WHITE PAPER

“Right-Sizing” Your Membership

How to use right-sizing to grow your association in a smart and successful way.

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Does Growth Equal Success?

How does your association define success? Are you still using the same definition of success as you were five years ago? Ten years ago? Twenty? We speak to association leaders every year who give the same answers that have been given for the past two decades:

1. Membership growth;
2. Retention rate;
3. Revenue growth – "improving the bottom line."

You define "growth" based on what you believe will fulfill your obligations as the leader of your organization, motivate your staff and your stakeholders, and show that you are still relevant to the members you serve. Yet, if "growth" is your definition, how would you honestly assess your success at achieving growth?

Jamie Dimon, current President and CEO of JPMorgan Chase, says "Companies that grow for the sake of growth or that expand into areas outside their core business strategy often stumble.

Figure 1: Association Executive Definitions of "Success"

There is no right or wrong way to define success, nor is it necessarily a bad thing if your definition of success is one of these three metrics. However, we've seen that membership growth has been at or near the top of most association executives' lists every year since general membership numbers started trending downward in the 1990s.

It makes sense: we are obsessed with growth. Growth means we are achieving, it means we are not satisfied with the status quo, it means we are relevant. American author Edward Abbey astutely points out, however, "Growth for the sake of growth is the ideology of the cancer cell." We all strive for growth, yet growth results in challenges that most organizations are not built to address.

On the other hand, companies that build scale for the benefit of their customers and shareholders more often succeed over time." Among some of our most successful client organizations, there is a new discussion taking place alongside the measurement of growth: right-sizing your membership. "Right-sizing" means different things to different organizations. Let us share with you three of the most common definitions we are hearing.

"Right-Sizing" Means Recognizing that It is Cheaper to Retain than Acquire

In the past two years, we conducted research for a financial professionals' association with roughly

40,000 members in the United States. In the past five to seven years, the association identified a unique opportunity to establish a foothold in the Asia-Pacific region, where the potential for more than 20,000 new members existed.

As efforts increased to grow the membership in that region, membership began trending downward in the United States. While a similar value proposition and business model that worked in the U.S. was being implemented in Asia-Pacific, there was no time spent on re-evaluating the evolving needs of U.S.-based members, nor any research conducted to determine whether the same value proposition would connect with professionals in the growth market.

Retention rates began falling in the U.S., from the low 90% range to the mid 80% range. While that may not *seem* significant, it amounted to a loss of approximately 3,500 members a year and a loss of nearly $900,000 in annual dues revenue (not to mention, the additional non-dues revenue associated with the loss). We've all heard the business phrase that it is cheaper to retain a customer than to acquire a new one. In this case, it was true, especially in the U.S.

Figure 2: Net Change in Retention

Meanwhile, even though the association has been successful at turning the growth potential in the Asia-Pacific region into nearly 15,000 members, nearly one-third of those members had lapsed in the first two years of membership.

What our research and others found was that professionals in this region do not value the concept of membership in the same way that the U.S. and other parts of the world have historically seen it. They view it as a means to an end, which in this case, was a credential.

Thus, with the growth appeal of a new region alluring association leadership, there were information gaps that would have validated or disproved whether the same association/membership model would be successful in the new region. With limited staff resources, the preoccupation with growth in one region ultimately may have distracted from the retention of the core market of professionals in the U.S.

Many associations with an aggressive growth strategy look abroad as a way in which the growth goals can be attained; however, it frequently results in unanticipated consequences, in both the core and growth markets. Yes, in this case the net result was growth, but at what cost in both the near-term and the long-term? Two steps forward, one step back.

"Right-Sizing" Means that Not All Prospective Members are "Good Fits"

A common trap that association leaders fall into is thinking that just because an individual is a professional in your target industry, they are a viable candidate for membership. That same logic would suggest that just because I buy groceries, I am a perfect target for Wal-Mart's new grocery concept.

Absolutely not!

The reality is that some members, just like customers, expect a certain product type, service level, or experience that you are not built to deliver. The illusion of prospective member potential leads many associations into spending more membership staff time trying to find and communicate the right message to get them to join (and then, retain them). More education staff time trying to create new courses and offerings to try to engage these members in their programs. More customer service time answering questions and responding to problems or issues because members are not getting what they believe they paid for.

Unfortunately, it leads to some organizations scrambling, scratching, and clawing to do anything they can to make their members happy. The result is a strategy of trying to be all things to all members, and it is rarely successful.

In the past few years, we conducted research for a state association whose members are school business professionals in the public education system. There are three distinct groups of individuals: those involved in the financial side (including CFOs and treasurers), those involved in transportation, and those involved in food services.

The financial administrators made up roughly 75% of the membership, with the other two groups evenly making up the remaining 25%. The association was originally designed to focus on the financial administrators, yet over time the strong, positive reputation of the organization began to attract the other two groups who simply wanted to be recognized for belonging to the organization. Moreover, the latter two groups also maintained memberships in their own niche associations, yet still expected a sufficient amount of value for the dues they were paying to belong to our client's organization.

This created a conundrum for our client's leadership. The dues coming in from the two other groups were welcome and helped the bottom line of the organization, yet the organization's limited resources were strained in trying to create unique educational offerings and conference content relevant to those groups.

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Our research painted the same picture: nearly 70% of the financial group was Strongly Engaged (needs being met), whereas a significantly lower percentage of the other two groups were Strongly Engaged (not all needs being met). One of our recommendations to the association's leadership was to reposition the organization to be focused only on the financial group.

This would move the latter two groups out of the membership, in one of two ways. The first option is by grandfathering the existing individuals into the organization but not allowing new individuals in. The second option is by having the difficult conversations with the existing individuals that what they expect from the membership is not what the association was designed to deliver. Associations want to be fair and equal to all members, but this was a case where "fair and equal" had the potential to wreak havoc on the health of the organization.

In addition to looking at pre-defined segments of your membership, it is imperative that you understand that not all members belong for the same reasons. Your ability to tailor your offerings and messaging will show your members that you truly understand their needs and expectations and are focused on showing them unique, personal value.

In almost every member needs assessment or engagement study that we conduct, we ask members why they belong to the association. Rather than just simply asking them to select the reason(s), we have them allocate 100 points to a variety of reasons, recognizing that it is not binary (you do or do not belong for this reason) but relative, with trade-offs for each member.

By asking members to allocate points, we can use a form of analysis called "clustering" to group like-minded individuals together based on how they allocated their points. Typically, this results in four to six "needs-based segments" which we are then able to size, compare Engagement profiles (Strong/Moderate/Weak), characterize with available descriptors and demographics, and analyze separately. An example is shown in Figure 3.

Our analysis frequently uncovers that while most segments have at least some needs in common, each segment has unique triggers, or drivers, of their engagement. As an example, you may have a segment of members who belong entirely to support the profession. These individuals tend to be older, later in their careers, and rarely engage in any association activities.

You certainly do not want to lose these individuals, but efforts to add more value or communicate

	Balanced Segment	Research & Journals Segment	Annual Meeting Segment	Publications Segment
Segment Size	42%	24%	18%	16%
Engagement Profile (S/M/W)	32 / 50 / 18	25 / 56 / 19	19 / 51 / 29	27 / 47 / 27
Gender	Female	Mix	Mix	Male
Geographic Region	International	Mix	Asia-Pacific	Mix
Years in the Profession	Mix	5 years or less	16 to 20 years	More than 20 years
Member as a Student?	Yes	Mix	Mix	No
Other Memberships	Mix	Mix	Mix	2 or more

Figure 3: Example Segments Formed From Cluster Analysis

more effectively are lost on this group – you will see little to no return on that investment. We call these individuals "mailbox members" – individuals who are loyal to your organization and will send in their dues payment each year with no hesitation, but offer limited or no potential for additional revenue or involvement.

As stated previously, most of your members (especially newer or younger members) belong for a more tangible reason. Let us explore an example for the sake of illustration:

One group (consisting of roughly 40% of your membership) may see your educational offerings as "best-in-class" – you are the go-to organization for their educational needs. Education is their one and only reason for belonging, as it is either their only professional need or the only one that they view you as uniquely able to fulfill. When profiled, this younger group is made up of a majority digital natives, looking for new and interesting ways to receive education: virtual meetings, on-demand educational offerings, e-books, podcasts, etc.

The other group (consisting of roughly 15% of your membership) belongs for your annual conference. They engage with you once a year and while the experience is valuable, there are opportunities to improve or enhance the meeting based on feedback. This group generates significantly more non-dues revenue for the organization by attending the meeting than participating in online education, but (without generalizing the segment) is also in a demographic that is mid-career or later.

Your association has a finite amount of resource to spend to try to get the biggest bang for the buck. Allocating the resources evenly could potentially dilute the return:

1. In attempting to meet the need for more virtual learning experiences, you do not allocate enough resources to creating that same "best-in-class" experience. For example, virtual meetings that are poor production quality or podcasts with uninteresting speakers.
2. The same amount of resources is allocated towards improving the annual conference, yet the change is not enough to be fully recognized or meaningful.

While it is not as simple as picking one [segment] over the other, some members may end up not being as good of a fit for your organization going forward.

Instead, you may have to make the tough choice of placing more resources in one area than another. Would you rather create a stronger competitive advantage in digital/virtual educational offerings, or in trying to improve the value and overall perception of the meeting?

These decisions may very well distance one group from you, and while certainly it is not as simple as picking one over the other, some members may end up not being as good of a fit for your organization going forward. This occurs all the time in the corporate world and we have now entered an era where this will become the reality in the association world as well.

"Right Sizing" Means Differentiating Your Customers from Your Members (and Responding Accordingly)

Members are also becoming increasingly transactional in nature: engaging when, where, and how they want. Looking to sharpen a particular skill? Find the one, thirty-minute archived webinar that you can watch at your convenience. Have a question or stumped by a problem? Sign into an online community or forum, ask the question, and get a response (ideally) within minutes.

What this means is that members are resembling customers more and more every day. Using the grocery store example from earlier, members are now moving away from the "one-stop-shopping" model and are shopping à la carte. They are trying to maximize the value while minimizing the cost. If it has not already, your membership counts and retention rates may already be showing signs of the impact of this change.

Some associations are resistant to this change, believing that by adding more "stuff" to their value proposition, lowering their dues, incentivizing membership, and/or pushing out more promotional e-mails, members will stay. Other associations are settling for the fact that some individuals have no potential for membership and are adjusting their membership models to allow for the à la carte shopping.

One of the more innovative associations we are working with has embraced that while some individuals may start off as customers, those customers can be pushed or pulled through an experience that resembles what we are calling "the member journey" (as illustrated in Figure 4).

This healthcare-related association is in a space where they believe professionals number close to 100,000 nationwide. Current membership is roughly 7,000 individuals, yet they also see engagement from approximately 1,500 non-members in their regularly scheduled webinar series. The challenge was twofold:

1. Of the 7,000 members, nearly one-third was churning each year.
2. With 1,500 non-members participating in each webinar and offering high potential in the market, new members basically brought membership to break-even each year.

The association was well known for its highly-regarded certification. In a profession that has historically been ill-defined and an "add-on" responsibility for individuals within health systems, the certification created distinction and credibility for those who held it.

When we conducted a cluster analysis for this association, we found that one-third of members only belonged to either obtain or maintain the certification. This group was significantly more likely to be Weakly Engaged and in fact, represented most of the churn that was occurring in the association. They saw no other reason for belonging or there were barriers to them moving beyond the certification. They simply did not advance beyond the offerings/experiences that came standard with the membership.

percentage of Weakly Engaged members was cut in half (from ~35% to ~15%).

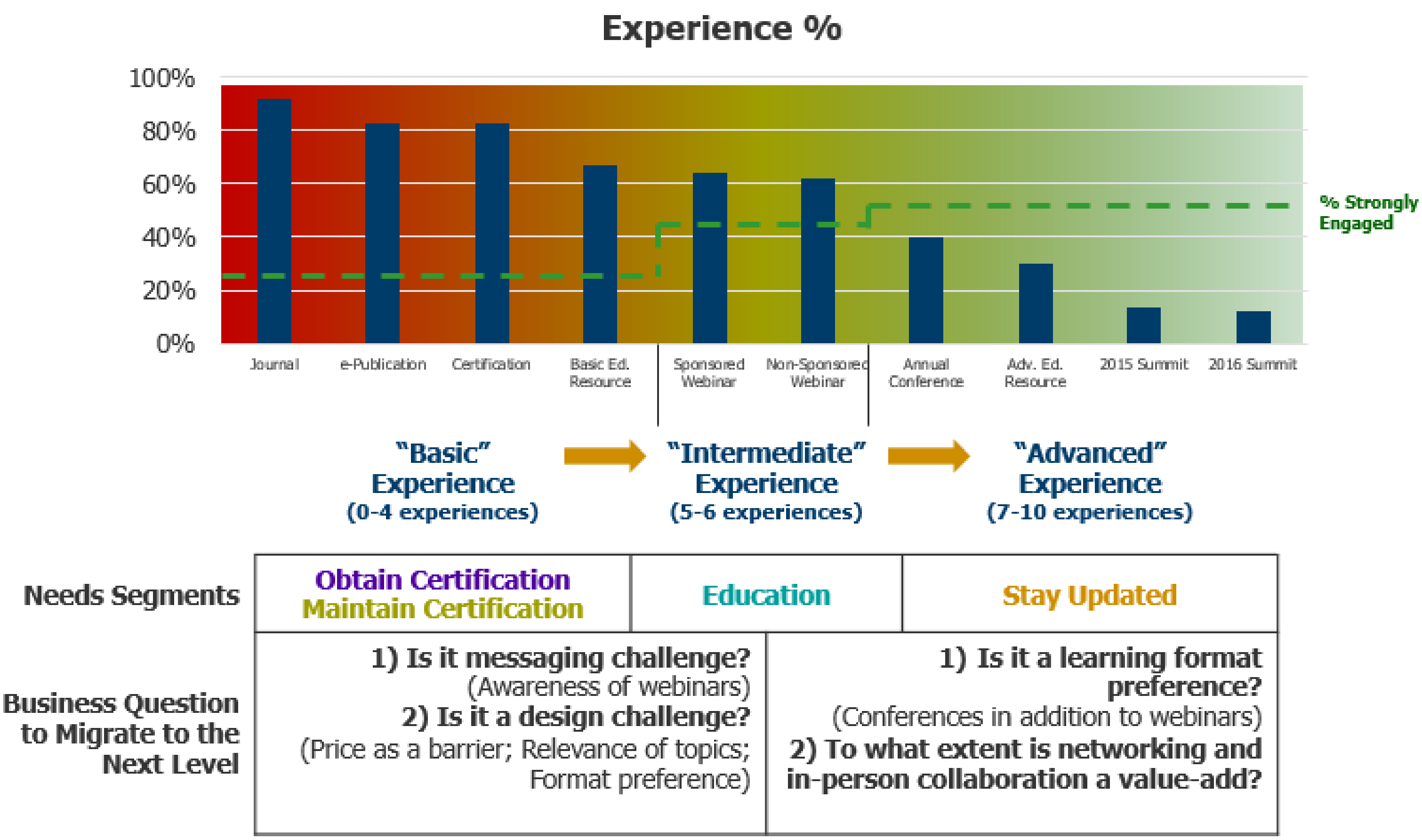

Figure 4: Increased Experience Migrates Customers and Members Through the "Member Journey" (and Leads to Stronger Relationships)

The remaining two-thirds of members belonged for some other reason: education (beyond just certification maintenance, these were truly life-long learners), supporting the profession (the "loyalists"), or staying current on trends in the industry. These groups made a critical jump in their member journey: while most had obtained the certification, others had not, but almost all of these individuals had participated in at least one of the association's best-in-class webinars. As a result of moving to a broader level of experience, the percentage of Strongly Engaged members more than doubled (from ~25% to ~50%) and the

The question for the association's leadership became: how do we get more participation in our webinars?

There were two questions we raised:

1. Is it a messaging challenge? (Awareness of the webinars)
2. Is it a design challenge? (Price as a barrier, relevance of topics, format preference)

Just as our survey had launched, the association changed its pricing structure so that individuals would get access to all webinars (live and archived) included as part of their membership. They had, in effect, reduced one of the barriers (arguably the largest barrier since most webinars in their competitive space were already free). Sponsors would cover the cost of the webinars and the association would not lose money on this critical aspect of the member experience.

This became significant because if you were a "customer" who paid for three or more webinars a year, it was more cost-effective to join the association and you received access to all webinars. This was in addition to the high-quality publications and educational resources already available to members.

The opportunity in moving forward was to ensure that the association is effectively communicating to both members and non-members that the model had changed.

By starting with what looks more like a customer, migrating them from a "basic" experience to an "intermediate" or "advanced" experience, the individual became, in essence, a member. They are more likely to view the association as a professional home, see year-round value, and are far more likely to exhibit characteristics of a brand advocate, ambassador, or evangelist.

This change may not result in doubling, tripling, or quadrupling the size of the association. They recognize that there will still be individuals in the market that simply are looking to make a transaction by participating in a webinar. They also knew, however, that the potential for growth was there, based on the non-member participation. In fact, they had created more than 30,000 unique relationships through a variety of channels, including certified professionals who had dropped membership before changes were made to the value proposition; individuals who participated in a webinar but never joined; and those who have connected to the association by some other means.

They are now increasing their efforts to expand their webinar sponsor pools to become visible to new groups, developing strategies to manage the "tidal wave" of growth that is building on the horizon, while recognizing that they cannot be all things to all members. They now understand their position in the market and how to leverage it.

For your association, as you are "right-sizing," this sometimes means taking groups of "customers" and pushing/pulling them through your member journey. That push/pull may be more effective communication, it may mean reducing barriers, but it can also mean encouraging more evangelistic qualities from your most loyal or engaged members (had a great experience? Tell your friends!).

What "Right-Sizing" Means For You

Right-sizing your membership means different things to different organizations. The goal is to scale your organization to a size that enables to you to spend your finite amount of resources in the right areas to continue to deliver an excellent experience for your members.

The experience must have a value proposition that defines what your members can expect from you that no one else can offer. Otherwise, you risk spending more staff time and resource servicing "bad fit" members than any lifetime value could overcome.

If that offer is effectively communicated out to the market, you should not have to discount your membership or incentivize individuals to test drive your membership. Individuals who are drawn to your organization based on a discount or incentive are 80% more likely to laps in years 1 or 2, compared to those who understand and appreciate the value of your membership, signing up at the full asking price.

As Benjamin Franklin once said, "Without continual growth and progress, such words as improvement, achievement, and success have no meaning." Focusing on attracting and retaining only members that are a good fit for your association can sometimes be seen as anti-growth because it's not as explosive as other methods.

But as we've shown, that's simply not the case. Focusing on growing with the right members for you is the smart way to allocate resources, develop, and find success.

Loyalty Research Center
931 E 86th Street
Indianapolis, IN 46240

For more information:
P: 1.317.465.1990
E: info@loyaltyresearch.com
www.loyaltyresearch.com