



Membership & Subscription

Franchise Ebook for 2020



Introduction

As consumers become more focused on **convenience, value, and personalization**, they will increasingly start thinking beyond one-off transactions. Instead, they will seek long-term fulfillment of their individual needs through **membership and subscription services**.

Membership- and subscription-based services have been a mainstay of the American economy for decades, but only in recent years has the membership and subscription business model exploded in popularity.

While much of the innovation and attention has revolved around subscription “boxes” with curated products like Birchbox (makeup samples), Loot Crate (techie and gamer merchandise), and StitchFix (clothing hand-picked by a personal stylist), businesses across the board—including franchises—have found ways to bolster their product and service offerings to better serve their customers through memberships and subscriptions.



This Ebook...

This Ebook serves as an overview of the current state of the membership- and subscription-based industry (including what it will take to sustain success well into the future using this model), as well as a snapshot of what membership- and subscription-based **franchises** need to do in 2020 to successfully market their services to a changing consumer audience.

You will learn about:

- **The rise of e-commerce and how it's changing the way membership- and subscription-based franchises do business.**
- **How the membership-subscription model is continuing to drive sales and loyalty for franchises.**
- **The leading challenges facing membership- and subscription-based franchises today.**
- **The four steps every membership or subscription-based franchise should take to ensure long-term success.**
- **Digital marketing strategies for building brand awareness, attracting new members or subscribers, and increasing client retention for 2020.**

Why Memberships and Subscriptions Are so Popular

Subscription-based franchises and businesses have taken America by storm, and consumers are signing up left and right.

They're signing up for services—from house cleaning (Merry Maids) to fitness classes (Orangetheory Fitness) to tanning (Palm Beach Tan)—**and they're signing up for products**—from razor blades (Dollar Shave Club) to eyeliner (Birchbox) to digital media (Netflix).

But most importantly, they're doing it en masse.

At least 163 million American consumers¹ are members or subscribers of some type of product or service, with at least 96 million consumers engaged in two or more memberships or subscriptions.²

Assuming each subscription or membership has a commercial value of at least \$10 per month, subscription- and membership-based businesses are generating *at least* \$31 billion dollars in revenue every single year.

At the heart of this popularity are two central themes that explain why expenditures towards membership- and subscription-based business (including franchise business) has skyrocketed in the past decade:

- **Simplicity and convenience.**
- **Exclusivity and community.**

1. <https://en.portal.santandertrade.com/analyse-markets/united-states/reaching-the-consumers>

2. <https://www.forbes.com/sites/louiscolombus/2018/03/04/the-state-of-the-subscription-economy-2018/#68848ff353ef>

Simplicity and convenience

Memberships and subscriptions (through a franchise or non-franchise business) make life simpler and more convenient.

1 They make it easier to operate within the confines of a household budget—home owners who sign a service subscription with Merry Maids or Mosquito Squad know *exactly* how much it will cost to keep their households clean and mosquito-free every single month.

2 They make it easier to plan a daily or weekly schedule—consumers who become members of Orangetheory Fitness can choose from a robust table of class times, so they can enjoy an instructor-led workout without having to shuffle the rest of their schedule around.

3 They make everyday life predictable—parents who become members of the Kiddie Academy know exactly when they can drop their kids off for some much-needed child-free time.

4 They make things more accessible—doctors, security guards, pilots, and any other professionals who have off-hours schedules can become members of a franchise like Anytime Fitness, so they can enjoy 24/7 access to a gym.

5 They make things more affordable—franchises like Planet Fitness don't have complicated or exorbitant pricing; consumers can become members for just \$10 per month.

Community

Another contributing factor to the explosive success of membership- and subscription-based businesses in the past decade?

Community.

Goods and services that are semi- or fully-restricted to members (subscribers) have an air of community that attracts new business. It's the herd mentality; people want to feel like they're a part of the "in-crowd." They want feel like they belong to something special because "specialness" equates to value in the human mind.³ Humans (consumers) are, by and large, creatures of community. Organizations that promote "membership" appeal to a natural longing for fellowship and the company of like-minded individuals.⁴

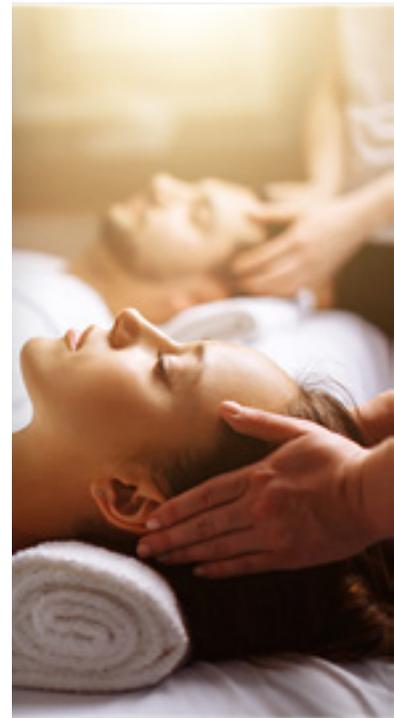


For example:

With a membership to Massage Envy, members not only get expanded access to the spa's masseuses, they get charged a lower hourly rate for any massage, stretching, or skin care services. They can also purchase products (creams, oils, balms, etc.) from Massage Envy at a discount—all things non-members can't do.

Another example:

At Orangetheory Fitness, team challenges (where members partner up to form teams to compete against other member teams) are highly encouraged. Not only can these teams compete for recognition inside the Orangetheory community, they can also compete for prizes like free membership for a month, etc.



3. <https://www.forbes.com/sites/forbesagencycouncil/2017/05/18/appealing-to-the-top-of-the-psychological-hierarchy/#3cacbd8c885e>

4. <https://www.newsweek.com/biologist-eo-wilson-why-humans-ants-need-tribe-64005>

And it's Working...

Look at the numbers

Some of the biggest franchises shaping the membership and subscription market include:

- **Kumon Math & Reading Centers**
- **Goldfish Swim School**
- **Palm Beach Tan**
- **Anytime Fitness**
- **Massage Envy**
- **Planet Fitness**
- **Merry Maids**

Their success is nothing to balk at:

Kumon Math & Reading Centers? Over \$800 million dollars in consolidated net sales as of March 2018.⁵

Goldfish Swim School? Since its inception in 2008, Goldfish has gone from 1 location to 70.⁶

Palm Beach Tan? Has an estimated annual revenue of nearly \$40 million dollars.⁷

Anytime Fitness? In just 16 years, Anytime Fitness has grown into a health and wellness juggernaut, generating just under \$500 million dollars in 2017.⁸

Massage Envy? Now regularly tops \$1 billion in annual sales.⁹

Planet Fitness? Has total assets worth approximately \$600 million dollars.¹⁰

Merry Maids? Sits at #38 on Entrepreneur Magazine's list of 500 Top Franchises.¹¹

5. <http://kumongroup.com/eng/about/>

6. <https://www.entrepreneur.com/franchises/goldfishswimschoolfranchisingllc/334014>

7. http://www.hoovers.com/company-information/cs/company-profile.palm_beach_tan_inc.0be38a4d1c2f4bec.html

8. <https://www.forbes.com/companies/anytime-fitness/#591a6c5b79be>

9. <https://www.forbes.com/sites/caroltice/2015/06/17/strip-mall-spa-how-massage-envy-created-and-dominated-a-new-franchise-niche/#5276d031214f>

10. <https://www.nasdaq.com/markets/ipos/company/planet-fitness-inc-968589-78763?tab=financials>

11. <https://www.entrepreneur.com/franchise500>

Franchises Making the Most of the Membership-Subscription Model

Health and wellness

The membership-subscription model has been a staple in the health and wellness sector for decades. And with Millennials placing increased emphasis—and spending increased dollars—on their health and wellness, franchises operating in this space stand to see continued growth in 2020. Not only has the number of gym memberships in the US has nearly doubled in less than a decade (increasing from 32.8 million in 2000 to 60.87 million in 2017), but there are now more than 35,000 membership-based exercise facilities located across the country.¹²



12. <https://www.clubindustry.com/awards-rankings/club-industrys-top-100-health-clubs-2018>

Many of these facilities are a part of broader health and wellness franchises, with the fastest growing health and wellness franchises in the US (Planet Fitness, Crunch Fitness, UFC Gyms, Orangetheory Fitness, Anytime Fitness, Club Pilates, and 9Round) increasing their annual revenue by an average of 32%.¹³

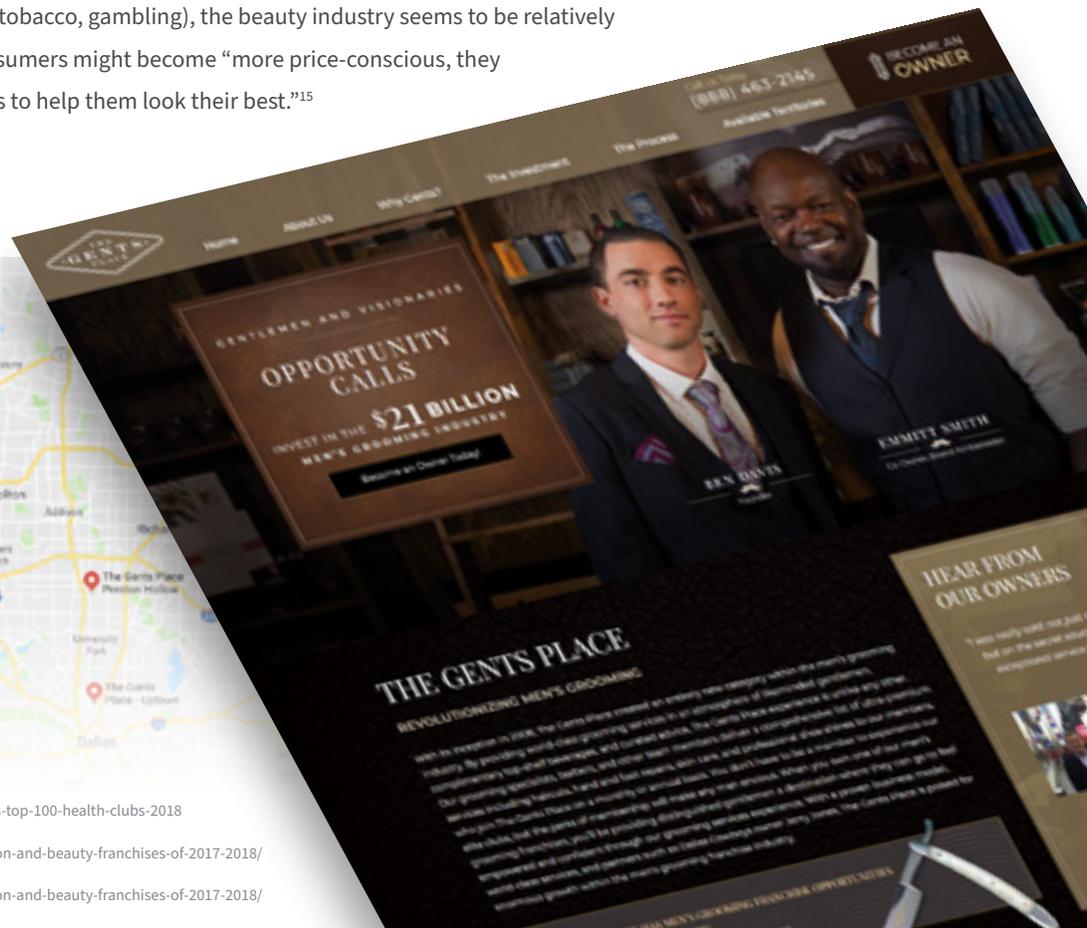
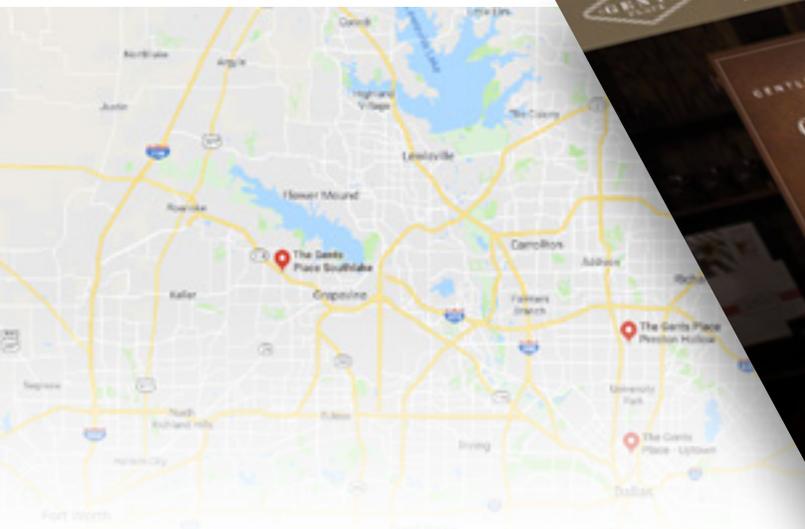
But exercise-focused franchises aren't the only players in this market—there are also lifestyle-focused franchises operating in the health and wellness space as well, like Massage Envy, Nurse Next Door Homecare, GNC, and Visiting Angels.

Beauty and grooming

From bikini waxes to blow-outs to tans to haircuts for men, there are an array of franchises springing up across America, each with its own lucrative little slice of the beauty market.

Between service offerings and product sales, franchises in beauty industry have generated more than \$50 billion dollars in revenue in recent years, with no less than \$12.5 billion coming from hair-focused franchises like Gent's Place.¹⁴

Like the vice industry (alcohol, tobacco, gambling), the beauty industry seems to be relatively recession-proof, and while consumers might become “more price-conscious, they don't stop spending on services to help them look their best.”¹⁵



13. <https://www.clubindustry.com/awards-rankings/club-industrys-top-100-health-clubs-2018>

14. <https://www.franchisechatter.com/2017/12/07/the-25-best-salon-and-beauty-franchises-of-2017-2018/>

15. <https://www.franchisechatter.com/2017/12/07/the-25-best-salon-and-beauty-franchises-of-2017-2018/>

Supplemental education

By cultivating an environment where young minds can ask additional questions, spend extra time on subjects that aren't fully understood, and engage in further academic practice, supplemental education franchises help students (their members) improve their in-school performance.

In an era where education has *never* been more important (or competitive), is it any wonder why supplemental education has become a booming franchise industry?¹⁶

As parents fight tooth and nail to give their kids the proverbial “leg-up,” they spend billions of dollars (for example, in the US, tutoring alone is a \$7 billion dollar industry¹⁷) that franchises like Kiddie Academy and Kumon Math & Reading Centers gobble up in the form of memberships and subscriptions that net gross profits that range from 60% to 90%.¹⁸ And those numbers are just for supplemental education franchises in the United States—globally the potential earnings are even higher (for example, in China, families spend an average of \$17,400 a year on supplemental education¹⁹).

The screenshot shows a website layout with three service cards on the left and a large guarantee box on the right. The service cards are:

- Helping Space Cadets Land:** Our X-Skills Program can help your child reach their academic success. [Discover X-Skills >](#)
- Helping Open Doors by Opening Minds:** Our company values are the core of everything we do! [Take a Look >](#)
- Helping Parents Stay in the Know:** Receive our monthly newsletter for educational tips! [Sign Up >](#)

The large box on the right contains the text: **60 DAY MONEY BACK GUARANTEE** and **GUARANTEEING A CUSTOMIZED LEARNING EXPERIENCE FOR SUCCESS**. Below this is a [Learn More >](#) link. In the background, the 'tutor doctor' logo is visible on the left, and a phone number '718.8832' and 'Franchise Blog' links are on the right. A vertical 'CONTACT US TODAY' button is on the far right edge.

Not all minds
that wander
are absent.

16. <http://tytonpartners.com/library/will-win-k-12-curriculum-market/>

17. <https://www.franchisehelp.com/industry-reports/education-industry-analysis-2018-cost-trends/>

18. <https://www.franchisehelp.com/industry-reports/education-industry-analysis-2018-cost-trends/>

19. <https://www.scmp.com/news/china/society/article/2176377/chinese-parents-spend-us43500-year-after-school-classes-their>

Challenges Hindering Sustainability

for Membership and Subscription Franchises

For all its benefits, the membership-subscription business model features its own unique set of challenges—challenges that could seriously undermine its ability to thrive for years to come.

Challenge #1: Demonstrating value to differentiate their brand

As consumers encounter more opportunities for memberships and subscriptions across a broad spectrum of product and service offerings, they will start paying more attention to value.

For franchises looking to transform everyday consumers into new subscribers or members, the demonstration of clear value will become essential. It will no longer be enough to offer the best product or the most affordable service. What consumers want access to—what they are willing to subscribe to or become members of—are products and services that are exceptional in the form they appear in, the function they serve, and the experience they provide. Only the franchises that can deliver on all three fronts will be able to sustain significant growth in the decades ahead.

Consider a consumer living in Chicago looking to become a member of a gym—this consumer has dozens and dozens of gyms to choose from; different styles, different facilities, different costs, different price points, etc.

Assuming the facilities of each business are clean and well-kept (the form they appear in), and capable of improving the consumer's health (the function they serve), the only thing they have to compete on is *experience*.

And what does “experience” consist of?—quite a lot.

The distance of each gym to the consumer's home, the friendliness of staff, the provision of childcare for exercising parents, the provision of complementary niceties (bottled water, towels, lockers, etc.), and more.

In an increasingly competitive economic climate, it is in these small, oft-overlooked battlegrounds that membership and subscription franchises must compete and win if they are to demonstrate a value that is head-and-shoulders above their competition's.

Done correctly, membership and subscription franchises stand to not only attract more business, but *keep* their existing clientele (minimal churn). Done incorrectly, they will fail to offer enough value in the eyes of the consumer to differentiate themselves from the pack.

Challenge #2: Avoiding churn and retaining members and subscribers

On the subject of churn and retention, nothing kills a subscription- or membership-based franchise faster than frequent cancellations—an alarming realization when one considers how frequently people opt out of their contracts (1/3rd of consumers who sign up for a subscription service cancel within three months, and more than 1/2 cancel within six months).

When franchises lose memberships and subscribers, they're cut in two ways.

The first, and most obvious, way is in revenue loss—when paying members and subscribers take their money and walk, franchises lose a key source of recurring monthly revenue, and are forced to replace that source in the form of a new member or subscriber (not ideal considering it's five times more costly to acquire a new customer than it is to retain an existing one).

The second, and less obvious, way is in reputation loss. No matter how good or nondescript their reason for leaving, a departing member (or subscriber) leaves a little tarnish on the name of a franchise, and may inspire others to question their own membership (or subscription). In a worst-case scenario, churn creates a domino effect, in which consumers are leaving a franchise faster than they can be replaced with new members and subscribers.

Challenge #3: Grand opening enrollment

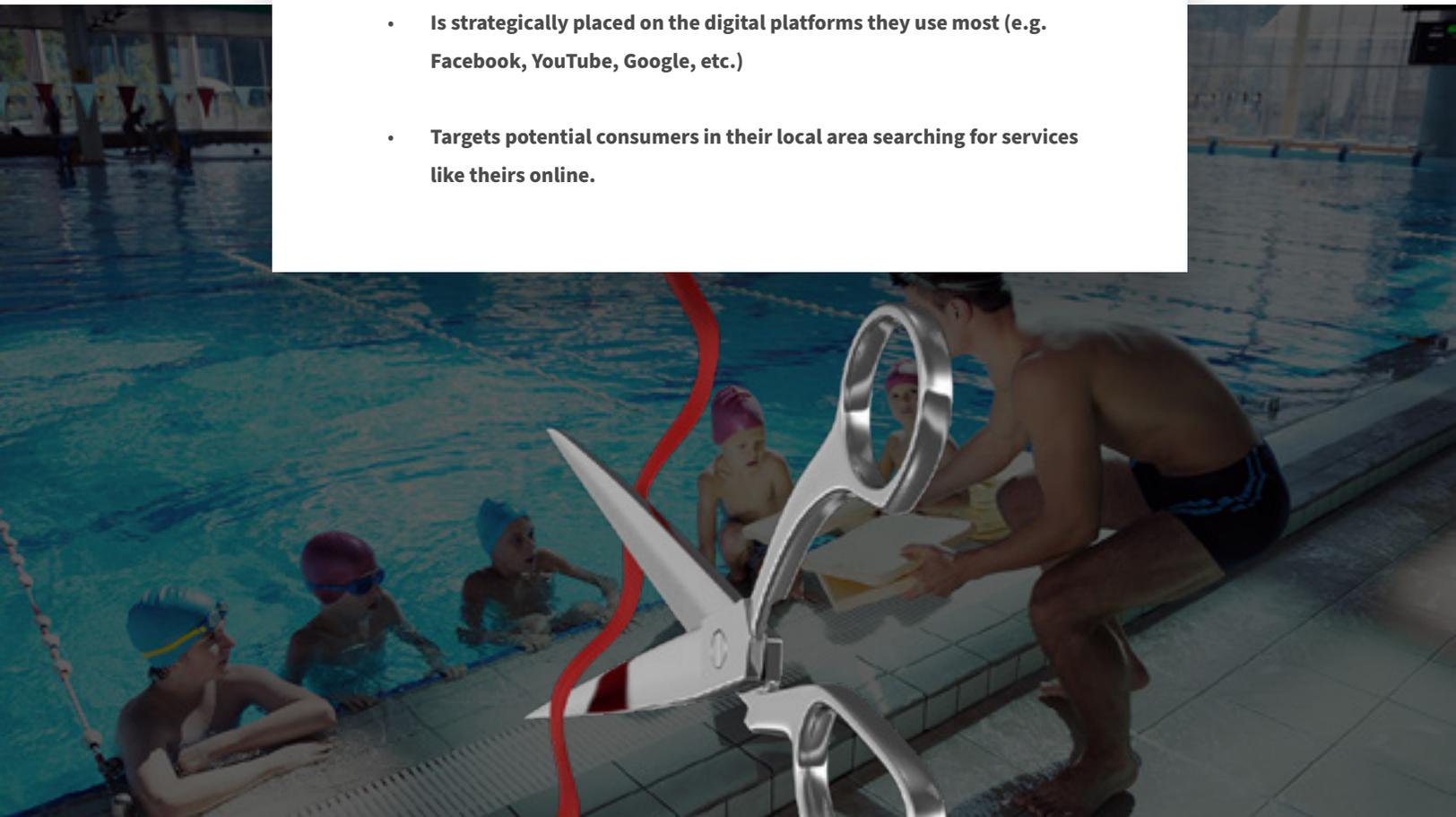
Subscription- and membership-based franchises need to hit the ground running when they first open and get as many customers to sign up as possible to reach critical mass for profitability.

Why?

Because the period following the launch is typically when these types of businesses acquire the critical mass of their membership—the core of their clientele that propels their sales and provides the revenue stream needed to build upon their initial framework.

During the Grand Opening period (typically about the first eight weeks) franchisors and franchisees should focus on marketing that:

- Reaches the consumers who fall within their ideal demographic.
- Is strategically placed on the digital platforms they use most (e.g. Facebook, YouTube, Google, etc.)
- Targets potential consumers in their local area searching for services like theirs online.



4 Steps to Overcome Sustainability Challenges

To cement success for the long term using the membership-subscription model, franchises need a clear strategy to not only attract new customers, but identify and attract the right new customers. Franchises also need to clearly iron out how they will *retain* those members and subscribers for the years to come.

Step 1: Finding your niche

Identifying the ideal client

Membership and subscription franchises shouldn't strive to reach all consumers--just the consumers who will result in the longest-lasting relationships. Therefore, franchises should work diligently to outline and establish exactly who their "ideal" member or subscriber is by looking at which demographics have the greatest need for their products and services, as well as which demographics are most likely to form a long-term commitment to those products and services.

Every membership-subscription franchise should also work to understand how their ideal customers think, what they spend most of their time doing, and what they *really* want from their membership or subscription.



Step 2: Planning to appeal

Crafting strategies to woo (and keep) ideal clients

Using the information collected about their ideal clients, membership- and subscription-based franchises need to begin devising marketing strategies that will not only appeal to new customers, but also remind existing customers why their membership or subscription is worth keeping.

Step 3: Executing the appeal

Promoting the franchise and the benefits of membership or subscription

A well-developed promotional strategy is only as effective as its execution.

To that end, franchises should take an omnichannel approach to marketing the benefits of membership or subscription, using at least some (if not all) of the following means:

- **A well-crafted, modern website.**
- **Content marketing.**
- **Local awareness campaigns.**
- **Online reputation management.**
- **Facebook advertising.**
- **Gmail targeting.**
- **Remarketing.**
- **Pay-per-click advertising.**

Why omnichannel marketing?—because it keeps existing people engaged with a franchise's brand, delivers added value, and transforms existing clients into brand evangelists.

Through these means, it becomes possible to not only attract new members and subscribers, but it becomes easier to keep existing ones which might be even *more* important to long-term success (like the old saying goes, a bird in the hand is worth two in the bush).

Step 4: Optimizing the appeal

Using data and analytics to deliver even better results

One of the greatest benefits of operating a franchise using a subscription or membership model is the data opportunity it provides—subscription- and membership-based franchises arguably have access to more consumer information than any other kind of business in the world. Because these types of franchises engage with their customers on such a regular basis, they form a rich understanding of the typical consumer’s habits, preferences, and purchasing patterns.

By tracking those habits and patterns over time, franchisees and franchisors can improve their marketing strategies, their brand positioning, and make even better business decisions long-term that improve the customer experience.



Conclusion

As consumers expect more in the way of convenience and value than ever before, subscription and membership-based franchises will have a unique opportunity to expand their clientele and deepen their popularity in the marketplace.

However, this opportunity will not go unnoticed, and as new franchises emerge and additional franchisees pop up, the environment will inevitably become crowded and the competition for consumer attention (and consumer dollars) will go up. Therefore, franchises employing subscription and membership models need to be more strategic than ever in how they attract and retain customers in 2020.

To succeed, they must:

1. **Demonstrate their value and what differentiates their brand.**
2. **Create long-term marketing strategies that push beyond member attraction and place greater emphasis on retention.**
3. **Use data to gain a deeper understanding of their members and develop actionable insights for improving their business results.**

About Scorpion

Scorpion is ranked the #1 Franchise Marketing Company in the United States by Entrepreneur Magazine. Talk to one of our franchise marketing experts today if you want to make 2020 your most profitable year.

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