

Maximising Your Membership Model

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*Research, review and discussion
conducted by Lumina Consulting*

March 2024

Introduction

Membership has been, and continues to be, the preferred business model for professional bodies, charities [1], trade unions [2,3], trade associations and institutes, offering a range of services for an annual subscription fee.

Many B2C organisations use a tiered subscription approach built on the same principles as a membership model. Whether you are subscribing to a video streaming service, opting for a mobile phone package, being a podcast club member or paying for a digital music streaming service, as consumers we are all very familiar with the concept.

Of course, there are significant differences between being a subscriber to content through a streaming service versus being a member of a trade association. The value and services offered are different and the B2B model can be difficult to quantify and can feel nebulous.

Many membership-based organisations have operated a model that relies heavily on direct subscription together with secondary spend income through other services. Members still provide a significant proportion of the total operating income and without it many organisations could not survive.

However, in a flat global market where individuals and companies are looking for value for money from their membership subscription, how do organisations develop their proposition and effectively communicate that out to their communities?

Given some professional bodies are over 100 years old with a high degree of legacy culture, how can an organisation rethink its relationship with its members?

In this paper, we review some of the key offerings that B2B membership organisations currently offer and examine some of the challenges and opportunities that arise from them.

We have used a selection of secondary sources from UK, European and North American markets.

Challenges

All membership organisations face a variety of challenges in today's rapidly changing environment. These can range from technological advancements to shifts in member demographics and expectations.

Operationally, the most common challenges are retention management (measured as churn) and attracting new members. Retaining existing members is much more cost-effective than acquiring new ones by a factor of eight to ten times. However, maintaining member loyalty requires the service to be "sticky" with regular communication demonstrating value. Acquiring new members is crucial for long-term growth and, in an increasing competitive landscape, requires effective marketing strategies and clearly communicated benefits. The third sector can often lack resources in this area and may not have a direct sales team, relying instead on online subscription application forms to be submitted and processed. This reactive approach is limiting and could only work if the organisation was marketing led with strong content and an up-to-date CRM system.

Member demographics are continually evolving, with Generation X and Millennials giving way to Generation Z entering the workforce. Membership organisations need to adapt their offerings and

communication strategies to cater to the needs and preferences of diverse demographic groups. The new generation of members has a different expectation of networking and immediacy of access, quite different from 10-20 years ago.

Keeping members engaged and involved in the organisation's activities and initiatives is a significant challenge. With busy schedules and competing demands for their attention, members may disengage if they don't see value in their membership.

Members expect tangible benefits and outcomes from their subscription. Whether it's access to resources, networking opportunities or professional development, organisations need to continuously assess and communicate the value proposition to retain existing members and attract new ones.

There is an obvious financial challenge for membership bodies when there is an economic downturn and companies and individuals look to manage their budgets. Financial directors would seemingly make an easy decision to take a subscription holiday and disengage with their member body. This is very true for organisations that offer influence and lobbying as a central benefit, as you don't have to be a member to get value through a halo effect.

In today's market the traditional member body faces new competition from emerging new associations, professional networks and online communities, together with access to apparently limitless sources of information online.

All membership bodies need to consider and address many of these challenges to remain central to their communities.

Membership Trends

Membership trends depend very much on the specific sector. At a B2C subscription level in the UK there is clear evidence that more and more consumers are locked into

this model, with private health and fitness centres [4] and video streaming services [5] still growing.

Focusing purely on membership bodies, data is often fragmented and difficult to source. However, we do see trends emerging linked to external factors.

In the USA, the recession in 2010 and Covid-19 in 2020 led to a drop-off of member numbers [6] which has now bounced back. From 800 member organisations, 49% have now seen an increase, in particular for those bodies that focussed on acquisition, a competing value proposition and are innovating, whilst 22% reported a decline.

In the UK post Covid there is a similar story. A member survey conducted for the Confederation of British Industry in 2021 showed 40% of trade associations expecting an increase in membership and 77% adopting a growth strategy in 2022 [7].

Member Insight, Value & Importance

The key to success for any organisation is having a high level of member insight. Annual surveys and regular face-to-face meetings with members are essential to understand if you are delivering a service worth investing in as well as where some of the gaps and opportunities lie.

Given that most organisations have a common goal to support their sector, members are often willing to participate in a number of ways. This should create a strong external resource that can be leveraged strategically and operationally.

Any member body can strategically select members to sit on a governance board and offer direct feedback and advice. Much of this structure is enshrined in Articles of Associations, but nevertheless, it is an important foundation for any member body to utilise.

Operationally a second tier can form an effective number of working and technical

groups that can share best practice through publications and events.

Commercial Benefits

The basic membership subscription model is built on establishing long-term relationships with members who pay for access to their member services every year. The system benefits both the member and the member body. The member can continue to enjoy access to a high-value offer for a relatively low-cost investment and the member body benefits from cash up front, predictable and forecastable revenue and a deep relationship with the member base.

Outside the direct subscription, a closed user group is highly attractive for external providers who want to launch a product or service to this specific market and look to relationships with "gatekeeper" organisations to get to market at minimal cost. Strategic partnerships such as these are often seen in the Associate membership category, where many service providers pay a small fee to be a member with certain service restrictions. They can be a rich source of income and expertise. For example, they may contribute as event sponsors or industry conference speakers, make up technical groups and contribute to podcasts and webinars. These types of companies also have their own network and competitors. Using this information can boost new membership across many categories through careful data mining and segmentation.

Building on the idea that membership organisations need to place themselves at the heart of their own industry ecosystem, the membership model lends itself very well to affinity schemes, i.e. when the membership body promotes highly relevant third-party products at special member rates. Often this can supplement the central value proposition and is used for insurance, travel and financial services for individuals.

Using direct subscription as a benchmark, many organisations should use the ratio of membership subscription to member secondary income as a metric to measure market penetration, effectiveness of communication and marketing, as well as account management. Other measures include the Lifetime Value (LTV) or the ratio of Customer Lifetime Value and Customer Acquisition Cost [8].

Finally, there is also clear evidence to create growth through unlocking existing member accounts [9]. Having an effective account management structure and the ability to separate members into relationship and transactional accounts is key to successful growth over time.

In summary, from a commercial engagement perspective, membership should always be a great excuse to contact any member company or individual.

Lobbying & Influence

Many trade associations focus on representing members at a governmental level. In many sectors across Europe, the UK and North America, there are sector specific issues that collectively members want resolving. A trade association has access to senior people in government that a single private company does not.

However, as mentioned under *Challenges*, there is a tightrope to walk for many organisations as any "win" would affect both members and non-members alike. Many companies are happy to take the benefit without contributing directly to the cost via a member body.

Of course, the member has the inside track and can directly influence government engagement within the trade association. Many of the larger members would also have a private lobbying function at their own expense and a twin pronged attack is highly advantageous.

There are many policy documents and papers that set out the aims of the member body, especially around compliance, regulations and the changing business environment in which members operate.

A good example would be the British Retail Consortium's manifesto that sets out its vision for UK retail covering net zero, business rates, employment, crime and sustainability in its "everywhere economy" document [10].

The challenge is how to measure and communicate cut through. Much of this activity is at the start of the campaign and levels of engagement through offline and online channels provide immediate metrics, but what happens over time and how is success tracked? Member bodies will be constantly pushing for a win, which often is as a result of campaigns run across multiple organisations over time, including their own efforts, on behalf of members.

In reality, it doesn't matter who scored the goal, a win must be celebrated and communicated to members, ideally multiple times across different channels, but especially during the retention process.

Networking & Working Groups

An advantage for many member-based organisations is the ability to act as a natural focal point to bring people together.

However, in a large national or international ecosystem, there can be competition with many B2B stakeholders looking for a market edge. Potentially companies are less likely to engage at a member level.

There can be issues around competition law that need to be managed, but generally the position of the member body as representing a sector or profession in competitive industries is highly advantageous and offers many great opportunities to use the collective

intellectual property across the member base. In highly competitive markets, this may be the only time individuals can meet their counterparts to discuss generic industry issues and trends.

Offline networking is highly valued amongst members who want to meet individuals in other organisations and have the opportunity to listen to experts and discuss issues and market drivers in their industry.

This can take several forms ranging from events such as conferences and training to participating in industry working and technical groups. The outputs of the latter are highly valuable and can result in technical papers around best practice and policy documents that set out the direction of the member body.

Online networking is beginning to gain traction and it is now common post Covid to conduct virtual group meetings. For organisations with a large number of international members where offline networking is expensive and more difficult, online member groups can be a great way of reinforcing the membership connection.

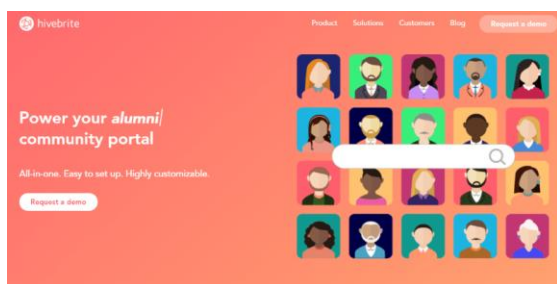
There are also some direct benefits of having online communities. Firstly, monitoring the discussions can lead to service improvements and can offer ideas for new products or services. Secondly, members can help other members through sharing knowledge. If the body spends time reviewing the interactions, they may identify active members and highly motivated individuals, which can help with account management and identifying experts within their member base.

The downside is that online communities, rather than technical or working groups, need to be pump primed and moderated and that can be limited by available resources.

Member bodies can now access "plug-in and go" platforms relatively easily. Many are available on the market designed for

closed or open user groups to interact. Users can join these various fora to engage in discussions, share content, ask questions and interact with others who share similar interests.

“Member-help-Member” functions are an excellent way of using collective member IP under the umbrella of membership and even though there may have been little or no support direct from the membership body it doesn't matter as the halo effect creates value.



Professional Development

Central to many member bodies, especially ones that are made up of individuals, is professional development. The corporate bodies that are often funding individual subscriptions can benefit from upskilling their teams, leading to greater employee satisfaction and retention. The member body has the ability to create Continuing Professional Development (CPD) programmes to ensure individuals continue to practise in the field and demonstrate they are relevant and up to date.

Learning and development can offer great commercial returns if the member body can create multiple levels and offer an easy way for individuals to track activity. Introducing an element of gamification and reward can make CPD more engaging and will push individuals to attain higher levels.

Access to Experts

There are teams within the member organisation who can provide high-level

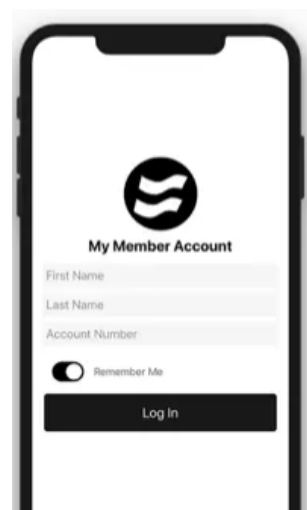
market intelligence and updates on regulations, tax etc. that would affect members. In addition, technical innovation and consumer trends are a feature of many organisations' services back to the member.

This illustrates the notion of “inside track” in that the central body is keeping corporate and individual members notified of any changes, saving them time and money.

The Future

Here are some points that research reveals as areas of development for the membership model of the future.

Digital Membership: With the increasing digitisation of services, membership is likely to become more digital and subscription-based. This could include membership for online content platforms, software services and other digital products [11].



Personalisation: Future membership might focus on providing highly personalised experiences. AI and machine learning could be used to analyse user behaviour and preferences, tailoring membership benefits and content to individual needs.

Environmental, Social & Governance (ESG): There could be a rise in membership that focuses on environmental sustainability, social causes, or ethical practices. Membership might be tied to organisations

committed to making a positive impact on the world, which may resonate well with the next generation members.

Conclusions

There are big positives with the membership model such as regular revenue and the ability to leverage IP. The challenge is to be able to demonstrate cut through and value to members.

Insight can go a long way to understanding member satisfaction, especially if you measure Net Promoter Score over time. Furthermore, online communities and working groups can offer great new product development ideas and service improvements. What do members really think of your service, and which ones do they rate the best and worst?

The operational focus for any organisation is the balance between new member acquisitions and retention. A market segmentation approach to determine your addressable market would be a good first step in building a strategic growth plan for new members as well as understand the competitive landscape and current market penetration levels. Retention will always be super critical and designing a communication plan around the member renewal cycle is essential. Finally, with new acquisition, retention and communication strategies all working together, do you have the right level of resource to be able to execute and hit your targets?

Leveraging the closed user community can be both financially rewarding and very important when creating new content such as best practice guidance. The member base should be a fertile ground for user generated content.

Members are your best customers as there should be a strong relationship compared to a purely transactional model. Commercially, members are in a great position to take advantage of any premium services the member body has

developed. Organisations should spend time redesigning their offer and examining if they can create added value through introducing new services with a pay wall before trying to upsell and migrate select members across to the premium service.

Personalisation and digitisation will grow in both individual and corporate membership models. In the case of the latter, it is important to be able to deliver the service to multiple people across the member organisation. Portals are a great way of measuring engagement and interaction and offer white space identification and opportunity. Delivery and accessibility through apps for a more immediate experience will only increase over time.

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Further Information

If you are interested in knowing how we can support your membership business, please contact:

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