Module 3 - Strategies for Maximum Profit
Lesson 4 – The Grandfather Strategy

Another strategy to create the right price for maximum profit is to use the grandfather strategy. Now, the grandfather strategy, I don't know who came up with or why it was named that way, it could have been named for the grandmother strategy, but for some reason, it's commonly known as the grandfather strategy.

For those who don't know what it is, it simply means that you're going to honor your current members under the new structure of your membership. This'll be come a little bit more clear as I go through how you would utilize this grandfather strategy.

One of the ways that you would utilize this grandfather strategy is you would increase the price on your membership. For some of you, your membership has been around for three years, five years, seven, 10, or longer and you've never raised the price. I mean, inflation has gone up. The price of gas has gone up. The price of postage has gone up: all of your expenses have increased over time, but you've never raised the price on your membership.

And so, the way you would do this is you would stop offering your current prospects, you would stop offering your current membership at that rate. You would grandfather all of your current members at the current rate, but any new sign ups for your membership would be at the increased rate. So, I'll say that again, just to kind of illustrate it.

Let's say that somebody was paying $10 a month for the membership. And so, they're paying $10 a month for that membership and you've decided that, you know what, it really is time that we increase our pricing. I'm going to raise the price to $20. Now, just between me and you, I think $10 and $20 is probably too cheap for any of the memberships represented here but I'm using this as just a small example of doubling your prices.

So, let's say you had a membership at $10. You're now going to double the price to $20 a month for that membership. Now, you wouldn't go to your current members and say, "Hey, listen. I want you to know that your price, your membership investment, is now doubling." You wouldn't do that! You would just grandfather them in, you would roll them in. You would keep them at the $10 rate but then any new sign ups would come in at $20.

Now, that makes a lot of sense, when you think about it that way, that okay, I just keep my current members at their current level of investment, but any new members, they're now at the higher level of investment, at $20. You doubled your prices.

Here's what that also allows you to do: any current members who then come to cancel their membership and they say to you, "Hey, listen, I need to cancel my membership," and then you tell them, "Hey, well, I'll be glad to get this canceled for you, I just want to let you know that before I do, you were grandfathered in at only $10 a month. All of our new members are now investing $20 a month and I just want you to know that if you ever decide to come back, you will then be at the investment level of $20 a month for your membership. Are you still interested in canceling your membership?"

Now, quite honestly, many of them will say no. I just wanted to take a break for a little bit, but I don't want to have to come back and pay double what I'm paying. I'll pay $10 a month. Keep my membership, please, let's forget we had this conversation. Let's not do that.

That's a very valuable strategy that you can have to raise your prices, not do it on your existing members, only new members, but then also use it as a retention strategy to keep people from quitting your membership program by letting them know that if they ever came back, they're not going to get that grandfather rate of whatever it is.

The second way that you would utilize this strategy is that you're creating a new level of membership. Now, I recently did this with a private client where we went in and we looked at his membership levels and he really was only offering one level of membership, and what we needed to do is we needed to create different levels of membership. And as we created those different levels of membership, one of the questions we had to answer was, what are we going to do with our current members now that we've got this new membership structure?

Well, what we did is we say we're going to go ahead and grandfather all those current members, we're going to grandfather them into the next best level of membership. Quite honestly, nothing really changed within their membership. They continued to receive everything that they were receiving, they were just going to get a little bit more than what they were used to receiving. Now, between me and you, what member wouldn't want that? You mean I get more for my membership than what I was receiving previously? Yeah, of course! Grandfather them in, in that way.

Now, I do not want you to grandfather your members in when you create this new level of membership, I don't want you to grandfather them in such a way that they receive less from their membership. I always want you to honor your members. Remember I said that word honor. I want you to always honor your members by giving them the next best opportunity. Honor your members by giving them the best next best opportunity.

And then, lastly, the third way that you would use this grandfather strategy is by changing the overall structure of your membership. As you go through this training, you might be thinking, "Well, I thought I had a pretty well-organized membership program, and I'm coming to find out that I can do a lot better on re-structuring my entire membership." What some membership businesses may ultimately end up doing is saying, "We're going to scrap everything. We're going to start over from scratch and create a total new membership program."

Now, when you do this, it's not a good idea to then re-structure your current members under that. What I'd like for you to do is then take away that membership altogether from the public, from any prospects but you're going to grandfather your current members, you're going to keep that membership available just to them.

I'll give you an example on this. Say, let's just use some general terms that we might all understand. Let's say you're going to re-structure your current membership. You've got a one-membership program that's membership program A, okay? Membership Program A. But now, in this process of completely re-structuring your membership program, you're going to go to a Gold Level Membership, a Diamond Level Membership, and a Platinum Level Membership. Well, obviously, Membership Program A, I mean, there's parts of it under the gold level, there's parts of it under the diamond level, there's parts of it under the platinum level. It really doesn't fall into any one of those, so now you've re-structured it.

Well, you're only going to keep this Membership Package A available to current members. Any new members, any new prospects, all they're going to see is Gold, Diamond, Platinum. That's it. They're not going to see anything about Package A ever again. At the same time, you're going to keep this as a fourth membership program over here on the side. You're not going to promote it anymore. You're not going to make it available. You're just grandfathering all of those members in under that membership package A. And then, when they go to cancel their membership, you say, "Hey, listen, before you go, I just want to let you know we're no longer offering that membership. We have three other levels of memberships. We've got the Gold Level Membership, the Diamond Level Membership, and the Platinum Level Membership, would you be interested in changing your membership and upgrading your membership to either gold, diamond, or platinum?"

It may then become something that they're saying, "Well, the very reason you thought to change and re-structure your membership program overall," was the very change that they were looking for, they were waiting for something new, something fresh, something different, more valuable for their membership program, so they would say, "Well, yeah, let me jump off of this membership over here that you're no longer making available to anybody, and let me come in over here under the gold, diamond, or platinum level."

It becomes another retention point for you. Again, you're not doing away with that membership, you're just grandfathering it in. You're not promoting it. You're not marketing it anymore. And you're only offering these opportunities over here, so that is another way, when you change the overall structure of your membership program, for you to utilize the grandfather strategy.

Let me just say: I want you to use this ... use this strategy sparingly. Use the strategy sparingly. You see, members, they don't want to constantly see a bunch of changes. They don't wanna look at their membership like it's always changing on them. There's something different every single time that's just constantly in flux and what they thought they were signing up for is no longer what they're signing up for. Use this strategy sparingly.

I'm not even going to put a time-bound definition on this, because I just want you to use this very, very, very sparingly. As a matter of fact, I hope that many of you only use it once. And that's when you go to raise your prices or add more value to your membership. Don't use this as a constant strategy. Use it as a strategy that is sparingly, that we've got a big change that we must make in our membership program, and so we're now going to use this grandfather strategy.