

2010 Economic Impact on Associations:

A Benchmarking Report on Priorities,
Challenges and Strategies for 2010



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March 2010

Dear Colleagues:

McKinley is pleased to publish the third in our series of benchmarking studies examining the impact of economic conditions on associations.

In this first 2010 edition, we examine how the reality of 2009 compared to expectations, measure the impact and effectiveness of various marketing techniques and gauge perceptions of the year to come. In this study, we have also added supplementary profile data on survey participants and take a deeper look into long-term membership trends in the association sector.

This report is based on the responses of nearly 350 association executives who generously shared their insight. We appreciate your feedback and look forward to partnering with the association community in the future to deliver meaningful studies that will help organizations expand their knowledge and implement effective practices. Please do not hesitate to get in touch should you have any questions or wish to discuss the data in more detail.

Best regards,



Jodie Slaughter
President &
Founding Partner



Jay Younger
Managing Partner &
Chief Consultant



John Grifferty
Director of Operations

Introduction

2009 was a year unlike any other for associations and the dedicated professionals charged with leading them. In late 2008, McKinley Marketing (McKinley) began a series of research studies designed to examine the impact of economic conditions on associations. Published in early 2009, McKinley's first Economic Impact on Associations (EIA) study indicated that association professionals were tremendously apprehensive as they braced for negative results in membership, meeting attendance and other revenue generating programs.

In mid-2009, McKinley launched a follow-up study to compare actual results to the forecast and explore how associations were dealing with the recession. Findings from the mid-year study provided both cause for concern and optimism. Key findings from the study included the following:

- > Associations were feeling dramatic effects from the recession, as more than 80% stated that economic conditions had a negative impact on their ability to achieve their goals.
- > Annual meeting attendance, advertising and sponsorship were hit the hardest by economic conditions, with roughly 60% of respondents seeing decreases in these key business lines.
- > More than half the respondents reported a decrease in member retention with less than 10% reporting an increase.
- > Budget cuts, modifications to staff salaries and functions, and reductions in programming were pervasive by mid-2009.
- > Despite the challenges, associations with a positive outlook on the economy were more likely to increase or maintain their marketing and communication efforts and attempt innovative, mission-oriented initiatives.

As 2009 drew to a close and a clearer picture of the impact of the recession emerged, it was necessary to again collect empirical data on these topics to see how perceptions compare with reality.

With that in mind, McKinley presents the third in the EIA series. The following analysis provides important benchmarking data regarding the impact of the recession in 2009 and the perceptions of your colleagues in the association industry.

Survey Method

McKinley developed an online survey to measure key data in the EIA study. The survey was launched on December 8, 2009 and remained open until January 8, 2010. The results presented in this study include responses from approximately 350 organizations within the association community.

If you wish to participate in future benchmarking studies,
please contact John Grifferty at jgrifferty@mckinleymarketing.com

Organizations

With respect to organization type, 55% of respondents represent professional societies (consisting mostly of individual members) and 28% are from trade associations. Eleven percent of survey respondents describe their organization as a "hybrid," while another 3% are philanthropic or cause-related.

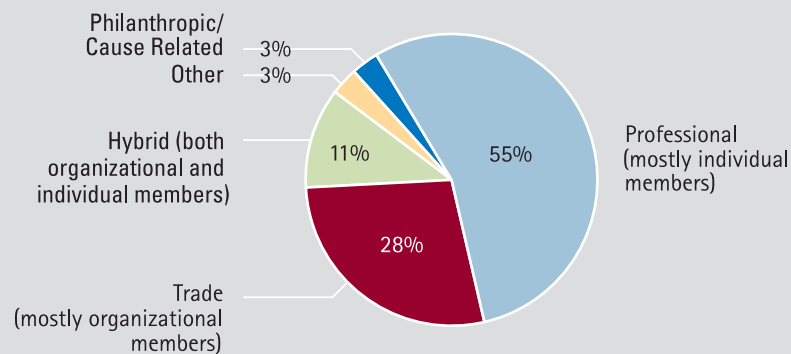
One quarter (25%) of the survey respondents represent healthcare organizations while scientific and engineering associations account for another 10%. The balance represent a variety of industries, including education/humanities, manufacturing, finance/accounting, professional services, building/construction, legal, association management and the food industry.

Survey participants reflect the breadth of the profession, representing a variety of responsibilities within the association industry. Eighty-eight percent were director level and above.

Nearly half (48%) of the survey participants represent organizations whose annual operating budgets are less than \$5 million and another 20% indicate having a budget of \$5 to \$10 million.

TABLE A

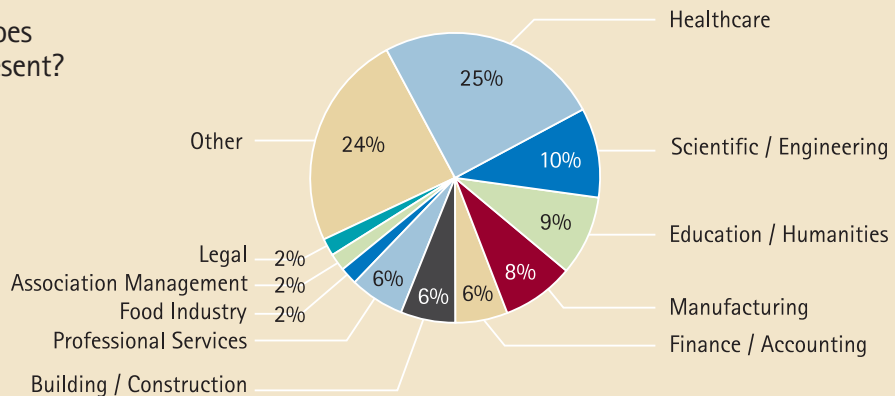
Which of the following best describes the organization you work for?



Total Responses: 310

TABLE B

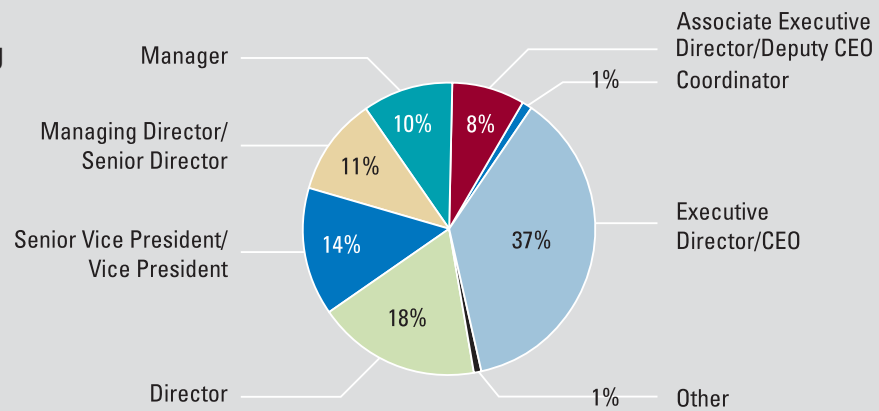
What field/industry does your association represent?



Total Responses: 308

TABLE C

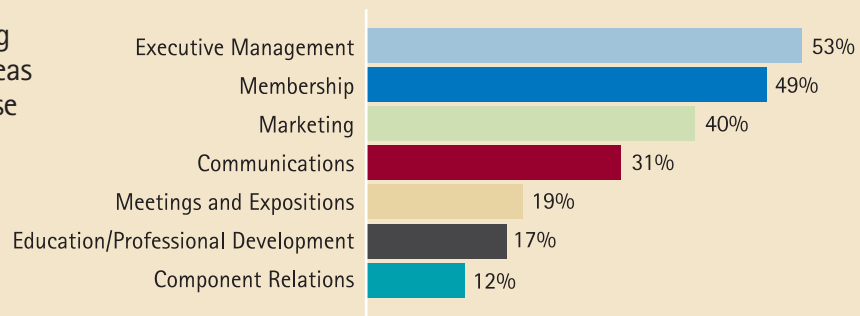
Which of the following most closely describes your position within your organization?



Total Responses: 309

TABLE D

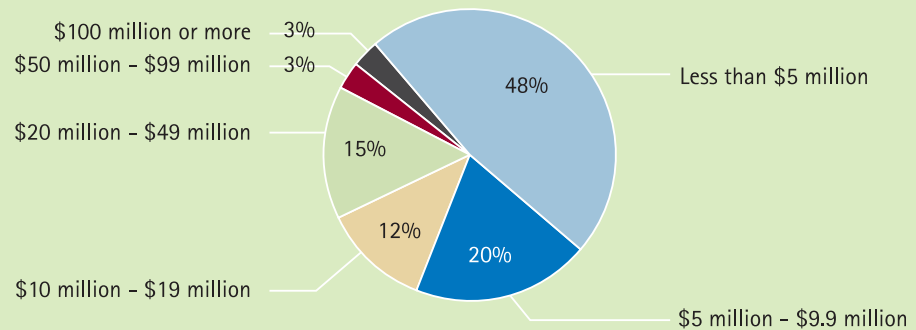
Which of the following best describes your areas of responsibility? Please select all that apply.



Total Responses: 308

TABLE E

What is your organization's annual operating budget?



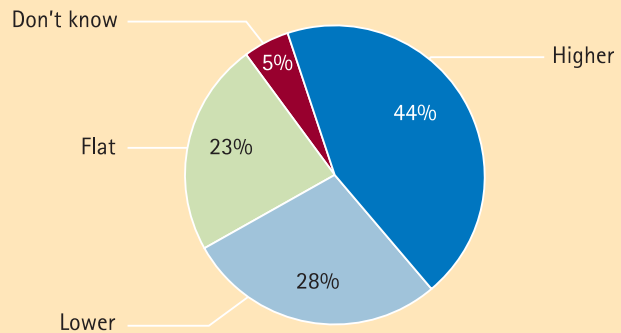
Total Responses: 309

New for 2010: Five-Year Membership Trends

For the first time in this study, McKinley asked participants to report the annualized trend in full, paid memberships over the past 5 years. Despite the negative impact of recent economic conditions, nearly half of participating associations are trending upward in terms of membership in the past 5 years. According to the data, 44% of associations have grown over that period with an approximate annualized increase averaging just over 5.5%. Twenty-eight percent of respondents indicate that their membership numbers have diminished over that same period at an average of just over 7%. Twenty-three percent of respondents reported that membership is flat over the past 5 years.

TABLE F

Is the annualized trend in full, paid memberships for your association over the past 5 years (since January 1, 2005):



Total Responses: 315

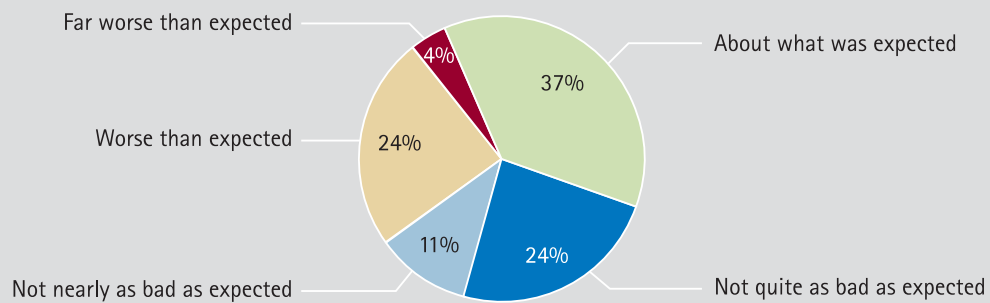
Key Finding #1

In many cases, the impact of the recession in 2009 was not as bad as expected.

Going into 2009, 82% of participants in McKinley's initial EIA study felt that the economy was bound to have an extremely or somewhat negative impact on their ability to achieve their goals in the coming year. Eight percent did not believe the economy would have any significant impact — either positive or negative — and 3% anticipated a positive impact. In this study, when asked to look back on 2009, 37% of respondents felt that actual results were about what was expected while 35% claim that results were not as bad as anticipated. Twenty eight percent experienced results that were worse than expected (4% were "far worse").

TABLE 1

Looking back on 2009, what was the impact of economic conditions on your association?



Total Responses: 348

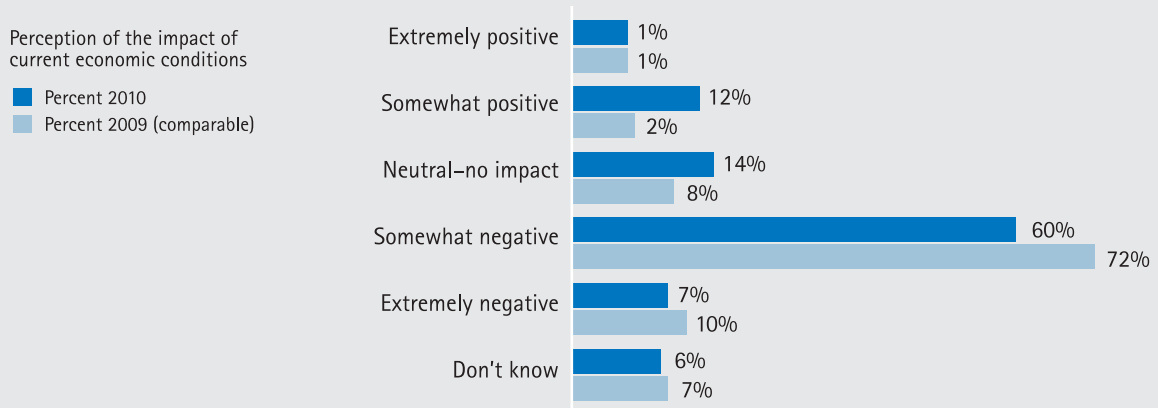
Key Finding #2

The outlook for 2010 is decidedly more positive than it was one year ago.

This time a year ago 82% anticipated that the economy would negatively impact their activities, compared to 67% of this year's respondents. As we look to 2010, 13% feel the economy will have a positive effect (compared with 3% in 2009).

TABLE 2

What impact will economic conditions have on your ability to achieve your goals in 2010?



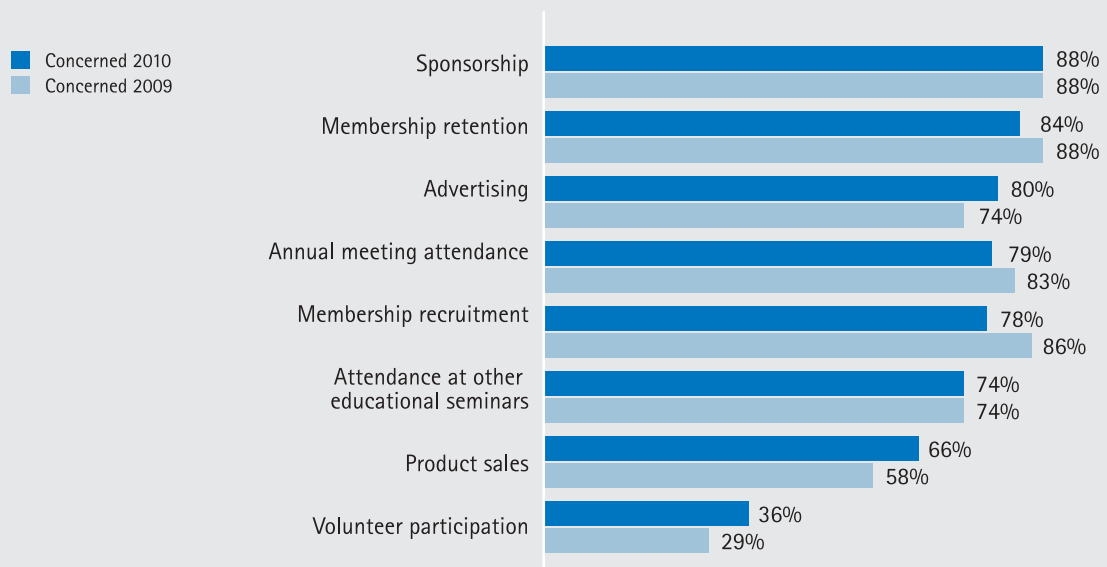
Total Responses: 2010: 341
2009: 284

Key Finding #3

The recession remains a concern and will likely continue to affect associations' core business lines.

Survey participants maintain a high level of alert over the economy's effect on non-dues revenue activities, particularly sponsorships and advertising. Apprehension over meeting attendance has decreased slightly, though it remains a primary issue. Concern with the effect the recession has on membership recruitment and retention is diminishing slightly.

TABLE 3
 Considering the current economic situation, how concerned are you with the following issues?



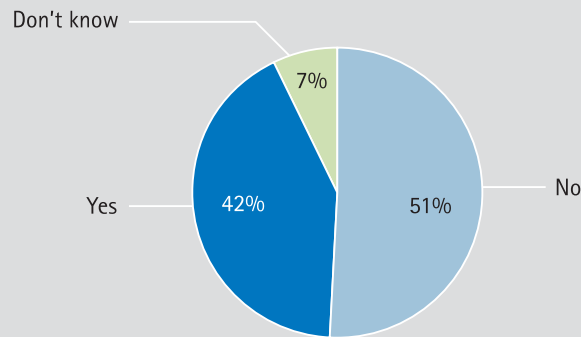
Total Responses: 2010: 340
 2009: 283

Key Finding #4

Many associations accessed reserves in 2009, with many organizations using the funds to invest in new initiatives.

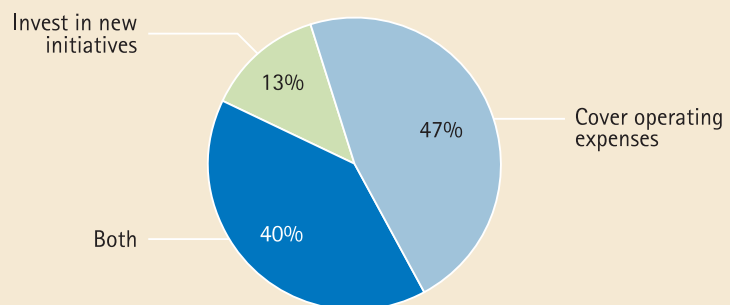
Given the large percentage of associations reporting budget cuts in mid-2009, it seemed likely that associations would find it necessary to access reserve funds during the year. Indeed, forty-two percent of participants report having accessed their reserve funds in 2009. Of these, nearly half (47%) indicate that they used the reserve funds only to cover operating expenses. However, in an important indication of the association community's willingness to innovate, 53% used reserves to invest in new initiatives, echoing findings from McKinley's 2009 mid-year study which suggested that many organizations were taking the opportunity to invest in new programs and services to assist members during difficult economic times.

TABLE 4-A
Did your organization access reserve funds in 2009?



Total Responses: 347

TABLE 4-B
How was the reserve funding used?



Total Responses: 144

Key Finding #5

Budget cuts, freezes on salary increases and hiring freezes are the most likely results of economic conditions in 2010. However, budget cuts are down slightly in 2010.

In both the 2009 and 2010 studies, 35% of participating associations indicated that budget cuts were currently happening. However, in 2010 it appears that the overall trend toward cutting budgets is on the decline.

TABLE 5-A

What do you expect to happen at your association in 2010 as a result of current economic conditions?

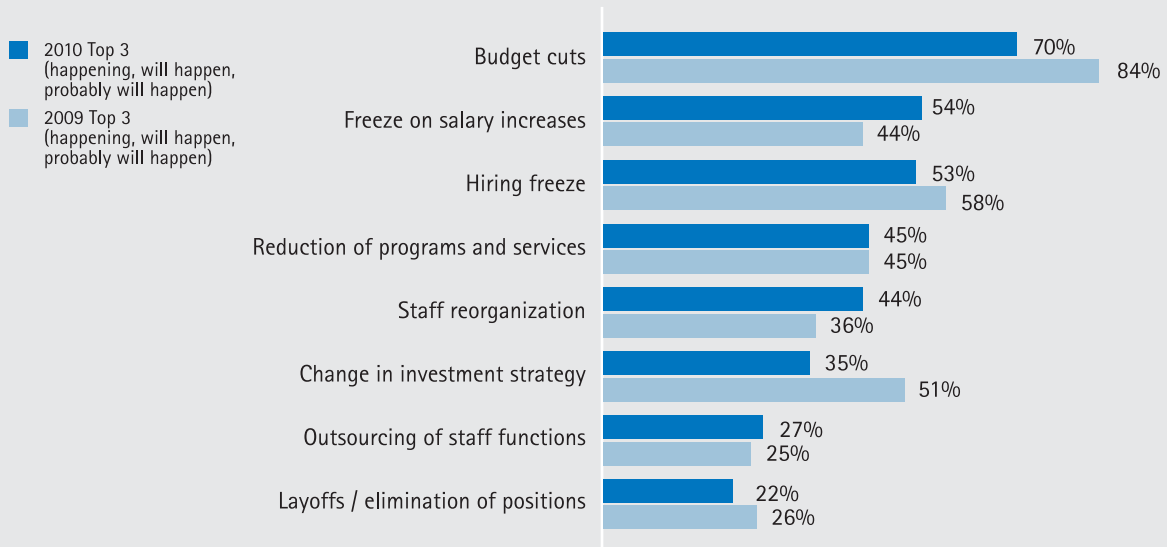
	IS HAPPENING NOW	DEFINITELY WILL HAPPEN	PROBABLY WILL HAPPEN	PROBABLY WILL NOT HAPPEN	DEFINITELY WILL NOT HAPPEN	DON'T KNOW
Layoffs/elimination of positions	10%	2%	11%	46%	25%	7%
Hiring freeze	31%	4%	18%	26%	15%	6%
Freeze on salary increases	35%	5%	14%	26%	13%	7%
Staff reorganization	19%	3%	22%	32%	14%	9%
Budget cuts	35%	12%	23%	22%	5%	4%
Reduction of programs and services	14%	7%	23%	37%	13%	5%
Change in investment strategy	12%	5%	18%	30%	12%	22%
Outsourcing of staff functions	9%	3%	15%	46%	16%	11%
<i>Total Responses: 340</i>						

In 2009, 84% of all participants indicated that budget cuts were either happening at the time of the study, definitely going to happen or probably going to happen. In 2010, the same analysis indicates that 70% of associations are currently cutting, or anticipate cutting, budgets.

Freezes on salary increases are on the rise, according to the data. In 2009, 11% indicated that this was happening now while 35% indicate that freezes on salary increases are happening in 2010. Fewer respondents indicate that their associations are likely to change their investment strategies in 2010 compared with similar data from 2009.

TABLE 5-B

What do you expect to happen at your association in 2010 as a result of current economic conditions?



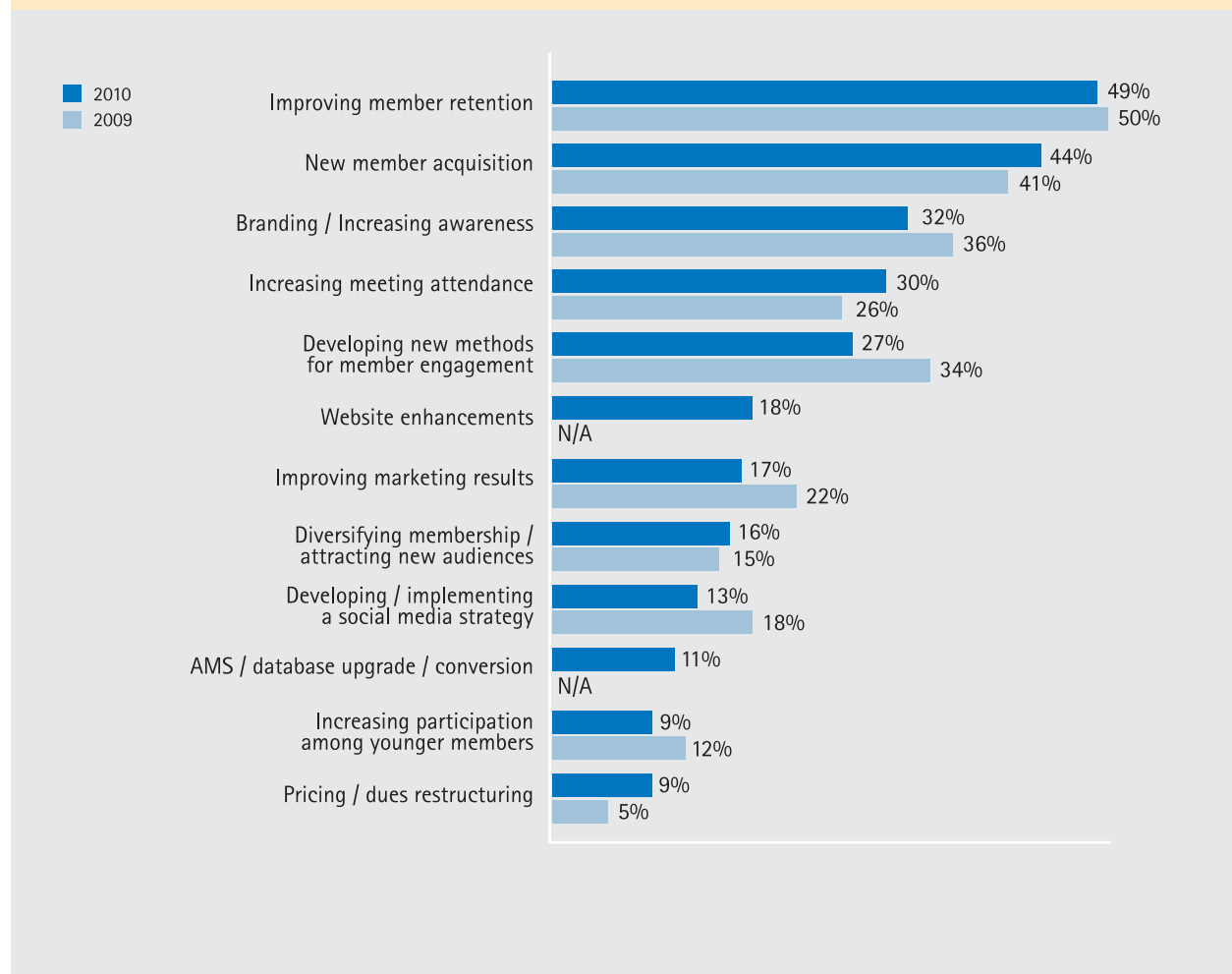
Key Finding #6

Growing membership remains the top priority in 2010, with the importance of increasing meeting attendance on the rise.

Once again, the top two priorities of the association executives that completed the study are improving member retention and acquiring new members. As in 2009, the 2010 results indicate that approximately half of the respondents cite "Improving member retention" as a top-3 concern. Forty-four percent of respondents indicate that "new member acquisition" is among the three most important priorities for 2010 (compared with 41% in 2009). Given the reduction in meeting attendance that many associations faced in 2009, it is no surprise that association executives are increasingly concerned with the importance of increasing meeting attendance, as 30% consider it a top priority, as opposed to 26% in 2009.

TABLE 6-A

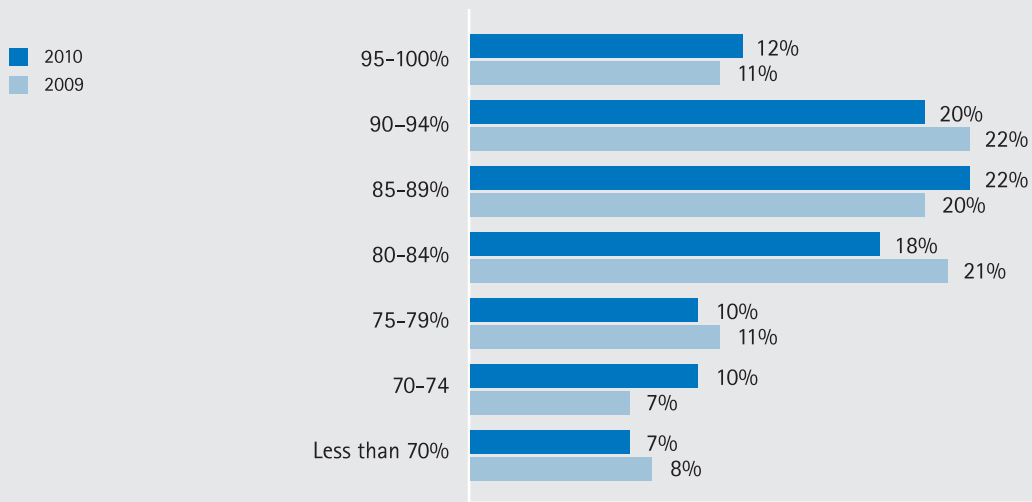
What are your organization's highest priorities?



Survey participants provided their associations' retention rates, and the majority (60%) fell between 80% and 94%. Twelve percent of respondents indicate having a retention rate of 95% or greater, while just 7% are below 70%.

TABLE 6-B

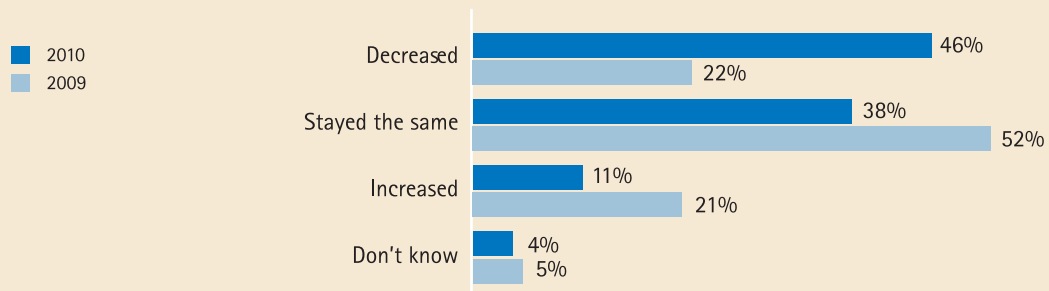
What is your current membership retention rate?



Total Responses: 2010: 301
2009: 256

TABLE 6-C

Over the past 12 months, has your retention rate:



Total Responses: 2010: 301
2009: 258

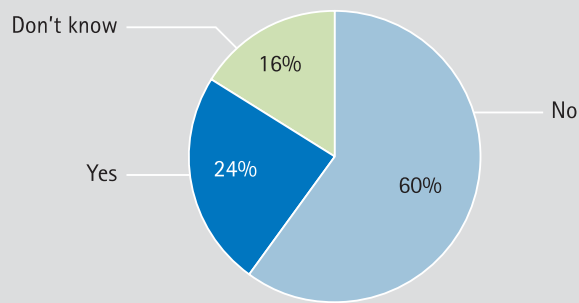
Key Finding #7

Less than one-quarter of associations plan to add staff in 2010.

According to the data, 24% of associations polled plan to add staff in 2010, while 60% suggest they will not be adding staff (16% answered "Don't know"). The most common areas where these staff members will be added are Education/Professional Development, Marketing, Membership, Communications and Meetings/Expositions.

TABLE 7-A

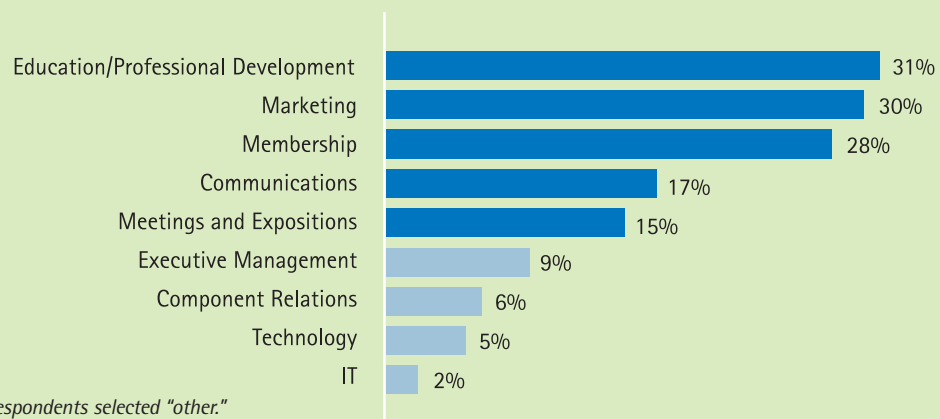
Does your association plan to add staff in 2010?



Total Responses: 334

TABLE 7-B

In which of the following areas does your association plan to add staff in 2010? Select all that apply.



Total Responses: 81

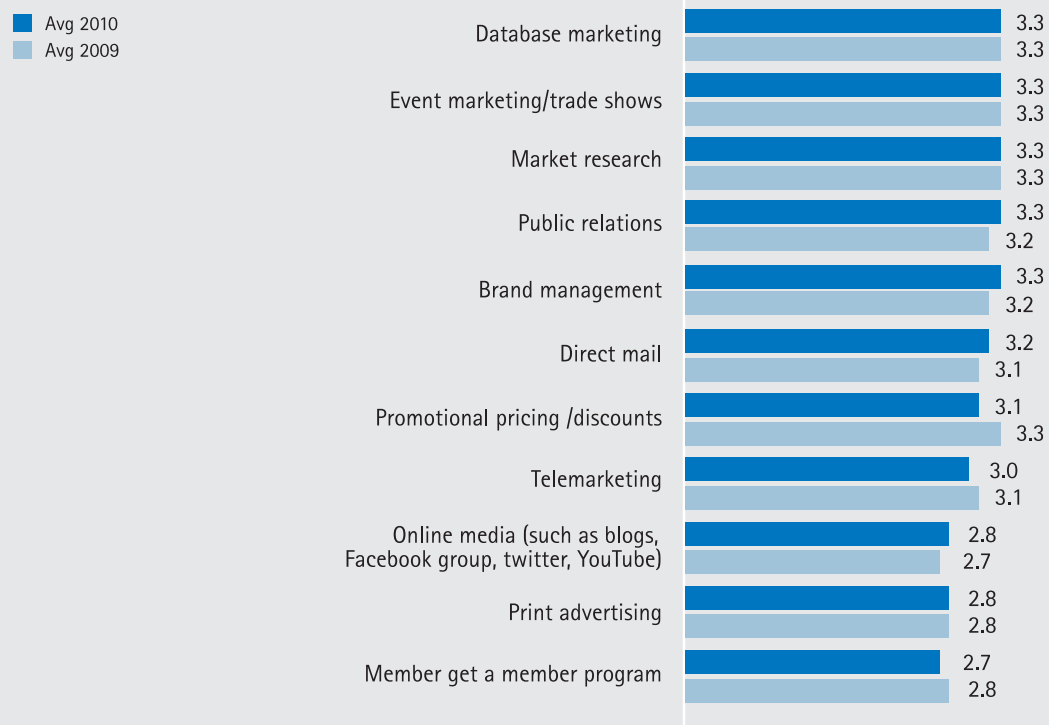
Key Finding #8

Targeted marketing efforts are the most effective tactics, according to the data.

As in 2009, database marketing, event marketing/trade shows and market research are the most effective tactics to accomplish association goals, while online media, print advertising and member-get-a-member programs were cited as least effective.

TABLE 8

How effective were each of the following methods in helping your association achieve its goals?



Average response rated on a 5-point scale (Very effective = 5; Not at all effective = 1)

Key Finding #9

Despite conditions, some areas are seeing slight budget increases, most notably market research, direct mail, trade show attendance/marketing and online advertising.

The overall trends extracted from the survey data indicate rather flat budgets in 2010 with respect to overall marketing expenditures. In most categories, the majority of respondents selected “remain the same” when indicating their anticipated budget situations for 2010 as they compare with 2009. There are some signs; however, to indicate that increases are underway in some of the more targeted areas of marketing such as market research, direct mail, trade show attendance/marketing and online advertising.

TABLE 9

Do you anticipate that your budget for each of the following will increase, decrease or remain the same in 2010?

ITEM	INCREASE		DECREASE	
	2009	2010	2009	2010
Market research	13%	17%	31%	18%
Direct mail	10%	14%	42%	29%
Email communications to members	56%	49%	4%	4%
Print advertising	7%	6%	40%	25%
Trade show attendance / marketing	16%	23%	34%	19%
Web site modifications	61%	62%	7%	6%
Online advertising (Google adwords, banner advertising, online sponsorships)	22%	31%	9%	6%
Social media (blogs, Facebook, Twitter, etc.)	52%	56%	3%	2%
Public relations	30%	26%	9%	7%
Word of mouth marketing	40%	39%	4%	3%
<i>Total Responses: 2010: 316 2009: 258</i>				

Survey participants were asked an open-ended question to determine new marketing initiatives under consideration for 2010. As outlined above in finding #8, participants focused their answers on targeted approaches, including developing specific resources of value for key segments, working with chapters to recruit in key areas and developing a personalized sales approach to membership targets of particular value. Other common answers included new branding campaigns, moving resources of value online and developing strategies around social media.

AdvaMed	American Society of Plastic Surgeons	Canadian Society of Association Executives
Alzheimer's Association	American Society of Radiologic Technologists	CFA Institute
American Academy of Periodontology	American Society of Safety Engineers	College of American Pathologists
American Chemical Society	American Speech-Language-Hearing Association	Community Associations Institute
American Gear Manufacturers Association	American Staffing Association	Credit Union Executives Society
American Group Psychotherapy Association	American Teleservices Association	Delta Kappa Gamma
American Hospital Association	American Urological Association	Entomological Society of America
American Industrial Hygiene Association	American Water Resources Association	Golf Course Superintendents Association of America
American Inns of Court	American Water Works Association	Health Industry Distributors Association
American Library Association	ASPRS	Heart Rhythm Society
American Physical Therapy Association	Association Forum of Chicagoland	IEEE
American Psychological Association	Association of College and Research Libraries	Independent Community Bankers Association
American Public Transportation Association	Association of College Unions International	Independent Lubricant Manufacturers Association
American Society for Nutrition	Association of Governing Boards	Independent Sector
American Society for Quality	Association of the United States Army	Institute of Management Accountants
American Society for Surgery of the Hand	BICSI	Interlocking Concrete Pavement Institute
American Society of Civil Engineers	BoardSource	International Association of Chiefs of Police
American Society of Mechanical Engineers		International Association of Movers

International City/County Management Association	National Association of Independent Schools	Regulatory Affairs Professionals Society
International Code Council	National Association of Insurance and Financial Advisors	Risk and Insurance Management Society, Inc.
International Erosion Control Association	National Association of Manufacturers	Society for Human Resource Management
International Facilities Management Association	National Association of Social Workers	Society for Marketing Professional Services
International Food Information Council	National Association of the Remodeling Industry	Society for Neuroscience
Marble Institute of America	National Business Incubation Association	Society for the Advancement of Material and Process Engineering
Medical Group Management Association	National Fire Protection Association	Society of Hospital Medicine
Missouri State Teachers Association	National Investor Relations Institute	Society of Manufacturing Engineers
The Morton Arboretum	New Jersey Society of Certified Public Accountants	Solar Electric Power Association
National Association for Campus Activities	North Carolina Nurses Association	Special Libraries Association
National Association for Retail Marketing Services	Oncology Nursing Society	Sporting Goods Manufacturers Association
National Association of Chemical Distributors	Pennsylvania Institute of Certified Public Accountants	The Endocrine Society
National Association of Children's Hospitals and Related Institutions	Print Services and Distribution Association	The Geological Society of America
National Association of City and County Health Officials	Produce Marketing Association	The Ohio Society of CPAs
National Association of Counties	Professional Association of Innkeepers International	Visiting Nurse Associations of America
National Association of Home Builders	Project Management Institute	Women in Cable Telecommunications



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