about us, people generally don't care nearly as much and it's not as relevant. So you can tell me all these things and talk about all the great stuff, but at the end of the day you're like, "What does it do for me? How does it make my life better? How does it make my life easier," or whatever.

So with some of the meal delivery and meal subscription businesses, it's simplicity, it's time with your family, it's healthier meals. You don't have to do the thinking. You can think ... That's great. That's the impact for me as a consumer, and so try to convey that. With software businesses, whether it's data aggregation and rather than spending five hours aggregating a bunch of stuff, it's all in one place, but at the

end of the day the results speak for themselves, your product. So what you say, does your product or service deliver that?

I work with someone who doesn't matter what his service was for me, but it was a vendor of mine, and basically, he made a promise and he wasn't delivering on it. I had a friend, and I talk about this that it wasn't cheap to pay him, and the comment was, "Well, figure out what you can deliver, and make that your promise, because people are ... " I wasn't the only one where it's, "We're willing to pay what looks like a premium for what you say you can do, but are delivering? So either deliver what you said or change what you say to what you can deliver." I think at the end of the day you can make all these promises.

We talk about wanting to build trust and relationships with the consumer, with the client. Again, if you think about your personal life, that happens over time and that happens where people either have integrity or they don't. What they say they do, they do or they walk the walk, walk the talk, things like that. So yeah, I think it's really hard to convey trust and relationship over time ... I mean immediately because that's not how we operate. So at the end of the day though, you've got to figure out what can you deliver on and I think how far do you try to do marketing to promise certain things that again, over time, you're either going to deliver or you're not, and people are going to find out about that whether you're an individual or a business and that really speaks for itself.

I mean we live in a world now where Yelp, Amazon, social, whatever it is, the reviews are out there pretty much for almost every business, so you can't really hide and hope that you can just get away with it because I think 20 years ago you could do that because there wasn't the access to information and people weren't seeking it. Now they know it's there and the reality is generally speaking your people who are not happy are going to be louder than the people who are. So the other side is you've got to do your job to promote the positive stuff, but people are finding it out.

**Robert Skrob:** Well, and in terms of selling the outcome versus the product, it's funny when you see the Microsoft Surface Pro versus an iPad, and the

Surface Pro is probably in nine ways better ... If there were 10 features, nine of them are going to be better on the Surface Pro, but yet, Microsoft feels like they have to advertise it based on showing the functions and showing what it does, showing the power, and how the keyboard is soft and all these features of the Surface Pro whereas you look at the old Apple commercials when the iPad came out, and it showed a child playing piano and grandma enjoying that performance over FaceTime and how the grandma only had to press one button in order to be able to enjoy a conversation with their grandchild. It was all about the outcome and the new ability, the new superpower, the new experience that the customer was going to have by having this item versus the fact that the keyboard was soft or not. It's just amazing when you make that transformation how you're able to 10X so much faster than talking about the features of what you're delivering, whether they're true or not.

**Babak Azad:**

Well, and so to that point, let's be honest with ourselves. The best product doesn't always sell the best. So absolutely the best service doesn't always sell the best. I think it's arguable from a feature side that the 'droid and the Samsung and things like that, if you look at the technical specs it's probably a better product than the iPhone, but the iPhone has marketed substantially better. There's the sense of experience, of identity, of cool, of fun versus ...

Remember the PC versus Mac where it was a geek and which one was cool, who was cool and who wasn't. So I am not trying to say at all that it's all rational and intellectual and cerebral that the best technical specs, whatever that means for your product and service, will win. There are many, many examples where people are buying the experience. Why do people go to certain locations, go to certain restaurants, certain shoes. You've got the brand of these women's shoes that have the red sole underneath, and people know that, and so there's a sense of identity, of experience ... I mean look at SoulCycle. That is people spending \$30, \$40 for a class because they have created this experience. They have created a sense of identity. It's a lifestyle as opposed to just another gym that does spinning classes, so definitely not being delusional that the best product is always the thing, but certainly thinking more broadly about what does

your product and your service, does it also include that sense of experience?

**Robert Skrob:** For instance, I mean Harley-Davidson Dealers of Florida have been a client of mine since 2003, and nationwide Harley-Davidson sells more motorcycles than all of their competitors combined in their category, and they know something about selling motorcycles that for instance, Honda, has never figured out, and certainly Honda's motorcycles are high-quality, but Harley-Davidson is able to sell at premium prices and dominate half the market. It'd be like Neiman Marcus, if Neiman Marcus had half the market and sold more than Amazon and JC Penney and Target and Walmart combined. Having the premium player have half the market, Harley-Davidson understands that it's about the experience and transformation that the customer has rather than the nuts and bolts and features of the product.

**Babak Azad:** Yeah, I mean I just literally posted it. I'm starting to write a bit about this sense of experience, and when I ask people for brands that feel like they've created a real experience, certainly Harley is one of them. Nordstrom comes up for a bunch of folks. Amazon does, [inaudible 00:22:35] Cold Stone Creamery, and even Starbucks really did this when people were spending 50 cents a cup versus why would you go to Starbucks and pay \$4 or \$5? It was the third place. It was that sense of experience.

Going back to even knowing the customer, my friend shared a story last night about Nordstrom that ... I think he's in Texas. I don't know if they do this in L.A. but at least there they have little basic mini classes for kids to teach kids how to tie their shoes. So he basically goes and drops off his kid over there. They're there for an hour or two. The kids are entertained. He and his wife can go shopping and they come back and their kid knows how to tie their shoes and the kids had a great time and the parents have had their thing. So you talk about freeing up the parents to provide them something of utility, interesting for the kid, all that kind of stuff, and knowing that that customer is more than happy to do that because they want some freedom, they want to shop. Talk about a no-brainer ROI for ...

We always joke that with women's clothing stores, having something [inaudible 00:23:39] guys they're coming with the woman, have something to keep the guy entertained because the guys don't want to sit there and just sit there doing nothing. Now you have a phone, you have some sense of distraction, but to the extent you can tap into that other person who is part of the experience and may not want to be there or may not be as excited, again, and [inaudible 00:23:58]. These are the stories people tell and these are the experiences people have, and I think this is how you start to build real community, real engagement, real brand, is by delivering this stuff not just one place but ...

That's the thing too is as daunting as it is, you build the brand everywhere. So it's being thoughtful about the various touchpoints people are going to have and are you consistent and are you consistent in really caring about them?

**Robert Skrob:** Well, you mentioned Starbucks. Starbucks has more than 25,000 retail locations around the world, and if sales and growth were really driven by quality, then Dunkin' Donuts would have more retail locations, and they're fewer than 11,000. They're way behind Starbucks, even though Dunkin' Donuts has been around far longer, so it's really not the quality of the product or the coffee. It's about the experience.

So one of the other things is you've been in direct response for years and really integrated marketing over several different channels. What are the metrics that you want to review when you're analyzing the growth opportunities of a brand, of a subscription business?

**Babak Azad:** Yeah, look, I do have a little bit of a framework that it doesn't matter what kind of industry it's in, but if you're in some kind of [inaudible 00:25:27] recurring revenue subscription business, the first thing I look at generally is retention, stick rate, cancel curves, churn, things like that, especially when a business has some activity.

So let me assume it's five to ten million and certainly into nine figures and beyond, it's the same thing, which is once you get a customer,

how long do they stick around? That part's not really rocket science, but I think there are a couple different ways to slice and dice that. So for folks who have a regular, recurring billing, like let's say a Netflix or Proactiv where pretty much everyone's on the same thing, how many months do people stick around or how many billing cycles do they stick around, as opposed to some of the subscription box companies, you can pause. You can go every month, every two months, quarterly, whatever it is. So sometimes the metrics have got to be tweaked a little bit.

So first of all, how long do people stick around from cycle one, cycle two, shipment three, shipment four, that kind of thing? Where are the major drop off points, and then definitely looking at churn. That captures churn a little bit, but also looking at what is the time to cancel because that can be sometimes you're looking lagging, but if you're looking at time to cancel, then that may be an earlier indicator as opposed to generally that analysis I described. You may do monthly as opposed to intra-month. You can see our customers who are coming in this month and last month, are they canceling at a faster or slower rate? So looking at what kind of change.

Then at the end of the day that's, especially when you're running paid media, you have to know that to help inform a unit economics margin model to understand what really is the immediate and lifetime revenue and gross margin you're getting from a customer to know essentially how much you pay to acquire a customer. So there are ... I say it again. I focus on basics and fundamentals, but the number of businesses that I've touched where, eight-figure business and beyond, that they don't really have a great grasp of this and just how much of an impact it plays in terms of understanding how long do people stick around to the extent you can look in different layers of granularity of is it by traffic. So is it Facebook versus TV versus direct mail, by offer, by frequency? What are the different ways that you can cut it, again appropriate for your business, and then use that to inform that customers from certain places are worth more than you can spend more to acquire them.

Having those things in place, and then really this goes to where are the key levers in the business because everyone is resource constrained, so how do you think about where to deploy time, people, dollars, and because you are limited. Everyone is to their own degree, so how do you then start to test and optimize? I think you can play this game of acquisition, retention all day long. You've got to have some core fundamentals in place and then certainly your operating infrastructure has to be in place.

I wrote a long piece about Blue Apron, and I think separate from their ... right now at least their decline in the stock market, they were playing this game of acquisition because they had venture funding, but food is not a high-margin business, so at some point you're going to have to amortize your cost over your overhead and your rent and your salaries and tech. So you've got to have an understanding of that too. At the end of the day, if you can't keep people sticking around, and that's usually an indicator, whether or not you're paying for them or not, that's usually an indicator that if you're losing people in two months, you're losing everybody, then there's probably something that's wrong from a product and service fit perspective. Then at the end of the day it's a bit of a math problem. What's a customer worth? How much can you afford to pay for them? What kind of cash can you put out there? Things like that. Then you start to work it pretty hard.

**Robert Skrob:** Yeah, if you're losing your customers at a rate of ... and I've seen quite a few folks come. Maybe even it's 10% or 15% is not unusual in some niches, and if you're losing your customers that quickly, even if you've always lost them that quickly and you think that that's normal or that you know other people who are losing that quickly and it feels like you're all in the same boat, there's a big disconnect between the promise of your sales message and the delivery and or you had some sort of free trial offer where folks are able to jump in for little or nothing. It's like you're bribing them to take your thing, and they never had any intention of keeping it. You're not building a tribe of supporters. You're just giving away stuff to people who will never become your customers.

**Babak Azad:** Yeah. No, absolutely, and I think people sometimes misconstrue some of the criticism or at least pointing out these things as a criticism of the model itself. No, I mean to your point, what do people want? What do they expect? How much are they paying? Are you delivering on that? Not that this stuff is easy and I think whether you're in software or in subscription box, is it a need? I think we're going to see when the market ... We go through economic cycles. Some of these boxes are more disposable income-related than they are pure need. As much as people want to be entertained and like stuff and there's definitely a drug that happens when they order and a box shows up on their doorstep, some things are more fundamental than others.

So I think you unfortunately are going to see some shake-out in that, but at the end of the day, look, what is the value delivery? There's got to be some utility or entertainment or something that is core and fundamental. When you lose 30% of your customers month over month, that's probably saying something about ... Why is that? You obviously got to manage your model, but what is happening there, especially when you talk about longevity, and that's really where ... I think in the short-term you can manage through that kind of stuff. In the longer term I think there's got to be something that's more sticky, and it may not be a month after month. I may go to Disney once a year, but I go there and I spend a chunk because it's a great experience.

**Robert Skrob:** Well, and one of the things-

**Babak Azad:** Disney is not low cost, and they can afford to do that, but every business has got to play their own game.

**Robert Skrob:** One of the real interesting points that you made there, all subscriptions are premium product, and they've got to be sold as a premium, as a luxury, because you don't need the subscription box. It's cool, but you don't need it. Really, we try to make our clients dependent on it. Certainly SAS, we want to have them built into their business in such a way that they can't get it out. Really, it's all a luxury product, and it really needs to be sold as a premium brand so that folks want it and it helps create a feeling, and yeah, I was around, and

I saw a huge shake-out in 2008 and 2009 in the subscription world, and a lot of people thought it didn't work, that the whole model was broken, but it was really how people were selling it.

One of the things I wanted to get into with the metrics was you actually had to create these as part of Beachbody. You do these for your clients and work them through. I can't tell you how many folks that I work with, they don't have the cohort analysis even by month, much less by lead source or sales process. How does somebody actually do this? What are some of the nuts and bolts stuff so that they actually have these basic reports that they can look at and understand how their business should be run?

**Babak Azad:**

Sure. So I mean I think let me just use a subscription box business as an example, but the process applies whether you're in software, digital, whatever it is. I think at the simplistic level, what you just said is [inaudible 00:33:43] ... I always start simple and high-level first. I was a math major. Everything thinks, "Oh, we get into all this hardcore stuff." Yeah, at some point, but start with the basics first and then build over there. I've worked with people who have super advanced and super nothing. At the end of the day, let's say with the subscription box business, it's frankly how many people did you acquire? Let's assume paying customer in January, in February, in March, and then literally track them over time.

So how many people who you acquired in January did you bill in February, in March, in April, and do the same thing. Basically whether it's month one, month two, shipment one, shipment two, whatever that appropriate thing is. If you have an annual license, you do it that way, but really it's ... and by the way, if you acquire leads, you look at it from a lead basis versus a customer basis, that's fine. Just know when you acquire leads how long does it take to start monetizing or once a lead is acquired in January, what was their value at the end of January, at the end of February, at the end of March, and so on.

That's the simplistic level, and I look at it a few different ways that are again pretty high level. One is by count, so how many shipments did

they get in the first month, two months, three months, so on, and then look at it gross and net, returns and refunds, and then look at it by dollar value. So sometimes those numbers will be different because your higher value people may be [inaudible 00:35:15] quicker or longer or whatever the case may be, but at the very simplistic level, break down your lead or customer or client base into months that they started or joined, again whatever applies for you, and look at them gross and net and both by count and by dollars.

That is the very basic level, and if you can do that, it's a lot more to your point than many other people have, and sometimes it literally is let's say it's a Shopify download or it's [inaudible 00:35:43] management system, and if you don't have that person, you can go to Upwork or somewhere else, get someone who is good at Excel. Generally speaking the basics of that analysis ... You don't need a statistical tool. You need Excel and a data dump, and you will at least start to get there and then undoubtedly it raises questions and there are things that will start to trickle up. That's great, but you at least have a baseline, and if that means you don't even go and backfill for 2016 and 2015, fine. Just start with where you are and then that starts ... Then you've got to create a bit of a process every whatever month or two months or whatever it is you update it and then you are trying to test and optimize to improve those metrics.

**Robert Skrob:** That is awesome because especially the customer value. That average customer value over time is my secret weapon in managing the health and if you have that, like you say, all you need is a download and an Excel file. Our team does this for folks all the time that come in that just don't even have this because the reason why I like customer value more than the numbers is because very often we're doing upsell for follow-up sequences, so if people come in, we're purposely trying to upgrade them to higher levels as part of the new member onboarding program or offer them other products they might be interested in. So look, you can make a huge difference in the customer value within the first 30 days if you've got a system in place. Managing the dollars is where you should be.

Babak, thank you so much. How can folks find out more about your background, track down that article you wrote that gives some more information? Where can folks find you and connect with you?

**Babak Azad:** Sure. Two easy places. I'm on LinkedIn and basically in every social handle I'm Babak Azad, B-A-B-A-K A-Z-A-D and then my site is the same thing. It's BabakAzad.com. I can give you links, but both places I'm easily accessible and my content's all there. It's all free and certainly I'm happy to chat with people if they want to, but yeah, those are the two easiest places to get me.

**Robert Skrob:** What a miracle that BabakAzad.com was available.

**Babak Azad:** You know, BabakAzad@gmail was not, and I was an early beta user, so there's another one. At least one more in Iran, and I believe he snagged it, but I have all the other ones, so yeah.

**Robert Skrob:** BabakAzad.com. B-A-B-A-K A-Z-A-D.com. You can find him there or Babak Azad on Twitter. Babak, thank you so much. This is a very informative, very useful, and real high level, high energy overview of what it takes to be a successful brand, much less a subscription brand. Thank you so much.

**Babak Azad:** Absolutely. My pleasure.

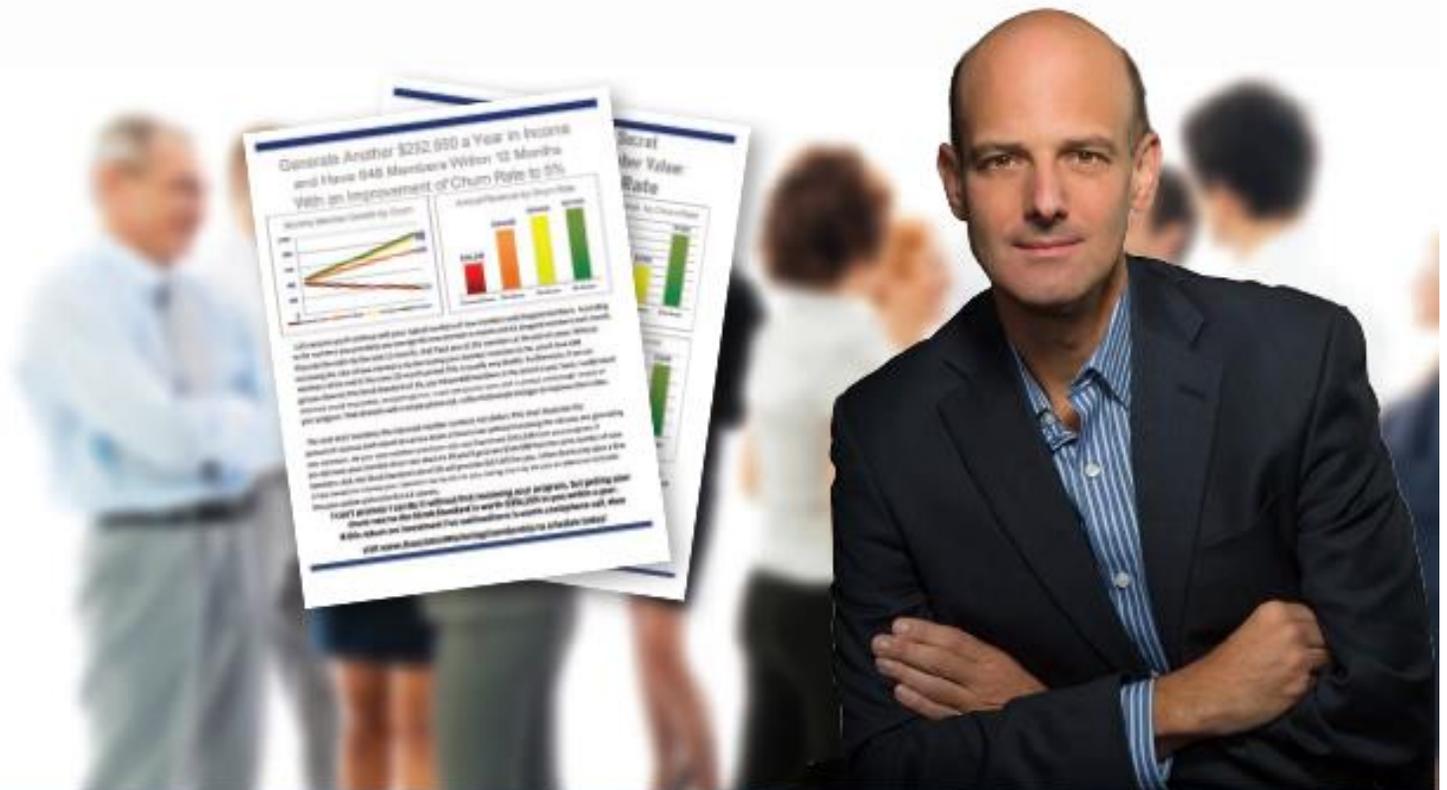
**Robert Skrob:** I hope you enjoyed this episode. Had a lot of great insights there and if you need help with your numbers, just let me know. Send me a quick email. RS@robertskrob.com R-O-B-E-R-T S-K-R-O-B.com. My team has worked with a lot of folks to help them calculate these numbers and get these things done and can help you create a spreadsheet that will allow you or somebody on your team to track this stuff going forward and there's quite a few tools, depending on what sort of merchant account that you're using that could calculate a lot of this. Just send me a quick email if you would like to get some more of those numbers, or anything else that you heard. I'd love to hear your feedback and also, if you're not already, subscribe. What are you waiting on? You don't want to miss another episode of Membership and Subscription Growth when you're got guests like

Babak Azad with talking about how to position your subscription program as a premium service.

These are absolutely critical, critical training for anybody growing a subscription business today. Also, check out some of the past episodes. While Babak was awesome today, there have been a number of terrific guests including Amir Alagese with Great Joy, who has worked with, as a platform, provided a platform for more than 4,000 subscription boxes as folks are growing and scaling their business. I think with working with 4,000 different subscription businesses that maybe Amir has something to perhaps share with you.

Also, a great interview from 80/20 Marketing and AdWords marketing expert Perry Marshall and actually, he interviewed me for his guests, but Perry Marshall was very gracious and a gracious host and you'll absolutely enjoy that interview, if I do say so myself and geez, you've got Deena Bronze of KitNip box. You've got Liz Cadman of My Subscription Addiction, Lisa Sugar of PopSugar, a media mogul herself and also has her own subscription, so a lot of great folks that you can learn from here on Membership and Subscription Growth. I appreciate you. Hey, I want to know what you're thinking and now, how this is helpful and if you have any suggestions, feel free to send me an email, [rs@robertskrob.com](mailto:rs@robertskrob.com) or go and leave a comment on iTunes and hey, that's how this thing gets around and people know that this is helpful, so if it's helpful to you and you want us to keep doing this, then leave us a review and let us know. Thank you and we'll talk with you next time on Membership and Subscription Growth.

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



**M**embers quit. And most people's attempts to lower member churn rates only make it worse. I can help you stop your members from quitting.

For 20 years I have focused on getting and keeping numbers. I come alongside you and your team to stop your members from quitting, and help you grow your membership.

You are investing a lot of time and money to grow your membership. Let's stop your members from quitting so your program will grow as fast as you deserve. I help you grow your membership with my systems for attracting, welcoming and retaining your members.

I can assess your membership program to identify your fastest easy wins.

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### Increased Membership by 156%

*"Working with Robert Skrob and implementing his strategies we've increased the size of our alumni program 156% generating an additional \$1.4 million annually. Plus, our average lifetime customer value increased by 37%! Robert is my go to expert for forging a stronger relationship with our customers to provide them with greater value so they become more valuable, long-term customers."*

Richard Meneg, President, Automotive Training Institute

### Doubled Conversion and Doubled Retention

*"After I made the changes Robert suggested during our consulting day, my new member sales conversion rate doubled! In addition, in the months since, my member retention rate has doubled as well. With Robert's help I've completely transformed the growth rate of my business."*

Jim Augustus Armstrong, Flooring Success Systems



### Sold \$120,000 within 4 Hours and Launched Membership Program

*"It's been a whirlwind! We did so much. I basically crammed a years' worth of work (probably more) into 60 days. I remember our weekly coaching calls and how overwhelmed I was until Robert explained every step that needed to be done before the next step. Very, very detailed oriented. I was able to pull off something I thought was impossible. Actually,*

*it wasn't even on my radar and that was being able to sell \$120,000 worth of product (@ \$297) in 240 minutes with a built-in monthly membership piece. UNBELEIVABLE!"*

Michael Rozbruch, Roz Marketing Group

### An Additional \$2-3 Million in Revenue

*"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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New + Retention = Growth!

1390 Timberlane Road, Tallahassee, FL 32312  
850-222-6000  
[www.RobertSkrob.com](http://www.RobertSkrob.com)