

A Bold, New and Simple

Plan to Ensure XYZ ASSOCIATION Thrives Past COVID-19

Intent:

Extraordinary times call for extraordinary measures.

One of XYZ ASSOCIATION's jobs is to explore alternative ideas, so if successful, our Members can take them back to their associations.

Coronavirus or COVID-19 has put many associations, companies and families in a compromised position. It is perhaps the most "extraordinary times" many of us have faced. COVID-19 has delivered a huge blow to our industry and many are scrambling to defend against this enemy's fiscal impact. Now is time for XYZ ASSOCIATION to go on the offensive, use our assets to beat this pandemic and implement a plan that ensures that we can HELP OUR MEMBERS SUCCEED. We can only do that if we can ensure our Members are ABLE to remain Members. This plan offers a strategy to potentially accomplish the goal of retaining our Members as they face unprecedented fiscal challenges.

Problem Statement and Alternatives Considered

On September 1, 2020 (the beginning of the XYZ ASSOCIATION Fiscal Year), all XYZ ASSOCIATION memberships are due for renewal, and XYZ ASSOCIATION will assume a brand-new, unprecedented risk of significant post-pandemic Member attrition.

In order to prevent the realization of this significant, new risk, XYZ ASSOCIATION's Board and Staff Leadership considered the following alternatives:

- Alternative A: Make a strategic move to combat this risk by leveraging current assets to purchase a part of the risk portfolio of member attrition, for a pre-determined price and leverage the marketing value/member loyalty that could result. The remainder of the plan is associated with the selection of this Alternative.
- Alternative B: Make a strategic move to combat this risk by providing deferred dues or discounted dues. This alternative was not selected to pursue as it was not considered the optimal decision as it essentially only delayed the expense for a portion of the Members' fiscal years and resulted in a loss of leveraging the marketing value/member loyalty that could result.
- Alternative C: Stay the current course for September 1, 2020 renewals and wait to see how many members renew. This is a reactive scenario and will require action at that time.

Risk Profile:

- All historical business risks will continue to exist, plus the added risk of "post pandemic" attrition
- Currently we have 710 individual Members (all categories), which equate to \$170,055 in Annual Dues Revenue or 29.8% of our Total Annual Operating Budget (based on FY2019/2020 Budget Projections)

- 33.8% of our Members have been so for 1 year or less – they represent the greatest but not only risk for attrition
- Average total revenue per Member in Fiscal Year ending August 2019 = \$850.39 per year
- Potential subsequent years lost revenue (assumes current prices and does not include staff sales time or Member re-acquisition costs):
 - 3 years = \$2,551.17 per Member
 - 5 years = \$4,251.95 per Member (Average XYZ ASSOCIATION Member is 5.74 years)
 - 10 years = \$8,503.90 per Member
- Assuming XYZ ASSOCIATION Strategic Plan goal of 8% attrition, we would normally expect to lose 57 Members or \$48,472.23 in member revenue.
- Attrition/lost revenue post pandemic possibilities:
 - Lose 200 Members = \$170,078 (28% attrition)
 - Lose 250 Members = \$212,597 (35% attrition)
 - Lose 300 Members = \$255,117 (42% attrition)

Premise & Assumptions:

COVID-19 has created an economic crisis for many if not most XYZ ASSOCIATION Members, of unprecedented proportion. Both association and corporate budgets will be built for the coming year with much uncertainty, necessitating a conservative approach, with cost cutting likely. XYZ ASSOCIATION Staff approximate 200 XYZ ASSOCIATION Members are currently laid off or furloughed by their employer. Of XYZ ASSOCIATION's 710 members, approximately 139 are Association CEOs who have primary spending authority for associations. We also have some, but very few General Managers, Presidents or Owners of Affiliate Member businesses. These are the people with final budget authority. Given the last point, at most XYZ ASSOCIATION Member organisations, the final decision whether to renew or not (approve for next year's budget) with XYZ ASSOCIATION will be made by a person who is NOT an XYZ ASSOCIATION Member. Yes, we need to drive value for our Members BUT we need more. We need a "no-brainer" for those not as familiar with XYZ ASSOCIATION who will be making budget decisions. We have a VERY complex challenge ahead. We need simple solutions. Simple solutions DO NOT have to be conventional, in fact they may be bold. Maybe the timing is perfect to "use a good crisis" to develop bold yet simple solutions.

Largest threats to XYZ ASSOCIATION:

Members not renewing in September, because they "can't" is our biggest threat. Without strong renewals, we don't have Members with which to live out our mission statement, "to help our Members succeed". Low or significantly reduced Member counts means lower opportunity for event attendance, sponsorships etc. You lose out of the gate and those losses compound as each event approaches. They harm you all year long. Member attrition fundamentally leads to changing how you operate, which eventually leads to fewer Member services, which leads to lower Member satisfaction, which leads to lower Member numbers and the cycle continues. The "death spiral" usually accelerates once it begins. Operational and/or tactical planning and contingency planning needs to happen for every operational item and event. Yet without Members there is nothing to plan for. MEMBER RENEWAL HAS TO COME FIRST AND BE CONSIDERED FOUNDATIONALLY IMPORTANT. Addressing the challenge of post-pandemic member attrition will require a strategic Board-level effort and investment.

We anticipate the need for dues support to be greater amongst Affiliate Members, hence have developed a targeted approach for each class of Membership.

The plan to significantly minimise the risk – Alternative A:

We take a known member support delivery vehicle (the XYZ ASSOCIATION Scholarship Program) and amend for the coming year to mitigate our risk. We revise how our scholarship program works and who it works for, for the fiscal year 20/21. Traditionally, a select few recipients (this current year it is 14 member recipients totaling \$9,550) are selected, after self-applications, to have a portion or all of expenses paid for specific events. Additionally, this year we budgeted for 21 non-member association employees to get a first-year dues scholarship totaling \$6,195. We recommend to suspend the traditional scholarship model for one year, starting September 1, 2020 and offer a scholarship to all current members via the below methods.

Operationally, we first use the funds in the Board Designated Reserve Account for Scholarships (details below) and once depleted, fill the remainder of the need from the unrestricted reserve accounts. We can provide an option for our Members to receive a scholarship for their dues in the following ways:

- Association Members – On or about June 1, email Association Members with the below email, telling them of the new scholarship opportunity and giving them an option to “opt-in” to the scholarship program if they will not have the ability to pay their renewal due to hardship from COVID-19 or pay dues on their own if they have the ability. We would give them until July to make that decision. If they opt-in, their dues will be paid in full through August 2021 with funds from the scholarship and/or reserve accounts. If they do not opt-in due to hardship, an invoice will be sent on July 1. If we do not hear from them by September 1, staff will reach out with normal communications related to renewals.
- Affiliate & CVB Members – On or about June 1, email Affiliate Members with the below emails, letting them know their dues have been paid in full by funds from the scholarship and/or reserve funds due to the hardships brought on by COVID-19. If they have the means and desire, they can “opt-out” of the renewal scholarship and pay the dues on their own. We would ask if they choose to opt-out of the program, to let us know by July 1 so an invoice can be sent. Otherwise, no further action is required and their Membership continues uninterrupted until August 31, 2021.
- For all Members who are furloughed, laid-off or whose jobs have been eliminated, offer them continued membership (as an individual not associated with their former employer), at no cost, until they find a job which requalifies them for XYZ ASSOCIATION Membership or August 31, 2021, whichever comes first. This offer is a complimentary membership, not pulling from the scholarship fund or reserves.

XYZ ASSOCIATION currently, as of March 31, 2020, has two reserve accounts in the amounts of \$258,253 and \$101,231, for a total in reserve of \$359,484. The cost of paying for all current Member renewals is \$170,055, which leaves \$189,429 in reserves. That is the most extreme and unlikely scenario of every member needing a scholarship. This scenario is reduced by each Member who chooses the option to pay their dues on their own.

Also, as of March 31, 2020, \$24,683 is in the “Board Designated Reserve for Scholarship” account code. This money resides in the “operating account”. This is money from the past years auction plus unused funds from years before. We propose this money be used first, then once depleted, that account be supplemented with unrestricted reserves to meet the final member scholarship need. All scholarship funds received during the current 2019/2020 scholarship cycle shall also be applied to this scholarship program prior to depleting reserves.

OPERATIONAL SUGGESTION: Currently the funds for “Board Designated Reserve for Scholarship” account code is coupled into the operating checking account. We suggest creating a separate checking account for the \$24,683. That will keep that amount clear and definable, it will be the first funds used for the 20/21 new scholarship program and we will know exactly when that account is depleted.

How we present the plan to our Members:

Send an email (different versions for Association and Affiliate Members, please see below drafts) to all Members from XYZ ASSOCIATION Board President Daniel Wilson and the XYZ ASSOCIATION Staff. The email would look like this:

For Association Members:

On behalf of the XYZ ASSOCIATION Board of Directors & Staff, thank you very much for choosing to be an XYZ ASSOCIATION Member. Your support has been astonishing and has allowed us to make a bold and unprecedented move to help you, our Member, succeed as you navigate through the pandemic and post-pandemic phases. It is because of YOUR support that we have been able to manage operations and build a significant scholarship fund and an adequate reserve fund. As a result of your past and continued support, we are able to use a portion of XYZ ASSOCIATION’s resources to fund a Member Scholarship Program for the 2020-2021 XYZ ASSOCIATION Membership year to assist our Members experiencing COVID-19 hardships! To be clear, this is not a free Membership or even a complimentary Membership. You have been there for XYZ ASSOCIATION, and through your support, XYZ ASSOCIATION’s resources have grown. Therefore, we have revised our approach to our traditional scholarship program. This year we are choosing to offer scholarships to all of our Members experiencing hardships from COVID-19 or unable to pay their 2020/2021 membership dues!

If you need to “opt-in” to this dues scholarship program, please connect with XYZ ASSOCIATION Staff via email by July 1st by 5pm and affirm that selection. If you choose not to do that, a normal invoice will be sent to you for payment. We are pleased to offer this scholarship opportunity as we know at its core, this program gives our affected Members the gift of time.

It has been said many times by many people over the past few months “we are all in this together”. The greatest way for us to demonstrate real togetherness is by helping our XYZ ASSOCIATION Members succeed. Together, let’s make 2020-2021 the best year ever!

CEO Name

President Name

For Affiliate & Partner Members:

On behalf of the XYZ ASSOCIATION Board of Directors & Staff, thank you very much for choosing to be an XYZ ASSOCIATION Member. Your support has been astonishing and has allowed us to make a bold and unprecedented move to help you, our Member, succeed as you navigate through the pandemic and post-pandemic phases. It is because of YOUR support that we have been able to manage operations and build a significant scholarship fund and an adequate reserve fund. As a result of your past and continued support, we are able to use a portion of XYZ ASSOCIATION's resources to fund a Member Scholarship Program for the 2020-2021 XYZ ASSOCIATION Membership year to assist our Members experiencing COVID-19 hardships! To be clear, this is not a free Membership or even a complimentary Membership. You have been there for XYZ ASSOCIATION, and through your support, XYZ ASSOCIATION's resources have grown. Therefore, we have revised our approach to our traditional scholarship program. This year we are choosing to extend scholarships to all of our Affiliate Members due to hardships from COVID-19 and challenges in paying their 2020/2021 membership dues!

Please consider XYZ ASSOCIATION's offer of the dues scholarship program in effect and no further action is needed on your part. You will not receive a renewal invoice. Rather it will be noted in our system that you are paid in full through August 31, 2021.

If your organisation has not been significantly impacted by COVID-19 or you would like to pay your membership dues for the coming year, you may "opt-out" of this program by emailing XYZ ASSOCIATION Staff by July 1, 2020 by 5:00pm. Otherwise, the automatic renewal will occur on September 1, 2020. If you choose to "opt-out", a normal invoice will be sent to you for payment on July 1.

It has been said many times by many people over the past few months "we are all in this together". The greatest way for us to demonstrate real togetherness is by helping our XYZ ASSOCIATION Members succeed. Together, let's make 2020-2021 the best year ever!

CEO Name

President Name

How we demonstrate ROI:

With much uncertainty still ahead and likely more questions than answers at this point, primary ROI would be illustrated by retaining Members and giving them the gift of time as they restart their businesses.

If we consider what we “know”, the following would apply:

- The average dues per Member at budget is \$239.85 per year
- Our recent history of all-Member retention is a blended rate of 92%
- Average Member tenure is 5.74 years
- On average, our Members produce \$850.39 in total revenue per Member per year

If the Pandemic is over and our world returns to a close version of pre-pandemic “normal” it is reasonable to expect:

- An investment of \$239.85 per Member for those that select the program for continued membership, for fiscal year 20-21 ENSURES IMPROVED MEMBER RETENTION THIS YEAR
- IT GIVES US A 92% LIKLIHOOD WE WILL GET THOSE MEMBERS BACK IN 2021 AND BEYOND
- STATISTICALLY THEY WILL REMAIN A MEMBER FOR 5.74 YEARS.
- THEREFORE, THE REVENUE COULD BE \$4881 IN NEXT SIX YEARS PER MEMBER ($\$850.39 \times 5.74 = \4881)
- ADJUSTED TO ACCOUNT FOR 92% RETENTION= \$4,490 PER MEMBER OVER THE NEXT SIX YEARS

One additional benefit – the value of information:

None of us can say with complete certainty that this or any other renewal solution is a 100% guarantee. Yes, the investment is an investment in our Members. As an additional benefit, it can also be seen as an investment in research. We will embark on a study to assess the effectiveness of this approach, so in the future, our Member associations can use the intelligence gained to make renewal decisions for their organisations. We suggest evaluating the following metrics:

- Membership totals, including growth & attrition rates, all categories delineated by type at the following intervals: pre-pandemic, at renewal time 9-1-20, 9-1-21 and 9-1-22.
- How many Members refused the offer and renewed on their own
- How many Members could not accept the offer and did not renew
- Revenue per Member, all categories delineated by type at the following intervals: pre-pandemic, at renewal time 9-1-20, 9-1-21 and 9-1-22.
- What effect did the offer have on per Member additional spend with XYZ ASSOCIATION, did the Equity Theory occur in the immediate 12 months following the offer.

What to do next:

Board approval is required under the XYZ ASSOCIATION Financial Policy and Investment Plan adopted 6-20-18 as it states: “Funds may only be moved from the reserve account to the operating account by recommendation of the Executive Committee and majority vote of the Board of Directors.” As we will need a portion of the reserve funds to move into the Board Designated Reserve for Scholarships operational account, Board approval is required.