Growing Associations Through Non-Dues Revenue - Is It Time to Re-Think Your Business Model?

By Alexandra Snelgrove

In the current economic environment, many association executives are concerned about how they will be able to meet members' needs and their organization's financial sustainability. Most trade and professional associations typically have two options: increase the membership base or change the business model.

Relying solely on membership dues to grow, let alone sustain, an organization will have limited impact. They may attract some new members in the short term but are unlikely to see growth over the long-term. However, an organization that identifies creative ways to change its business model will often be rewarded with a significant impact on their bottom line. How do you change your business model? Based on Aperio and CSAE's recent research report, "Rethinking Association Non-Dues Revenue," one strategy currently being used by an increasing number of associations is non-dues revenue.

Types of Non Dues Revenues

Conferences, Seminars, and Workshops: Association-hosted events can cover a wide array of purposes: education, networking, or marketing. These events typically earn revenue from registration fees as well as corporate sponsorship. Conferences are an effective way to create value for members, attract new members, and raise the association's profile and the industry/profession it represents. For example, the Canadian Library Association offers a diverse range of workshops and seminars to its members to support their growth, and includes topics such as Career Planning, Libraries and Teens, and information on new cataloguing standards.

Non-dues revenue, or NDR, is any revenue generated by an association from a source other than membership fees. Non-dues revenue activities encompass a broad variety of products and services, ranging from training to accreditation to group buying programs. Aperio, a management consulting firm, and CSAE recently completed a survey of Canadian trade and professional associations to identify the current state of non-dues revenue in Canada. The survey found that the most common NDR activities amongst survey respondents were conferences/seminars/workshops. In fact, three-quarters of respondents stated that they earned non-dues revenue from conferences/seminars. With the exception of those with budgets larger than CAD 10 million, associations, regardless of size, reported conferences, seminars, and workshops as the primary form of non-dues revenue.

Sponsorship and advertising were the next most common type of non-dues revenue activities with associations leveraging their membership base for firms seeking to raise their profile amongst their constituents. Other common activities in Canada, albeit to a lesser extent, include courses, trade shows, accreditation, books, websites, and research.   However it seems that there is very little innovation and that in many cases revenues may not be maximised.

Associations around the world are facing similar challenges as Canadian organizations. As a result, case studies of innovative non-dues revenue programming can be found around the globe. For example, the North Carolina Bar Association has developed a shared services program as an additional revenue stream; in addition to leasing space to legal professionals, the association also sells back-office services such as IT, human resources, and accounting.

Another international example centers on the use of association's expertise to offer consulting services. The British Association of Dermatologists maintains a Clinical Advisory Unit to support its members on a number of issues, including service issues and changes on National Health Service reforms.

Social media also offers some creative NDR opportunities. The Society of Corporate Compliance and Ethics and the Health Care Compliance Association in the US have developed a social network for its members that provides information sharing and network opportunities while the associations earn money from advertisements on the network.

Why Non-Dues Revenue?

A common myth is that non-dues revenue is just about increasing revenue and diversifying income sources. However, successful non-dues revenue activities are those that create additional benefits for members. It's not just about adding value for the organizations; it's also about adding value for members. Aperio and CSAE's survey found that the three most common benefits of non-dues revenue were "advanced mission," "raised profile," and "improved financial position."

Creative association executives should also think about how non-dues revenue can play a role in both member recruitment and retention. Take the example of magazines. Many associations think of their magazines as the chief member benefit, not necessarily as a source of revenue. However, an entrepreneurial association will develop strategies to expand circulation beyond its membership base. While the magazine becomes an attractive value proposition for firms given the number of readers, it also becomes a key marketing tool for the association itself by getting in front of potential members.

What Makes A Good Idea?

Associations participating in the survey identified key success factors and used them as criteria for assessing new ideas. The most common criteria used was "Fit with Member's Needs" followed by "Revenue Potential" and "Staff Capacity." Less than a quarter of respondents indicated that they use "Market Demand" or "Level of Investment Required" as criteria. We would argue that associations need to consider all of these criteria to ensure their idea will be successful. Additionally, ideas should be judged based on the potential return on investment, the association's competitive advantage, and the level of manageable risk. These factors need to be considered to ensure that the idea is financially sustainable while furthering the association's mission of serving its members.

How do you identify non-dues revenue activity with potential for success? Think about how you can build on your unique position and core competencies to identify new products and services. Consider the following:

- Before you introduce new non-dues revenues activities, take a moment to assess your existing business initiatives. Are these products or services profitable? Could existing successful programs be expanded? Or do you have an underperforming product or service that could be tweaked to become a "winning" program? Can you increase profits from your current offerings?

- Is there a new market within or beyond your membership for a product or service that you are already offering? When thinking of new markets, make sure to think both in terms of new customer groups as well as new geographic markets.

- Are there new products that you can offer your existing customers and members? What are some of the key "pain points" in their operations? Perhaps there is a new product that you could offer that leverages your existing skills and capacity.

You may identify a product or service that would essentially be a new product to a new customer group. We recommend initially focusing on products/services and customers that you already know well before diversifying.

Make sure to do your market research. Talk to your members and find out what their needs are. Make sure there is a market for the product or service you are thinking of offering. Successful ideas are those that are based on a solid feasibility assessment with a realistic business plan. Innovation needs to be complemented by assessment and research to ensure each idea is effectively screened and tested for feasibility.

Non-Dues Revenue and Your Association

It is clear that non-dues revenue play a critical role in enhancing the financial sustainability of associations. In fact, of the associations participating in our survey, respondents reported, on average, that 47% of their association's total revenue is from non-dues revenue; over 80 percent reported that NDR programs generate revenue in excess of expenses. But not all non-dues activities are the right fit for all associations. Ask yourself the following questions:

- What do you want to accomplish through non-dues revenue? Diversify revenues? Serve members?

- How will non-dues revenue activities further your mission and support your members?

- What level of financial risk are you willing to take on with a new venture?

- How does non-dues revenue fit with your strategic plan?

- Will your members support a new initiative?
- Are the staff and board prepared to invest resources, including time?

Having a clear answer to each of these questions will help associations make sure they understand both the risks and rewards of non-dues revenue and make effective investment decisions.

Many of the findings discussed in this article come from CSAE and Aperio's book, "Re-Thinking Association Non-Dues Revenue: Research Report and Strategies Guide," which is available through the CSAE website. We encourage you to read the book for more examples of innovation in the field as well as practical tools and best practices for developing successful non-dues revenue activities.

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