

**“The Rumors of Our Demise Have
Been Greatly Exaggerated”**

***Coping Strategies & Keeping Your
Finger on the Pulse of Your Membership***

CalSAE
*Home of the Association
Community in California*



March 17, 2009



WHORTON
MARKETING & RESEARCH

The Economy: Our Recent Past



2007

- Economic stability
- Xth straight year of double-digit housing price increases US-wide
- S&P rises steadily from 1600 in Dec '03 to >2400 in Dec '07
- Free-flowing credit:

2008

- First acknowledgement of sub-prime loan crisis
- The first \$700B TARP: letting Lehman go
- Rapid congressional action; Obama election
- Year to year sharp declines in housing values
- S&P 500 drops 42.5% in 1 year: \$11 trillion in wealth wiped out
- NBER: Dec 2007 was the peak of economic activity: Expansion of 6.1 years (1990's expansion was 10 years)



Reading Today's HEADLINES

- Obama & congressional ratings up sharply; not as much talk about “revolutionizing government” today
- Doubts as to whether we can do healthcare reform, stimulus without pork, etc.
- Question re: mandate and partisanship: did we vote to fix the mess or to embrace wide-scale reform?
- Stocks (and investors) express ambiguous attitudes; dropping stock market: Dow below 7000
- Optimism resurfaces: “When do we hit bottom?” “When is the next bull market?”
- Capital markets compelled to do more lending with TARP: are they?
- Unemployment rising 500k per month



Predicting our future



Disasters in the making (or already a fait accompli)?

- Continued, unpredictable downward spiral
- Low liquidity, reduced multiplier effect
- Strong business concepts with no capital access
- Potential “lost generation” a la Japan
- Cumulative effect of Afghanistan, Iraq, prior deficits, failed stimulus..

Or ... a return to the past (sort of)



- Modest growth trends: “happy with 2% appreciation again”
- Sound economic fundamentals
- More prominent regulation and public support for it
- A healthier banking sector with “investment banks” dead
- Temporary nationalization of key sectors
- Return to interventionism: “too big to fail”
- An increase in the household savings rate
- Lower employment mobility/’employee loyalty’

In other words: *Great Depression* or a *Super-sized S&L Crisis*?



The Rate & Pace of Change Has Been Rapid

- Voluntary or no, time to take a deep breath
 - ◆ Population shifts have affected us radically
 - We are beneficiaries of incredible growth: today US is 3½ x 2nd largest world economy; military \$\$ ≅ rest of world combined
 - ◆ U.S. by far highest population growth of the developed world
 - ◆ Asia (China, Japan, Korea) continue to hold the bill
 - Large holders of external dollars; nice way to finance our demand
 - They have it far worse: 13% decline in annual production in Japan
 - ◆ A great deal of the 'wealth' that has been wiped out *didn't exist*
 - It justified our purchasing psychology for a period of time
 - We overspent, increased our dissavings rate, drove up demand for real and fake investments
 - Now the key is how we face the future ... planning, cutting, truly understanding our value proposition

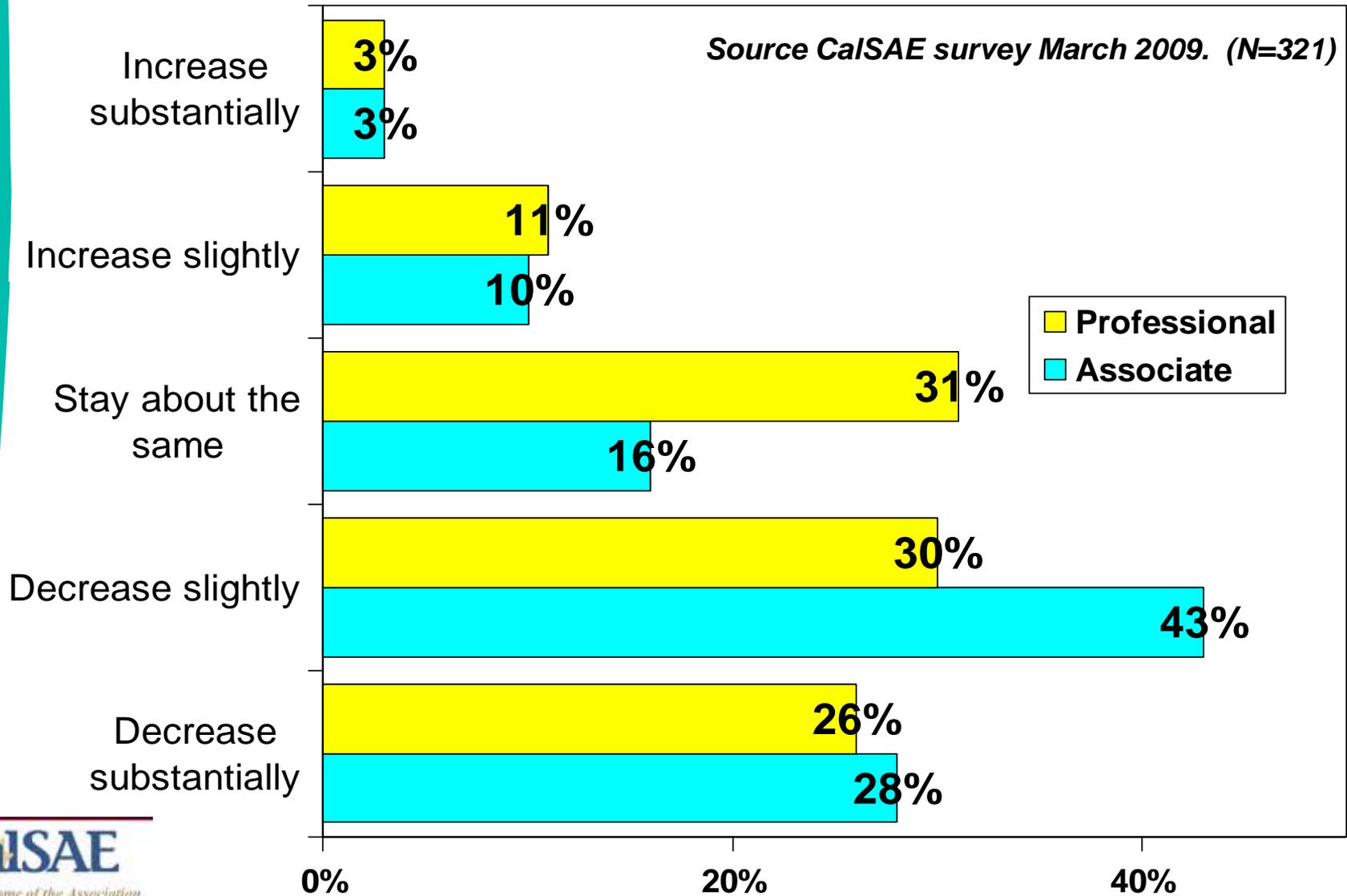


How Change Affects Our “Association Industry”?

- ◆ Economic impact on our members:
driven by unemployment, expense cuts, policy changes
- ◆ Flows through budgets, with a somewhat delayed reaction
 - Downside: affects non-dues revenue sources (conferences, other education, publications), dues income (lower retention, fewer new/acquisition members)
 - Upsides: Creates greater needs for effective programming; gives us an “excuse” to streamline and re-evaluate
 - Long-term: Possible mergers, ‘rightsizing’ staff & budgets
- ◆ Key roles for your association: more critical now
Content Aggregator, Mentor, Lead/Employment Clearinghouse
- ◆ Fundamentals: dynamics driven by internet, 2.0, generational trends
 - Increasing importance of networking
 - Value of information may be temporarily lower in a “free media” world
 - Depth/severity of reaction depends on “our” economy

What do you believe is most likely to happen to your organization's total revenue over the next 12 months

Source CalSAE survey March 2009. (N=321)



Let's Look Specifically at Your Region ...

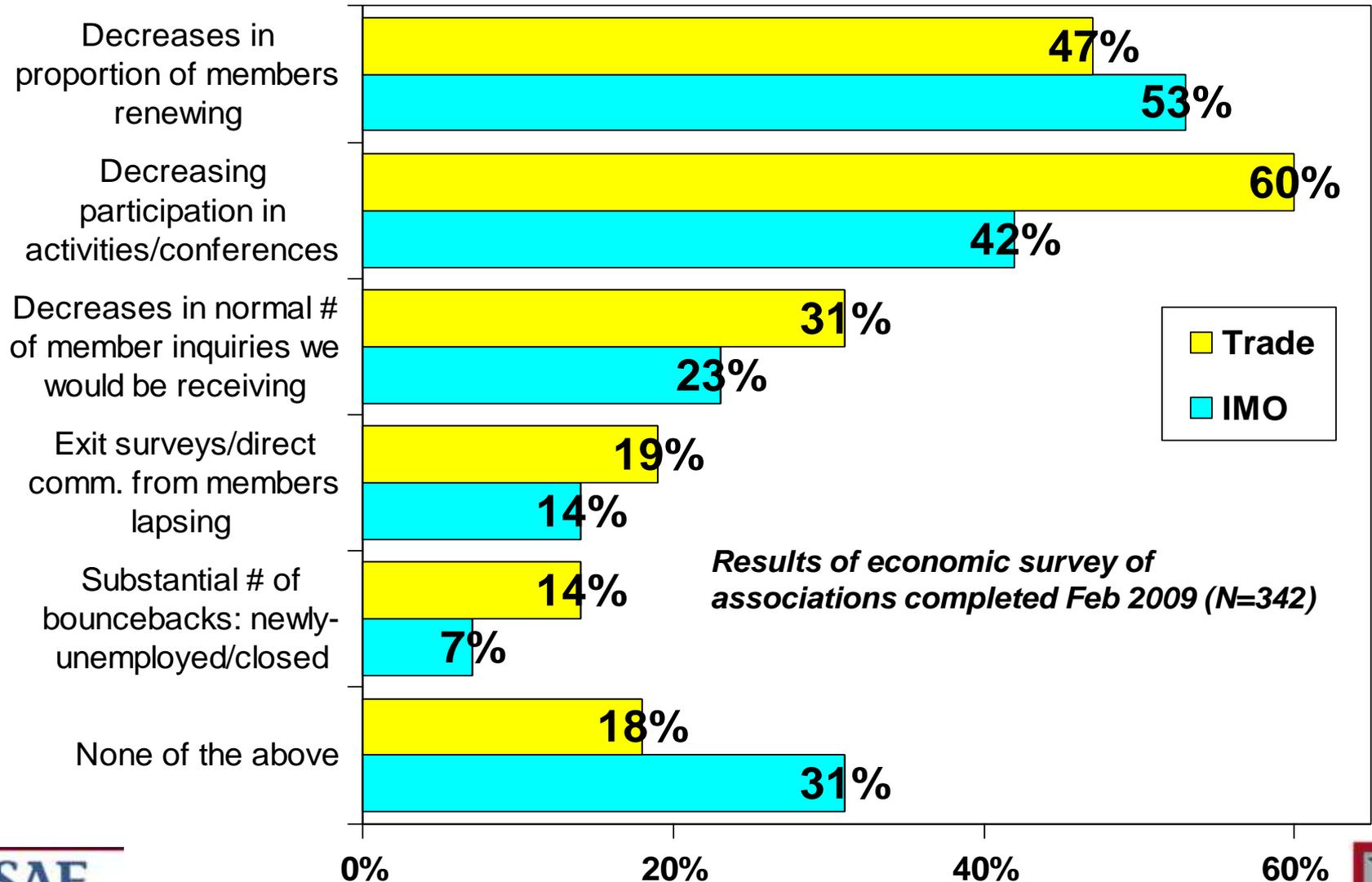
Last week's Professional Development Survey: anticipate 4.2% decrease in revenue over next twelve months



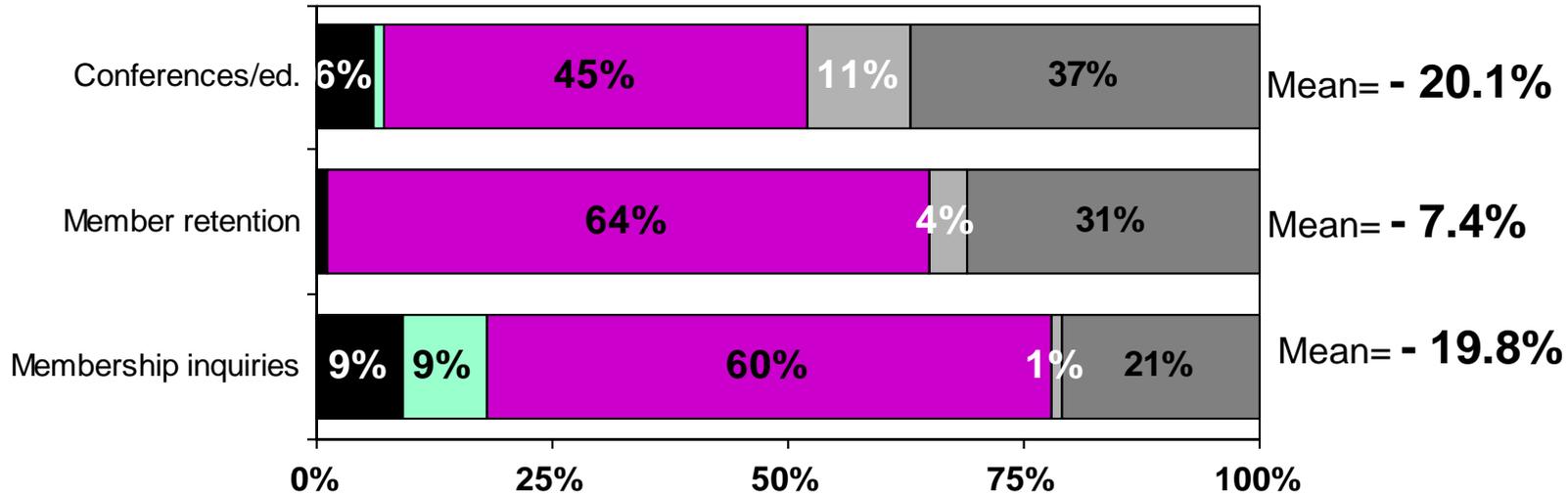
Your projection in So Cal:
4.3% average decrease:
11% slight growth
26% about the same
36% slight decrease
27% substantial decrease*
Defined as 9%+ decrease



Have you observed changes in your membership program over past six months that you can attribute to the economy



Magnitude of Impact on Associations



| | Membership inquiries | Member retention | Conferences/ed. |
|------------------------|----------------------|------------------|-----------------|
| ■ Significant decrease | 21% | 31% | 37% |
| ■ Moderate decrease | 1% | 4% | 11% |
| ■ Slight decrease | 60% | 64% | 45% |
| □ About same | 9% | 0% | 1% |
| ■ Increase | 9% | 1% | 6% |

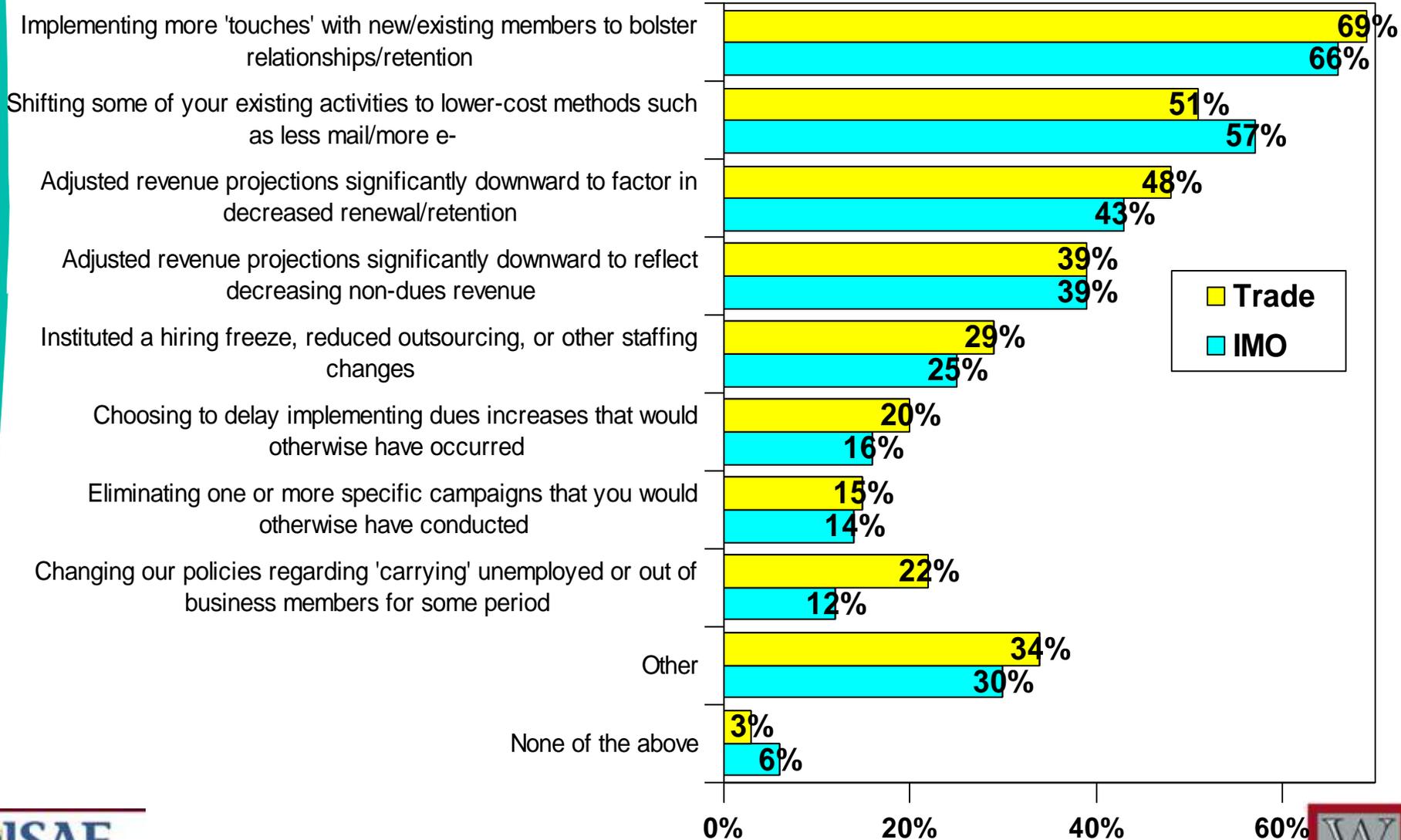
Average change in bouncebacks due to unemployed, out of business: ↑ 13%

Average change in exit surveys referencing the economy: ↑ 38%

Sector-Level Responses

- Who is doing (relatively) well?
 - ◆ Health care: ↓ 5% on new inquiries and renewal rate
 - ◆ Manufacturing: ↓ 18% on inquiries, ↓ 2.5% on renewals
 - ◆ Larger-membership IMO: ↑ inquiries, but ↓ 7% renewals
- Who is doing poorly?
 - ◆ Technical/science: ↓ 32% inquiries, ↓ 12% renewals
 - ◆ Nonprofits: ↓ 50% inquiries, ↓ 13% renewals
 - ◆ Education: ↓ 14% inquiries, ↓ 6% renewals
 - ◆ Small-member trades: ↓ 48% inquiries, ↓ 10% renewals
 - ◆ Small-budget IMO/prof.: ↓ 38% inquiries, ↓ 13% renewals

Actions are/have you taken to factor in lowered expectations for membership recently and/or in the coming year



Coping Strategies: Programs/Conferences/Events

Programs

- Since the financial crisis began, participation in the National School Lunch Program is up by 1 million students per day and projected to increase as economy worsens. It normally is not a good time to introduce a new program, however, we think it is for positional memberships owned by school districts that can be transferred.
- We need to "touch" our members even more than we have in the past. We will offer a service that to our members that we have never offered before; most likely market research.
- Adding more benefits to continue to show reason for belonging.

Conferences/Events

- A call by members (we are a trade association) to NOT offer conferences that their staff may want to attend.
- Changes in events (cheaper, more casual, focus on networking); lower exhibitor/sponsorship/advertising revenue.
- We have been informed of travel cuts, reduced budgets for education/webinars.
- We've seen an increased interest in our events by the supplier community. I think they find that even if our member attendance is down, that it's still more cost effective to attend one of our meetings and meet with the members there, than flying or driving all over the country to meet with them.

Coping Strategies: Membership

Membership

- Increase in members asking if we have lower dues for members who have lost their jobs; increased hits to our online job bank.
- We have a dues waiver process and we have had a slight increase.
- National membership (\$295) decreased, chapter membership (\$35) increased. (Don't have to join one to join the other.)
- A handful of large, active members canceling membership due to the economy with no dissatisfaction with the association, but simply harsh budget conditions.
- Working hard to retain existing members, as well as to attract back expired ones still in our area, and to gain new ones. Using many channels to do so, including website, email, snail mail, and in-person at events. Also will be rolling out phone campaign and other efforts.
- Expanding the membership benefits package to increase value without a corresponding dues increase: offering series of webcasts in place of conferences in some markets where travel has become an issue for companies.
- Ramping up Customer Service and Personal "Touch" for recruitment and retention.

Coping Strategies: Marketing

Marketing

- Our membership is fairly stable. Our focus is less on adjusting to economic factors and more on building an efficient and cost-effective membership and marketing process. We are eliminating "low ROI" efforts and shifting to smaller, higher ROI campaigns.
- At this time, we're not planning to reduce our marketing budget, but the pressure is on to spin gold from hay in spite of the recession.
- Increased direct mail budget to account for lower response rate and will be doing more SEM and employing more online marketing initiatives.
- Continuing direct mail membership campaigns, but reducing # of pieces mailed in each campaign; testing older in-house lists (more than 36 months old) that we have not mailed to in the past because the response has not been good--now we'll take whatever we can get as long as the campaign breaks even!
- Aggressively marketing to "surviving" non-members: they need us more than ever.
- Developing a long range fundraising/development program. Aggregating our ask of individuals and our recognition. We are focusing on more donor recognition and grassroots participation.
- Anticipate adding specifically targeted recruitment campaigns and adding a phone call appeal to regular retention campaign to meet our 2009 budget forecast.

Coping Strategies: Operations, Communications

Communications

- We will focus on providing more value and better customer service to existing and new members.
- We will definitely do more e-mail and electronic communications; we won't do a bound membership directory and will eliminate all unnecessary correspondence.
- Keeping budget flat for the first time in many years; increasing direct marketing budget to account for lower response rates; trying to drive more traffic to website using contextual online advertising strategies.
- Fine tuning messaging for specific groups, higher activities in social networking and webinars over in-person meetings, more blog activity. Significant attention to website functionality.
- We plan to focus more of our member communications on ROI, highlighting the money they save on free services/benefits and discounts received as a member.

Operations

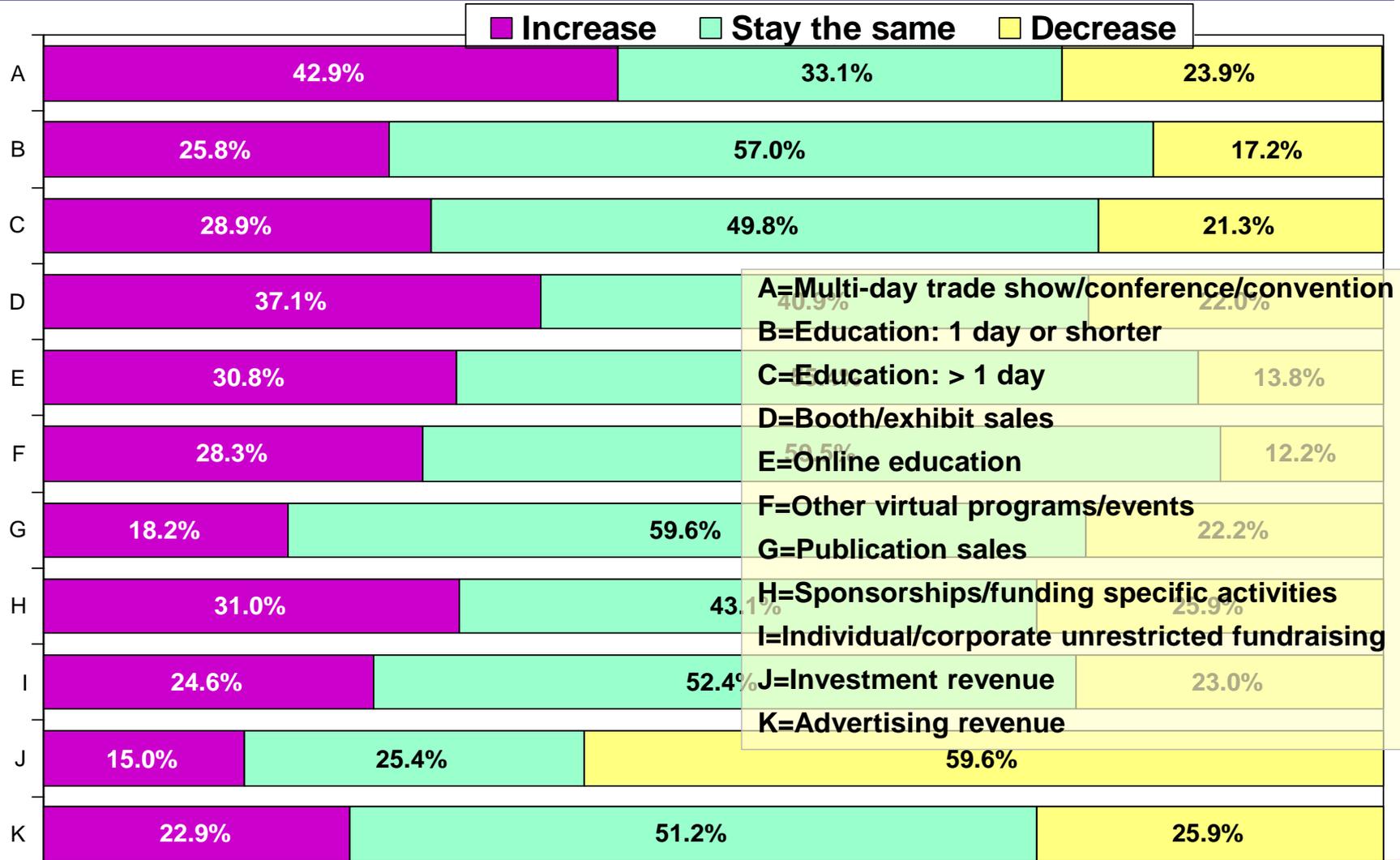
- We are evaluating programs to better assess member creditworthiness for our contract vendors.
- We have not experienced any changes just yet although we have budgeted conservatively for membership and conference attendance.
- We may hire someone to focus on recruiting new members only.

Coping Strategies: Segment Specific Experiences

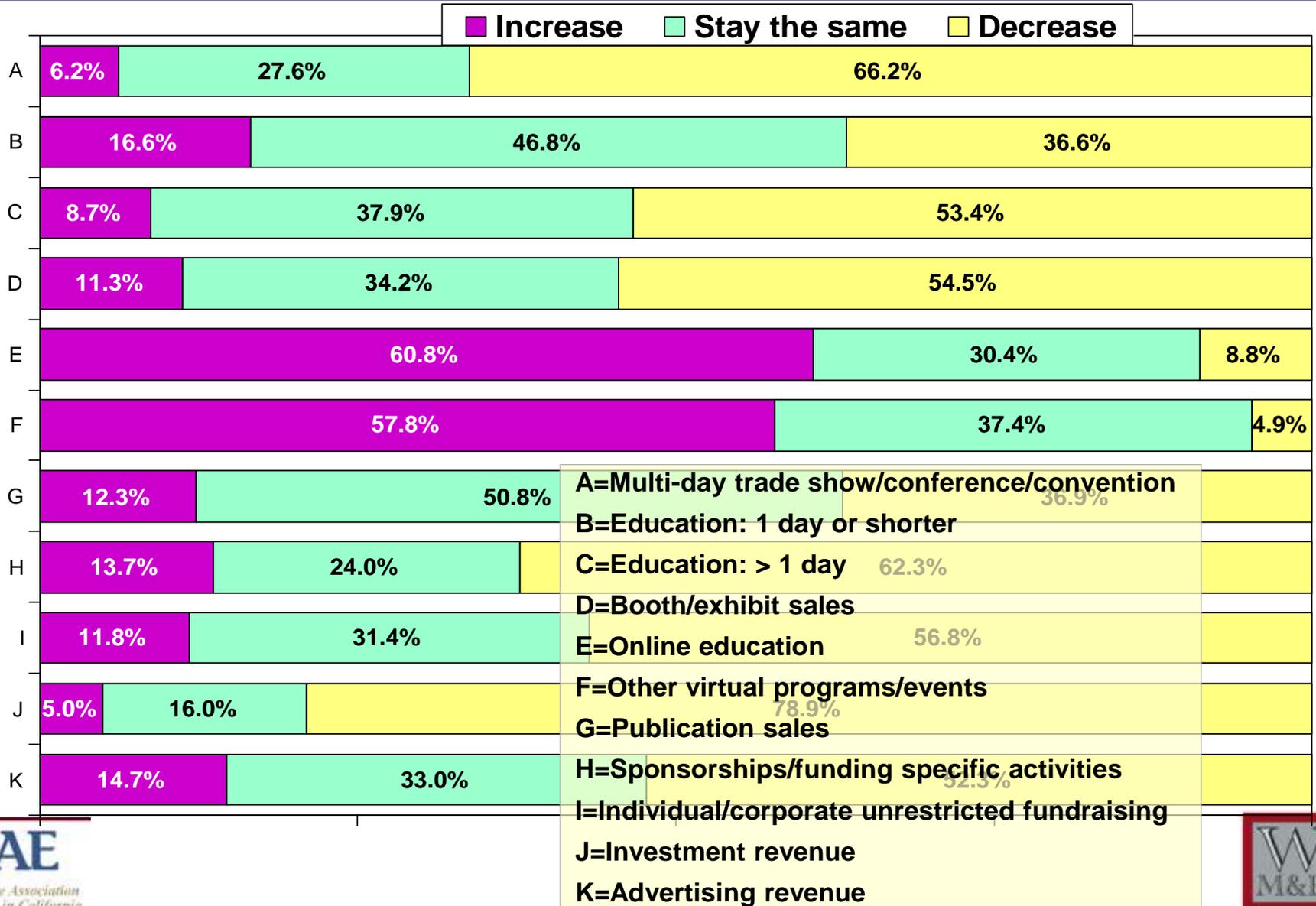
Segments

- Our members continue to have business in bad economy years, and we haven't been hurt by previous bad economy years. I think the difference this time is that folks are worrying about retirement and so not making expenses that are optional.
- Construction lags the rest of the economy so 2008 was a good year for members and the association.
- We are getting renewed interest in the VALUE of membership ... our industry is tax preparation and representation, and there's a strong concern that more individuals/companies need the services of our members.
- So far we've been lucky and haven't observed any changes over past years. I think it's a combination of relatively low dues based on income, an international membership, and a large academic base that exist on grants.
- Our membership numbers in 2008 were actually up by 3%. It's really hard to know what will happen in 2009; physicians aren't likely to lose employment due to the recession, but might find they have less income to devote to anything beyond member dues.
- Our sector has already been hit very hard, with charities reporting significant reductions in contributions, and foundations reporting that their investment portfolios have suffered dramatically, and they have either frozen or reduced their grant making for this year.
- As a trade association representing small businesses, every time there is a dip in the economy, membership is affected. If it is a choice between laying off employees and cutting expenses; especially association fees; they make the decision quick. About 60% of them will come back.

ASAE Study: Which changed in the past year as a result of economic conditions



Do you expect any of the following to occur in the upcoming year to your organization as a result of economic conditions

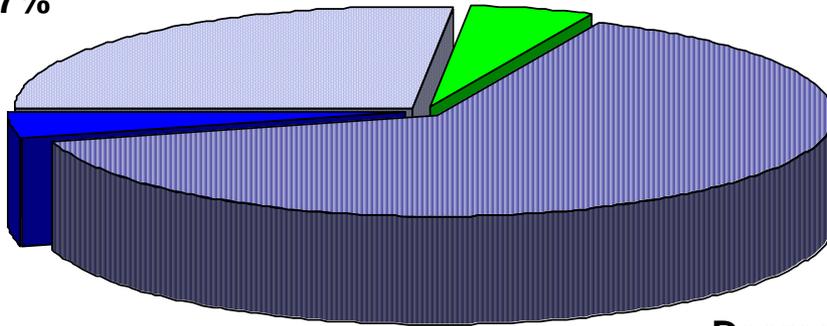


Anticipated Changes in Total, Membership Revenue

No significant change
27%

Increase
5%

Other
4%



Impact you think the current economy will have on membership revenue in coming year

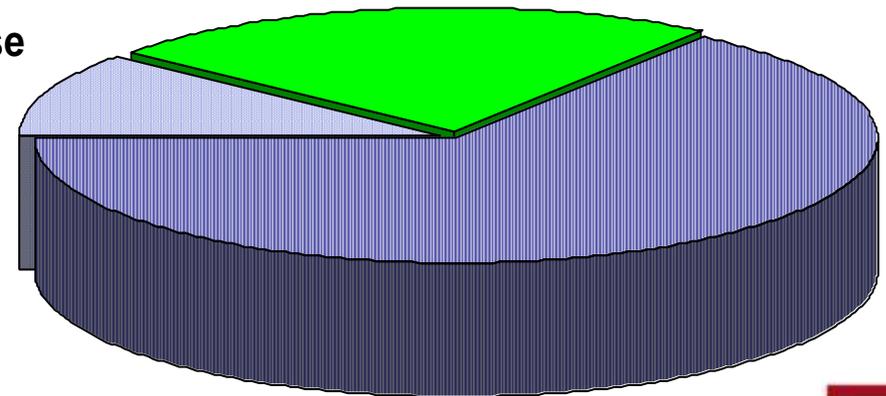
Results of ASAE economic survey: results to date (N=903)

Decrease
64%

Stay same
24%

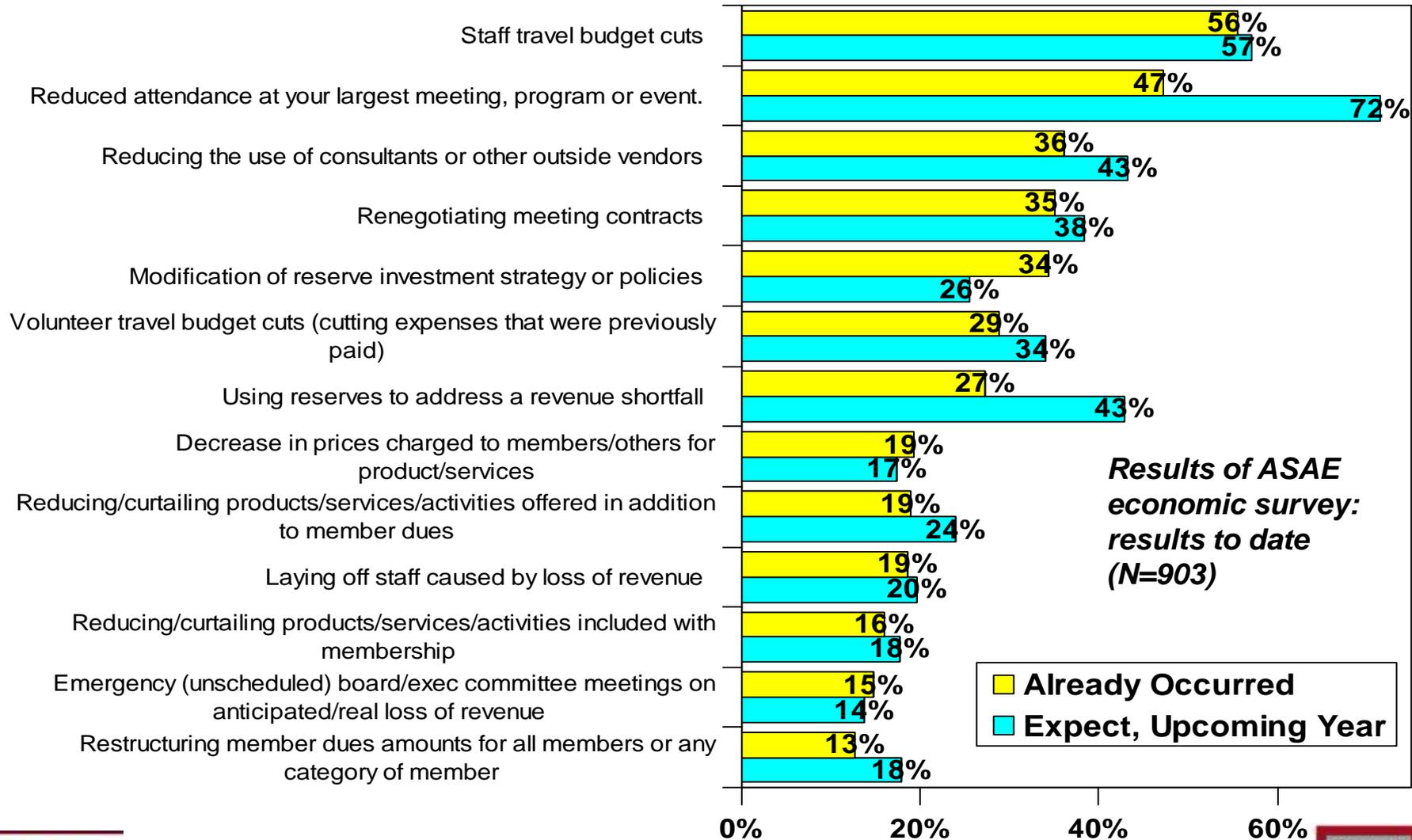
Increase
11%

Anticipated change in total revenue compared to last year



Decrease
65%

Do you expect any of the following to occur in the upcoming year or to your organization as a result of economic conditions



Results of ASAE economic survey: results to date (N=903)

■ Already Occurred
■ Expect, Upcoming Year

12 Foul Weather Tips (That Never Went Out of Season)

1. **Don't sever ties in tough times.** An unemployed or out-of-business member needs amnesty or 'membership lite' if they're unable to pay. They will be in your profession or industry for a lifetime and they'll remember how you treat the relationship today when times get better.
2. **Your board are not your core members.** They are your boss and can be your best allies, but ensure they act knowing that they don't know everything; they speak for but may not be representative of others.
3. **Listen to, but don't "trust your gut."** Data-driven decisions level the playing field, because opinions are like ____; everyone has one. There is only one objective right view of the world, and lots of other unknowns.
4. **Reduce the risk of trial.** New members/customers still need you. Money-back guarantees may not be the ultimate answer but everyone takes a risk the first time they write you a dues check or attend an event.
5. **Look outside & within for inspiration.** Most good ideas have already been created. The right ones simply need to be adapted within your association.
6. **Learn from your mistakes/successes.** We all have institutional history. Do we understand what drove the outcomes we've experienced before and what relevance those factors might have for programming today
7. **Understand the economics of your clientele.** How do they make their money? How do they find jobs, employees, clients/customers, leads? What is high- or low-margin business & how is it changing?
8. **Cultivate everyone inside your market.** Even the guy who refuses to ever join. He also has friends and partners and he is part of the word of mouth social network. But triage your effort by viability of prospect.
9. **Don't take your monopoly for granted.** Corporations would kill to have captive audiences like the one you own. There are upper limits to how well you can leverage your franchise, of course, but press your advantage.
10. **Define your positioning.** You are what people think you are. This doesn't change in a bad economy. Understand your true image and work within it, expanding or broadening your brand where necessary.
11. **Maintain continuity in external communications.** Non-members need cultivated, customers need to hear you articulate the general value of your industry to supplement your member companies' marketing.
12. **Be a late adopter to new tactics/channels.** It's okay to take on BI/data mining, distance learning, e-communities, social media after others have worked out the bugs, as long as you do it.

12 Things You Need to Know

1. **Don't sever ...**. Risk profile of membership/prospects/customers: who is at-risk, has/is dropping due to economy?
Tools: Survey questions regarding current status, issues of concern. Exit surveys. NCOA (data hygiene)
2. **Your board ...** Measure difference between Board/leadership experiences/opinions and rank-and-file members.
Tools: Cross-tab survey/poll findings by level of engagement; include leaders in personal interviews.
3. **"Your gut."** Do "Blink" exercise a few times—document first reaction to a problem, then apply data to it and compare.
Tools: Query your database for usage statistics, other decision support. Quick polls for issue-specific perceptions.
4. **Trial risk.** Measure willingness to pay, perceived value among current and prospective members/customers.
Tools: Trial implementation, track refund/redemption requests. Tests statistics comparing pre/post adoption rates.
5. **Look outside.** Track organizations you admire, look for progressive ones with similar environments/constraints.
Tools: Case study development: association- or program-wide for successful new service creation.
6. **Learn from mistakes.** Do retrospective case studies: seek to explain factors driving success/failure.
Tools: "Stakeholder interviews" of staff, leaders. Use conversations to surface and (if necessary) explode myths.
7. **Clientele economics.** Operational, compensation studies of non-members; site visits; analyze govt. statistics.
8. **Cultivate everyone.** Know your market penetration rate and maintain records for those non-member indiv/companies.
Tools: Do it for communications; but also do it so you can conduct research among non-members.
9. **Your monopoly.** Measure/track over time aided/unaided recall among non-members and other key publics.
Tools: Opinion surveys and interviews.
10. **Define your positioning.** Measure levels of belief and relationship between perceived attributes, strengths/weaknesses.
Tools: Laddering interviews; comparative analysis with those who support you.
11. **Maintain continuity.** Measure success of outreach efforts with other audiences.
Tools: Internet searches, tracking, source code tracking, polling.
12. **Late adopter.** **Tools:** Track association case studies of successful adoption.

Examples of Data Collection

Membership Audit: Relocated, 4 years' new E.D., great turnaround.

- **Key Questions:** What is our image today? How much and how should we spend over time on membership marketing? How should we spend now, given the economy?
- **Methods:** Stakeholder interviews with staff. Review materials.
- **Outcomes:** Adjust budget/spending levels. Adjust forecasts of performance. Encourage strong outreach to help announce "we have arrived" to non-members.



Strategic Planning: State IMO needs to "data-feed" its strategic plan.

- **Issues:** Maintain/improve relevance. Grow market penetration. Translate successful tradition of service delivery into greater value.
- **Key Questions:** Determining key sources of value. Identifying who belongs to national AICPA, local chapters. How do members define expectations on each level?
- **Methods:** Personal interviews with top leaders, some rank-and-file, all senior staff. Conduct online/print surveys among sample of members & non-members.



Examples

Member Census: Society merges chapters 5 years ago: assess quality/challenge

- Issues: Sacramento, Los Angeles, San Diego, San Francisco distinct markets
How are members/vendors served in this environment?
- Key Questions: How to get members to attend? How to build community across the state?
- Methods: Online surveys of member/non-member primary/associate members and personal interviews.
- Outcomes: Survey findings overall, by region, member status and type. Also element of “teach us to fish” that helps ensure future in-house, efficient data collection.



Readership/Media: Trade association determines # of members “going digital.”

- Issues: Needs assessment for Board review: several very specific, excellent questions.
- Key Questions: How many have substituted electronic for print professional resources in recent past? How many plan to shift some learning from face to face to distance learning (CD/online)?
- Methods: Online/print surveys of members/non-members. Just a few questions in a much larger study. Modules provide opportunity to measure targeted information.
- Outcomes: Showed that RBMA, others are “training” members away from print, many non-members resistant. Far fewer plan to migrate to newer education formats.



Examples

National/Chapter Report Card: Assess membership, apprenticeship, other programs in 90-chapter federation.

- Issues: Local associations collect dues, dominate the member relationship; repurpose national content. How do we assess/improve value?
- Key Questions: How and why members value each level?
- Methods: Survey local staff/officers, current/never-members: “report card” on services at both levels.
- Outcomes: Long survey with spectacular response. Provides basis for identifying “strong/weak” (i.e. supportive) local assns.



Conference Planning: Why non-attendees avoid major event.

- Issues: ACR Annual Scientific Meeting draws well but some never attend.
- Key Questions: Why don't they attend; what can be done to draw them?
- Methods: Identify and invite select group to attend (free travel and registration) who wouldn't have otherwise. Conduct focus group and secondary analysis of past educational needs survey.
- Outcomes: Impediments vary by basic scientists & clinicians; culture/community; new features and copy/messaging.



Research Resources for Associations

■ Research Resources:

- ◆ NCOA: www.anchorcomputer.com
- ◆ Appends: www.experianb2b.com
- ◆ Govt. statistics: <http://www.census.gov/econ/www/index.html>
- ◆ Research how-to guides: www.sagepublications.com
- ◆ Acad. References: www.marketingpower.com/ResourceLibrary
- ◆ Directory/Articles: www.quirks.com
- ◆ Online survey tools: www.surveymonkey.com;
www.keysurvey.com
- ◆ Analytics/predictive models: www.sas.com; www.spss.com
- ◆ Personal interviews:
<http://www.asaecenter.org/PublicationsResources/eNewsletter/ArticleDetail.cfm?ItemNumber=38637>