

The Dos and Don'ts of Dues

How to Conduct and Implement a Successful Dues Analysis and Restructuring

Sheri Jacobs, CAE
Director of Membership & Career Services
Association Forum of Chicagoland



Jeff Shields, CAE
Vice President, Community and Member Services
Natl Assn of College and University Business Officers (NACUBO)



Jay Younger
Vice President
McKinley Marketing, Inc.

McKINLEY MARKETING, INC.
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AGENDA

8:30	Introductions and Discussion
9:00	Process & Methodology
9:20	Association Forum Case Study
10:00	BREAK
10:20	NACUBO Case Study
11:00	Recap & Summary
11:15	Q&A
11:30	Adjourn

**For slides email:
jyounger@mckinleymarketing.com**



Quick Poll

- Association Type?
- Budget?
- Perspective?
 - Considering
 - Implementing
 - Living with consequences

Your Experience



- Drivers?
- Opportunities?
- Challenges?

Drivers

Why do associations want to change their membership dues structures?

- Revenue
- New markets
- New models
- Equity
- Other?



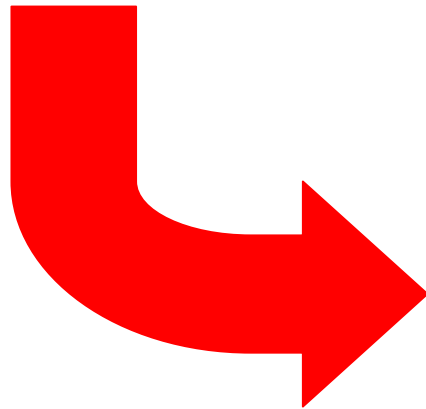
Process Guidelines

- Objectives and drivers
 - Each process is unique
- Estimate scope, allocate resources
- Research and analysis
 - Member needs and expectations
 - Estimated attainable markets
 - Benchmarking and competition
 - LTV
- Integration with other efforts
 - Asset Audit or Opportunity Analysis
- Assumptions and financial modeling
- Recommendations and planning



Scope

- Minor: Adjusting dues amounts
- Medium: New categories or benefit distribution
- Major: Serving new markets or customers



SCOPE typically informs the level of analysis necessary

What you **MUST** know



- What is off limits? How far can we go?
- What does it cost to serve a member?
- What does the average member spend?
- What do members value?
- What's in the product pipeline?
- Who is our competition?
- What does the attainable market look like?
- Who will execute changes?

What you **SHOULD** know: **Asset Audit**

- Catalog the assets of the association
- Assess value to various constituencies
- Overlay various membership models



**How does membership
ENABLE access ?**

What you **SHOULD** know: New Markets

- Is there low hanging fruit?
- Can we truly serve individuals/orgs?
- Should we go “broad” or “deep”?
- Will those on the margins find value?
- What is our marketing approach?
- What is our max acquisition cost?



“A la carte”

Characteristics of successful “a la carte” structures:

- Capable of handling many transactions
- Rapid product development
- Innovative culture and flexible leadership
- Diverse audiences
- Strong web presence

“Bundling”

Characteristics of successful “bundled” structures:

- Specific, targeted content
- “Must have” products
- Tiered dues levels
- Wide range of resources for multiple contacts
- Various learning methods

For Example...

- National “Hybrid” Organization
 - ~ 12K companies
 - ~ 4K individuals
- Wanted to:
 - Simplify structure
 - Reallocate benefits (assets)
 - Provide a platform for growth
 - Medium scope

Current Dues Matrix

CATEGORIES	METRICS			
Category 1	Members	Dues	Revenue	% total
CA1	2,096	\$150	\$ 314,400	7.6%
CA2	2,816	\$195	\$ 549,120	13.2%
CA3	1,790	\$250	\$ 447,500	10.8%
CA4	372	\$295	\$ 109,740	2.6%
CA5	716	\$350	\$ 250,600	6.0%
Gold	167	\$595	\$ 99,365	2.4%
Subtotal	7,957	\$223	\$ 1,770,725	42.6%
Category 2				
Basic	1,216	\$350	\$ 425,600	10.2%
Gold	160	\$595	\$ 95,200	2.3%
Main Multi-chapter	25	\$350	\$ 8,750	0.2%
Multi-chapter	67	\$245	\$ 16,415	0.4%
Subtotal	1,468	\$372	\$ 545,965	13.1%
Category 3 - Individuals				
Manager	1,017	\$185	\$ 188,145	4.5%
Public Official	61	\$175	\$ 10,675	0.3%
Public Interest Org	56	\$175	\$ 9,800	0.2%
Homeowner	1,121	\$95	\$ 106,495	2.6%
Subtotal	2,255	\$140	\$ 315,115	7.6%
Professional Service Partners				
Standard	3,057	\$350	\$ 1,069,950	25.8%
Gold	364	\$595	\$ 216,580	5.2%
Main Multi-chapter	216	\$350	\$ 75,600	1.8%
Multi-chapter	654	\$245	\$ 160,230	3.9%
Subtotal	4,291	\$355	\$ 1,522,360	36.6%
Totals	15,971	\$260	\$ 4,154,165	

Findings:

1. Too many categories
2. Unnecessary complexity
3. Benefit allocation is the same across the board
4. Confusion of individuals and organizations
5. Ineffective pricing
6. Distribution out of balance

OPTION 1 Dues Matrix

Eliminate and re-price categories →

Simplify and clarify →

A la carte method →

Check impact →

MEMBER CATEGORIES		METRICS			
Core Members		Members	Dues	Revenue	Var
Small		2,096	\$150	\$ 314,400	
Medium		4,773	\$215	\$ 1,026,195	
Large		1,088	\$330	\$ 359,040	
Subscribers		1,121	\$59	\$ 66,139	
Subtotal		9,078	\$195	\$ 1,765,774	(\$4,951)
Individual Managers		1,017	\$185	\$ 188,145	\$ -
Business Partners		5,876	\$350	\$ 2,056,600	
Subtotal		5,876	\$350	\$ 2,056,600	\$ 534,240
Totals		15,971	\$251	\$ 4,010,519	(\$143,646)
ADDITIONAL COMPONENTS		METRICS			
		Qty	Price	Revenue	
Add a chapter contact		266	\$59	\$ 15,694	
Buy a subscription package		83	\$159	\$ 13,197	
Buy a Partner Subscription Package		182	\$169	\$ 30,758	
Join additional chapters		654	\$245	\$ 160,230	
				\$ 190,988	
Total Revenue				\$ 4,201,507	\$ 47,342



ASSOCIATION
FORUM[®]
of chicagoland

**A Case Study
for Dues
Restructuring**



Overview

Association Forum of Chicagoland

- 501(c)(6); Individual membership (The Forum's 3,000+ members are the CEOs and staff executives of these national, state and local not-for-profit organizations, plus vendors of goods and services to these businesses.)
- For more than 85 years, the Forum has been the association for association professionals and businesses headquartered in the Chicagoland area. It is the nation's oldest and second largest society serving association professionals.
- The Forum Promise: Essential learning. Compelling experiences. Powerful resources.
- <\$5 million annual budget
- 14 full-time staff; 1 part-time staff
- Dues assessed based upon position and type of organization (CEO, Association Professional, Supplier Partner)
- 85% retention rate association professionals

Answering the question “Why?”

- **Objectives**

- Ensure that current structure was not creating barriers to growth
- Identify audiences whose needs could be met by our existing value proposition

- **Intent**

- Create a pipeline for new members, additional revenue



Process for the Forum's Dues Restructuring Effort



1. Document your reasoning
2. Understand your organization's value proposition
3. Understand the marketplace
4. Conduct an asset audit
5. Create a comparative matrix of relevant organizations
6. Formulate assumptions and create financial models

Using what we learned to guide our decision-making

- Address assumptions
- Identify new marketing strategies
- Identify “best customers”
- Identify new opportunities for growth in existing structure.





Myths and Realities #1

- **MYTH:** Price is the primary reason why entry level staff do not join the Forum
- **REALITY:** Completing an asset matrix demonstrated that the many programs and services were geared for association professionals with intermediate or advanced experience.
- **RECOMMENDATION:** Maintain current dues structure for association staff. Eliminating a barrier to entry without changing programs and services would lead to greater attrition and could ultimately become very expensive.

Forum Asset Matrix

Asset	CEO	Senior ME	Junior ME	Entry Level	SP	Distance
Online Career Center	X	X	X	X	X	X
This Week Newsletter	X	X	X	X	X	X
Forum Web site	X	X	X	X	X	X
Single topic educational programs	X	X	X			
Annual Meeting	X	X	X			
Forum Honors Gala	X	X	X		X	
Compensation Survey	X	X				
FORUM magazine print	X	X	X	X	X	X
FORUM articles online	X	X	X	X	X	X



Myths and Realities #2

- **MYTH:** Group discounts help increase revenue and grow membership.
- **REALITY:** Based on existing market penetration, the Forum would actually lose money with this model.
- **RECOMMENDATION:** Maintain existing dues structure.

Alternative Dues Structure

No. of Members	% of FULL Dues	Dues	Discount
1-2	100%	\$ 215.00	
3-5	90%	\$ 190.00	\$ 25.00
6-10	81%	\$ 170.00	\$ 45.00
11-15	73%	\$ 150.00	\$ 65.00
16-20	66%	\$ 140.00	\$ 75.00
20+	59%	\$ 130.00	\$ 85.00

Alternative model would create an immediate deficit of \$44,000 and require the acquisition of hundreds of new members to break even



Myths and Realities #3

- **MYTH:** The Association Forum's only market is the Chicagoland area.
- **REALITY:** The value proposition for membership in the Forum includes networking and local educational opportunities. Consequently, while membership may not be a valuable proposition, access to Forum information and expertise would be of value to a larger audience.
- **RECOMMENDATIONS:** Introduce a subscription service available to association professionals who are interested in receiving the magazine and access to the Forum's Web site.



Forum Dues Restructuring Outcomes

Results

- ✓ Changed the name of management executive to association professional
- ✓ Creation of a subscription category for association professionals outside the Chicagoland area
- ✓ Maintained current dues structure

One Final Thought...



Money will buy a pretty good dog but it won't buy the wag of his tail.

~ *Unknown*



Break Time!



Case study

NACUBO Overview:

- 501(c)(3); Institutional membership (over 2,100 college and university members)
- Serving the institution, the chief business officer (ex. Vice President Finance & Administration) and its business office staff
- Value proposition: advocacy, professionalism/knowledge, community
- \$11 million+ annual budget
- 45 full-time staff (Washington, DC)
- 4 affiliated regional associations (all volunteer)
- Dues assessed based upon budget size & enrollment (range \$600 - \$4,500 per institution)
- 96%-98% retention rate of college & university members

Major Drivers for NACUBO Dues Restructuring Effort

- **Purpose**

- Address inherent inequities in the current system
- Create a structure that will facilitate growth

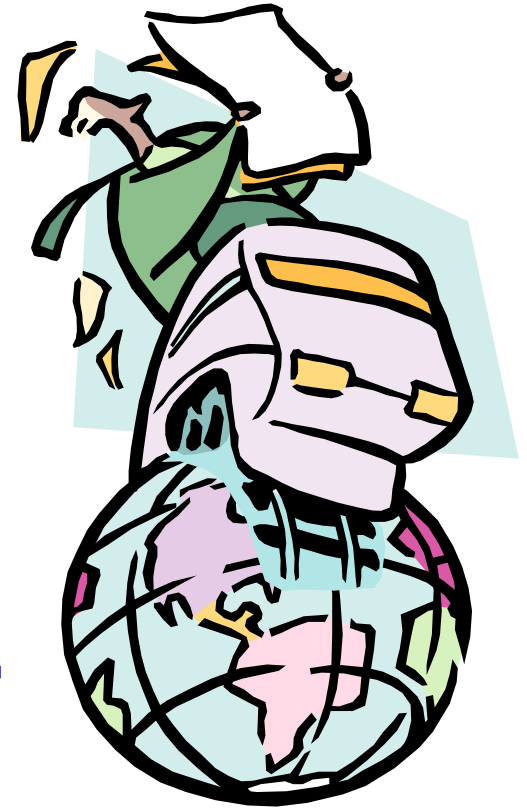
- **Intent**

- NOT a comprehensive overhaul
- NACUBO-specific (no regional impact) and primarily a “financial fix”
- Revenue neutral



Challenges within NACUBO Dues Restructuring Effort

- **Compressed timeframe**
- **Complex dues matrix**
- **Bylaws require membership approval for all dues modifications**



NACUBO's Data Driven Dues Restructuring Approach



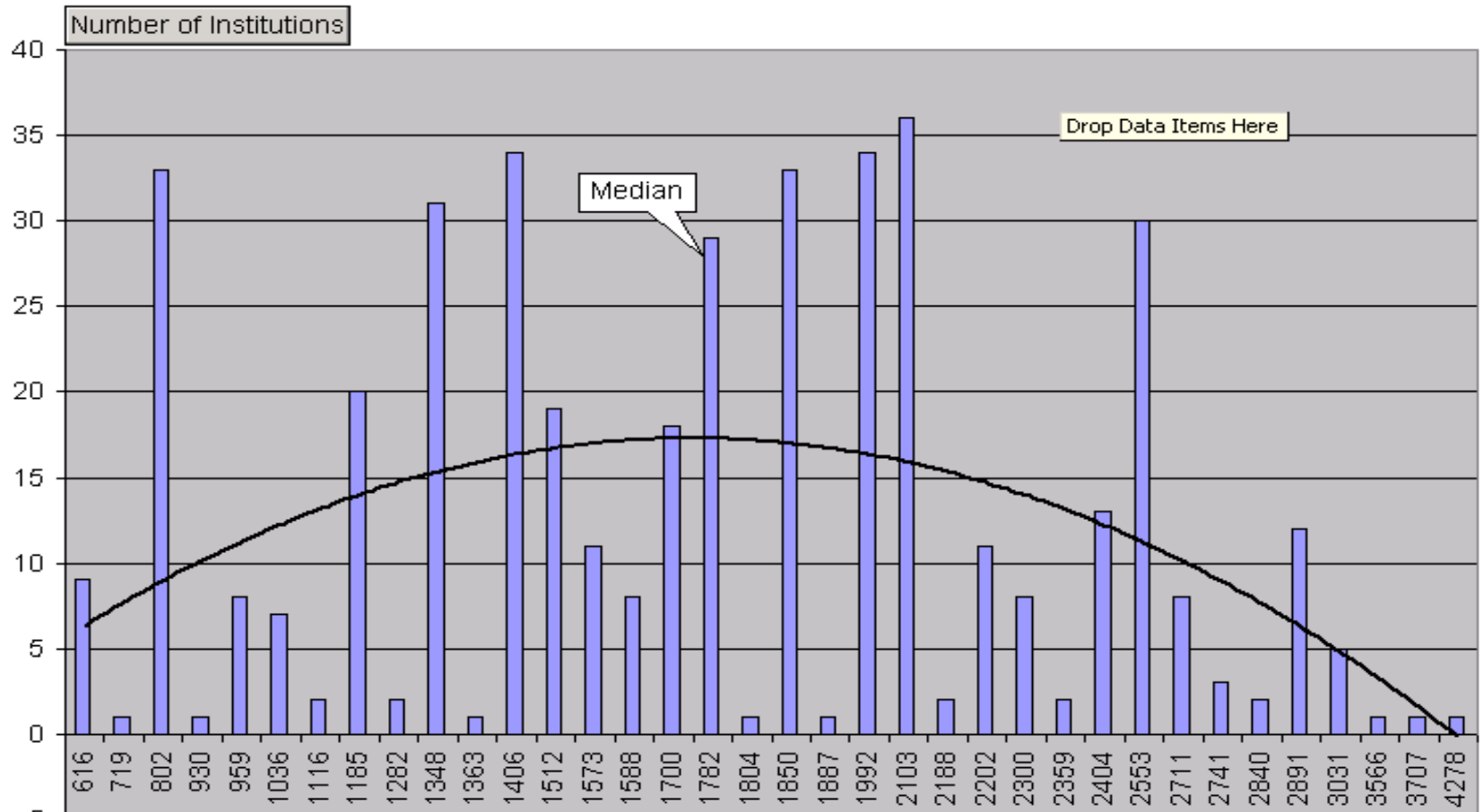
- Gather data to inform actions/outcomes
- Quantitative and qualitative research
- Focus on dues equity
- Looking for trends and patterns to guide problem identification and resolution



Myths and Realities #1

- **MYTH:** NACUBO dues are too expensive for community colleges; price NACUBO out of the market
- **REALITY:** Community colleges represented throughout the dues matrix; Majority of non-member prospects located in 12 states
- **RECOMMENDATIONS:** Do not change dues structure for community colleges; conduct further research to better understand value; focus on the identification of barriers within low penetration states

Community College Distribution of Dues





Myths and Realities #2

- **MYTH:** Large institutions carry the heaviest financial burden for NACUBO membership
- **REALITY:** The dues matrix did not keep pace with the growth of institutions; therefore, smaller institutions at the lowest end of the matrix were proportionately paying more than larger schools at the highest end or “off the matrix”
- **RECOMMENDATIONS:** Re-calibration of the NACUBO dues matrix

NACUBO Dues Matrix - FTE

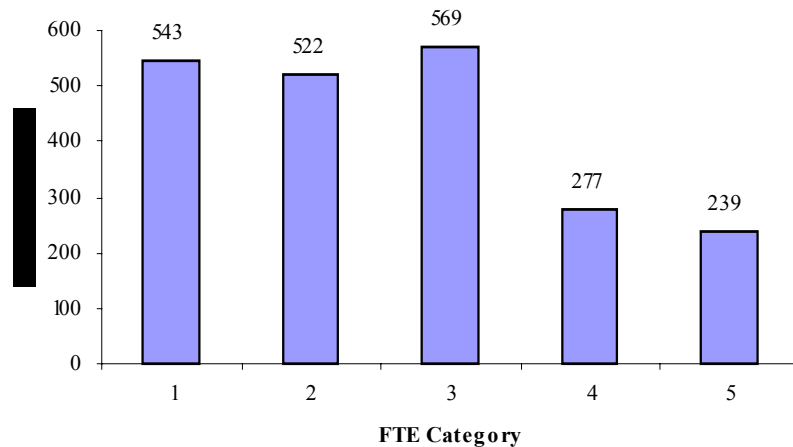
Current Model:

Tops out at 10,000 FTE

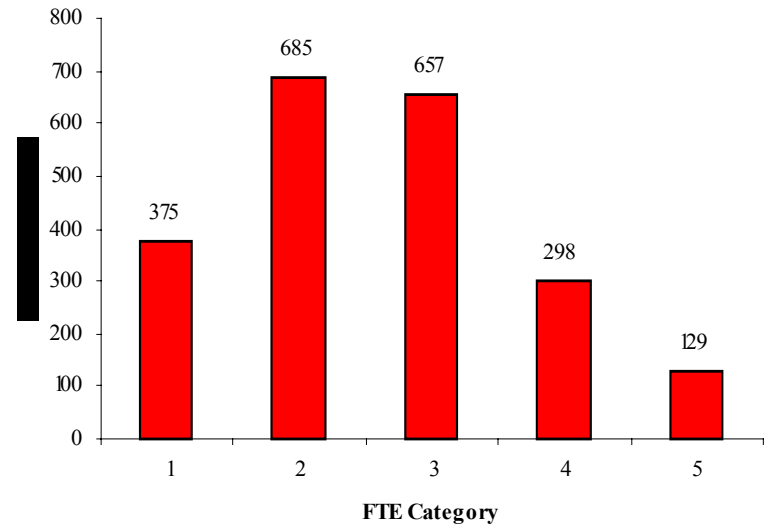
Proposed Model:

Tops out at 15,000 FTE

Current Members Per FTE Category



Proposed Members Per FTE Category

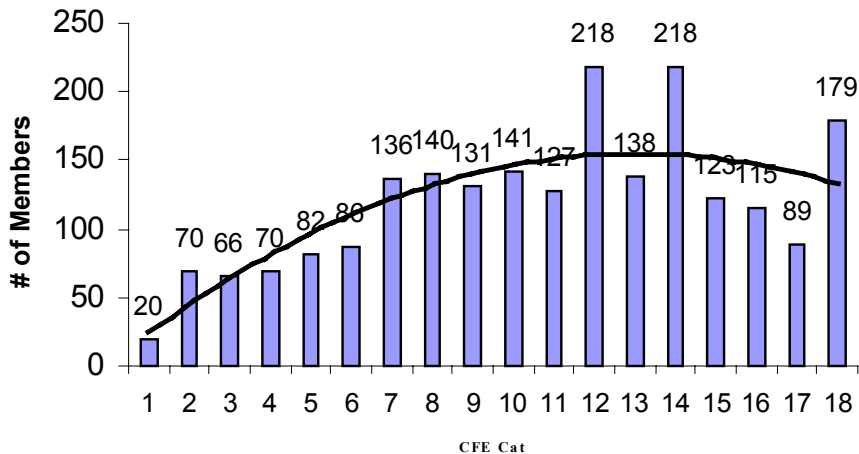


NACUBO Dues Matrix - CFE

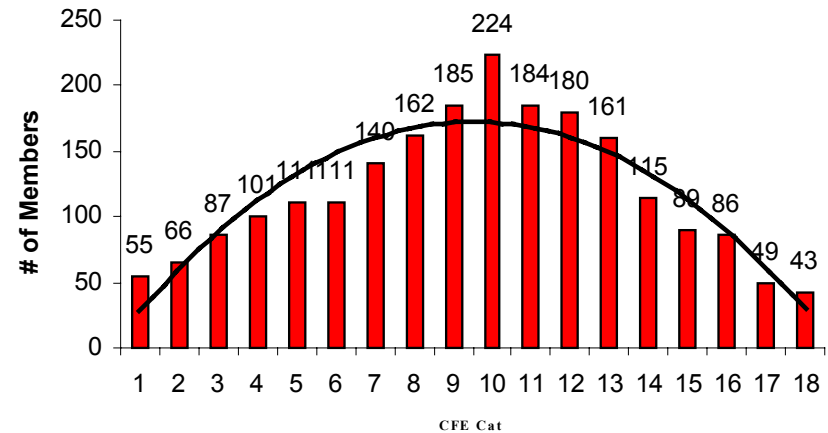
Current Model:
Tops out at \$250 Million

Proposed Model:
Tops out at \$1 Billion

Current Members Per CFE Category



Proposed Members Per CFE Category



NACUBO Proposed Dues Matrix

NACUBO 2003-2004 Dues Matrix						
CFE	FTE	0-750	750-2,000	2,000-6,000	6,000-15,000	15,000 +
0 - \$2,999,999		\$609	\$883	\$1,192	\$1,431	\$1,574
\$3,000,000		\$685	\$989	\$1,276	\$1,524	\$1,684
\$5,000,000		\$805	\$1,108	\$1,365	\$1,623	\$1,802
\$7,500,000		\$926	\$1,218	\$1,460	\$1,728	\$1,928
\$10,000,000		\$1,037	\$1,340	\$1,563	\$1,840	\$2,063
\$12,500,000		\$1,141	\$1,448	\$1,672	\$1,960	\$2,186
\$15,000,000		\$1,232	\$1,542	\$1,781	\$2,087	\$2,318
\$18,000,000		\$1,318	\$1,634	\$1,888	\$2,223	\$2,457
\$22,000,000		\$1,417	\$1,749	\$2,010	\$2,356	\$2,629
\$27,500,000		\$1,523	\$1,871	\$2,141	\$2,498	\$2,813
\$37,500,000		\$1,637	\$2,011	\$2,301	\$2,685	\$3,010
\$50,000,000		\$1,760	\$2,152	\$2,451	\$2,846	\$3,235
\$70,000,000		\$1,883	\$2,292	\$2,598	\$3,017	\$3,429
\$100,000,000		\$2,015	\$2,452	\$2,754	\$3,138	\$3,635
\$150,000,000		\$2,217	\$2,759	\$3,112	\$3,546	\$4,089
\$250,000,000		\$2,438	\$3,104	\$3,501	\$3,989	\$4,601
\$500,000,000		\$2,621	\$3,321	\$3,746	\$4,268	\$4,923
\$1,000,000,000		\$2,883	\$3,653	\$4,121	\$4,695	\$5,415



Myths and Realities #3

- **MYTH:** A flat rate dues structure best serves the needs of our corporate partners
- **REALITY:** Current dues rate (est.\$1,300) too expensive for “mom and pop” businesses and too inflexible for multi-location corporations
- **RECOMMENDATIONS:** Introduce small business/independent consult pricing; investigate and develop multi-location dues structure for corporations



Myths and Realities #4

- **MYTH:** Dues restructuring “ENDS”
- **REALITY:** It’s an ongoing process
- **RECCOMENDATIONS:** Develop an implementation plan



NACUBO Dues Restructuring Outcomes

- Implemented:
 - ✓ Elimination of entitlement restrictions
 - ✓ Creation of small business/
independent consultant category
 - ✓ Creation of student/retiree membership category
- In progress:
 - ✓ Re-calibration of dues matrix
 - ✓ Multi-location corporate membership
- To be determined:
 - ✓ For-profit higher education institutions currently hold corporate membership; may transition to regular member status

A dues structure should...

1. Support the strategic goals of the organization.
2. Be developed in close relationship to other efforts.
3. Enable access for key growth markets.
4. Become financially sustainable over time across categories.
5. Provide distinct value for each specific category.

A dues structure should...

6. Leverage current and future functional strengths.
7. Meet value expectations of members and prospects.
8. Provide room for growth.
9. Be easy to understand for current & potential members.
10. Look to incorporate "exceptions" into existing categories.



“BAD” reasons

- To generate short-term revenue
- To “cover” for under performers
- Because our competitor just did it
- To accommodate exceptions
 - Categories for category sake
- Others?



“GOOD” reasons

- To make it EASIER for prospects to join
- To RESPOND to market forces
- To enable BETTER member service
- To CORRECT unprofitable equations
 - Program Based Budgeting
- Others?

It's your turn...

Q&A