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Project Driven Membership Model

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Membership models are evolving. This article is about a unique dues model in a Ukrainian association. But first the background in the USA.

Most associations rely on dues for half of their budget. A handful have dropped their dues entirely, surviving off of access fees for benefits, programs and services.

This opens the door to serving 100 percent of the market place as opposed to “members-only.” Though they dropped the concept of dues, they retained a mechanism to allow members who want greater access to be “investors.”

Tiered dues are another trend. The concept allows for a discounted entry fee. Upon renewal it may be possible to upgrade members to the higher priced tier offering more benefits.

The formula for determining dues is also being tested. It could be based on a location, or the number of employees or gross sales. One organization uses a formula based on electricity consumption.

Kathleen Wilson, CAE, Executive Director, at the National Association of Trial Lawyer Executives offers, “If an association isn’t evolving, it’s dying. We can no longer just keep doing for the sake of doing. The members and potential members of today are quite sophisticated and have widely differing expectations. It’s perhaps an even greater challenge now to stay a step ahead of our members than it used to be.”

Membership Literature

The literature causes concern for boards of directors.

Race for Relevance: 5 Radical Changes for Associations - Old ways of doing things in associations have a way of hanging around, even though trends such as rapid advances in technology, higher member expectations, increased competition, and diverse member markets have rendered these ways obsolete. Authors Harrison Coerver and Mary Byers suggest a radical change that is required to maintain influence and thrive in the new environment and avoid challenges associated with old association models, such as loss of market share, increased competition for members’ time, and shrinking revenue sources.

The End of Membership as we Know It -The era when associations could count on members joining and renewing, even with a relatively unchanging menu of membership benefits, has passed. Membership is not dead, argues author Sarah Sladek, but associations need to change their thinking and their models.

Bowling Alone: The Collapse and Revival of American Community - Drawing on data that reveals Americans' changing behavior, Robert Putnam shows how people have become increasingly disconnected from one another and how social structures—whether they be PTA, church, or political parties—have disintegrated.

News Headlines

Some membership organizations believe they simply cannot fail. They have been resilient for decades through recessions, wars and politics.

Reading the news about long-established organizations, one might ponder the sustainability of membership models that have remained unchanged for decades.

- Ringling Bros. and Barnum & Bailey Circus – The “Greatest Show on Earth” ended in 2017. It was founded in 1871.
- Blockbuster Video – Grew to nearly 10,000 stores and 90,000 employees worldwide. Today only a handful remain.
- Oldsmobile – America’s oldest American car manufacturer was founded in 1887 and closed in 2004.
- Sears – A top retailer filed bankruptcy after 125 years of retail and catalog sales that inspired Americans.

The books and organizational failures will spark conversations in boardrooms about relevance, value and how membership organizations will look beyond 2020.

The Data

ASAE and the American Chamber of Commerce Executives (ACCE) produce trend reports. ACCE’s 2016 report offers insights into market penetration of chambers. There are many membership performance indicators; market share is only one measure.

Market share is the number of members paying dues divided by the number of potential members. In chambers, the market share is reported to be 15 to 29 percent depending on many factors, i.e. urban or rural, local or statewide, competition and population. One

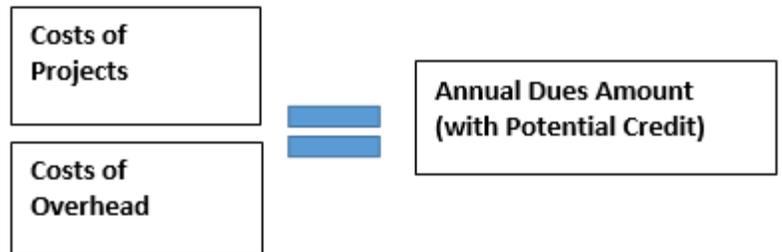
would hope that low market share is not an indicator of perceived association value or relevance by the majority of prospects.

On the other hand, I've met associations with nearly 100 percent market share. Many fall below 50 percent with a downward trend. A few have less than 10 percent market share.

Project Based Dues Model

The Ukrainian association developed a different approach. It created a menu of projects and services.

The membership selects which projects are important, weighing cost and ROI. For example, efforts to pass a new law might carry a high price over multiple years. Transforming the printed membership directory to digital APP costs less and is short term.



Given a menu of projects and programs, the members will each have input as to where funds should be spent. The majority rules.

The agreed upon project costs are divided by the membership and factored into next year's dues. Through this unique process member awareness and engagement are increased.

Billing for Association Overhead

Costs associated with office operations is the second part of the formula. The expenses of computers, staffing and overhead are part of the dues. An efficient association will work to reduce expenses as possible.

In the Ukraine association the board and staff found ways to save money through outsourcing, technology applications, telecommuting, and reduced expenses.

If overhead remains the same, the entire dues amount is expended. If savings are realized, the members receive a memo of equity. The savings equity carries forward as a reduction in dues for the next year.

Summary

Membership organizations are an important part of American culture. People want to belong to a community for many reasons. Though they are more demanding about return on investment for dues paid.

In this model, members prioritized and voted on a package of projects for which they are aware and willing to pay equally. The association overhead will also be billed. If savings result, members receive a credit memo next year's renewal.

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Note: Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.