

2009 Mid-Year Economic Impact on Associations:

A Benchmarking Report on Association Priorities,
Challenges and Strategies for 2009



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Dear Colleagues:

McKinley Marketing is pleased to publish this report, the second in a series of benchmarking studies that examines the key challenges association professionals are facing during this recession and the strategies and tactics they are finding to be most successful.

This report is based on the responses of association executives representing more than 250 associations who generously shared their concerns, past experiences and future plans.

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.

Best regards,



Jodie Slaughter
President &
Founding Partner



Jay Younger
Managing Partner &
Chief Consultant



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Managing Director
Chicago Office

Introduction

Jim Collins, author of *Good to Great* and *Built to Last* once said, "Greatness is not a function of circumstance. Greatness is largely a matter of conscious choice, and discipline." In other words, great leaders are those who are able to make bold decisions, even when faced with challenging circumstances. In today's dynamic economic environment, tough decisions are being made every day. Many association executives find themselves struggling to find the answers to questions such as:

- > Should we reduce marketing in order to cut costs and save money?
- > How can we improve the ROI of our current marketing efforts?
- > Can we continue to succeed if we have to reduce staff, salaries, or keep open positions unfilled?
- > What should we outsource?
- > Should we consider putting new products on hold, or should we take this time to improve and invest?

As 2008 drew to a close and economic conditions worsened, the need for actionable insights on the effective practices of other association professionals became particularly acute. Recognizing the need for empirical data on these topics, McKinley Marketing (McKinley) developed a study to gather and disseminate important data association executives can use to share and compare their concerns for 2009.

Results from the first study, released in January 2009 showed that association professionals expected to see budget cuts, a reduction in staff and declining revenue streams. Many survey participants identified membership retention as a top priority followed closely by new member acquisition and increasing brand awareness.

While optimism was in short supply, many expressed an interest in exploring new strategies and tactics to reach their primary goals.

The following analysis provides you with important benchmarking data regarding the impact of the current economic situation and the response by your colleagues in the association industry.

If you wish to participate in future benchmarking studies, please contact Sheri Jacobs, CAE at sjacobs@mckinleymarketing.com

About McKinley Marketing

McKinley Marketing is a consulting firm dedicated to supporting associations as they address their most critical challenges. We employ a unique mixture of strategic thinking, tactical support, and practical solutions that associations need to retain and renew members, develop new streams of income, meet financial goals, and remain relevant and competitive in their respective markets. We are well-suited to help associations tackle their most pressing challenges, particularly in the following areas: member and market research, strategy, membership recruitment and retention, marketing and communications, planning and facilitation and organizational development.

Our well-honed methods and innovative techniques have evolved over decades of working in, for and around associations. Collectively, we have surveyed and interviewed more than 1 million individuals worldwide in numerous industries including health-care, education, science, engineering, arts, finance, accounting, technology, manufacturing, legal, marketing and association management.

With offices in Washington, D.C. and Chicago, the leadership at McKinley Marketing is active in ASAE & The Center and the Association Forum of Chicagoland. With a proven track record, McKinley's consultants have backgrounds that include tenures in association management, membership, market research, branding and organizational development. For further information about McKinley, please visit www.mckinleymarketing.com or call (202) 333-6250 x301 in Washington, D.C. or (847) 236-1915 in Chicago.

Survey Method

McKinley developed an online survey that was completed by more than 250 organizations within the association community.

Survey participants were comprised of executives representing a variety of segments within the association industry.

- > 86% were director level and above

The top areas of responsibility included the following:

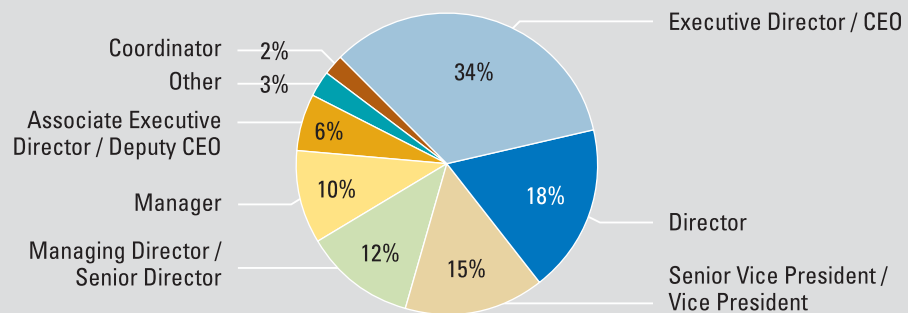
- > 55% in membership
- > 46% in executive management
- > 40% in marketing
- > 27% in communications
- > 25% in meetings and expositions
- > 19% in education and professional development
- > 17% in component relations

Organizations

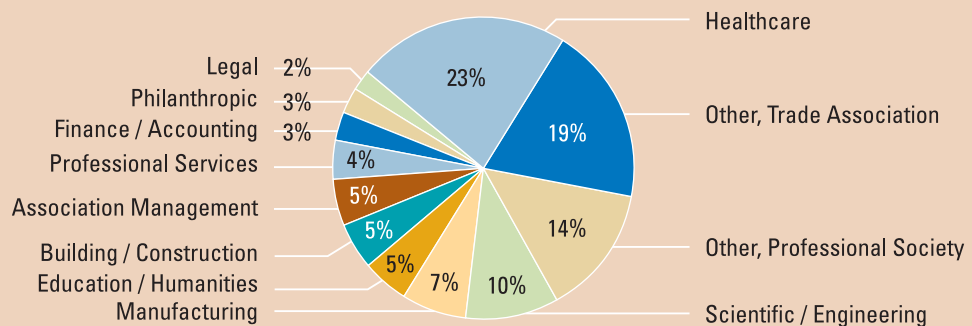
Slightly more than 22% of the survey respondents represented healthcare organizations. Scientific and engineering associations accounted for another 10%. The balance represented a variety of industries, including manufacturing, education, humanities, finance, accounting, legal, building and construction, association management, philanthropic and retail.

TITLE OF SURVEY PARTICIPANTS

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

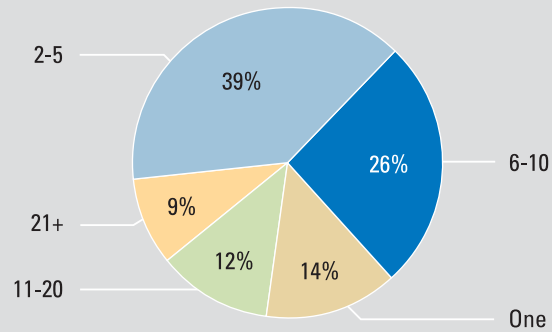


Total responses to this question: 222



STAFF COUNT

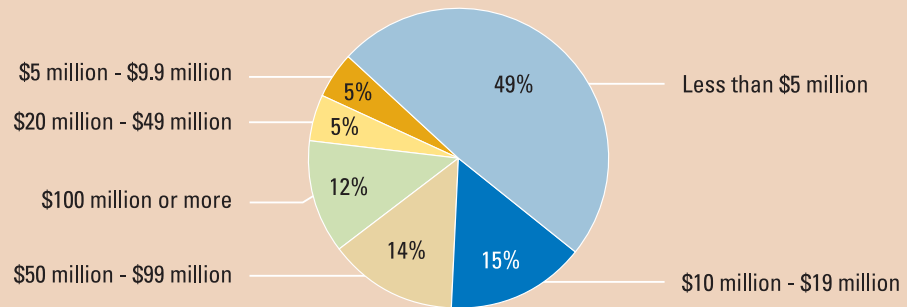
How many full time staff work in your department?



Total responses to this question: 215

ORGANIZATIONAL BUDGET

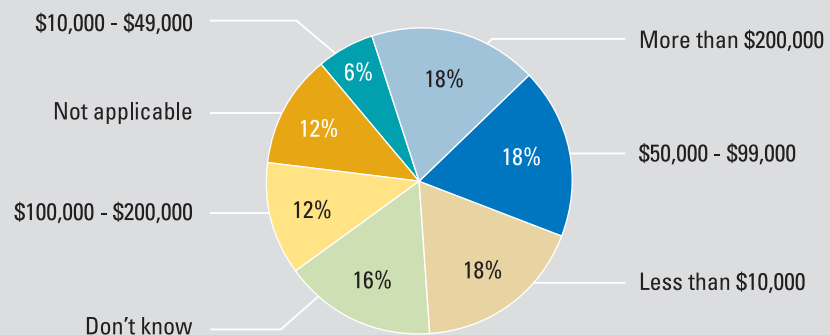
What is your organization's annual operating budget?



Total responses to this question: 217

MARKETING BUDGET

What is your department's marketing budget?



Total responses to this question: 215

Key Finding #1

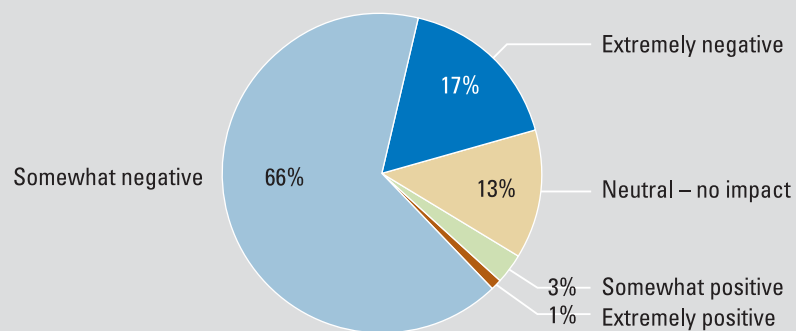
Association executives continue to feel the dramatic effects of the recession, as more than 80% state that current economic conditions have had an extremely or somewhat negative impact on their ability to achieve their goals in 2009.

It should come as no surprise that the current downturn in the economy is influencing most associations. In fact, many survey participants noted that the recession has directly impacted their ability to attract individuals to their education programs, recruit new members and retain existing ones. In one case, a survey participant noted that their members are experiencing a 40-50% decrease in business. Other factors that have contributed to the negative impact include:

- > Cuts in state budgets
- > Loss of jobs in the market, massive layoffs within the industry
- > Consolidation in the industry
- > Lower reported sales volume which drives the amount of dues to be paid
- > Members' employers going out of business
- > Lack of available credit to wholesalers and retailers
- > Aging of members and people changing careers

TABLE 1

What impact have current economic conditions had on your ability to achieve your goals this year?



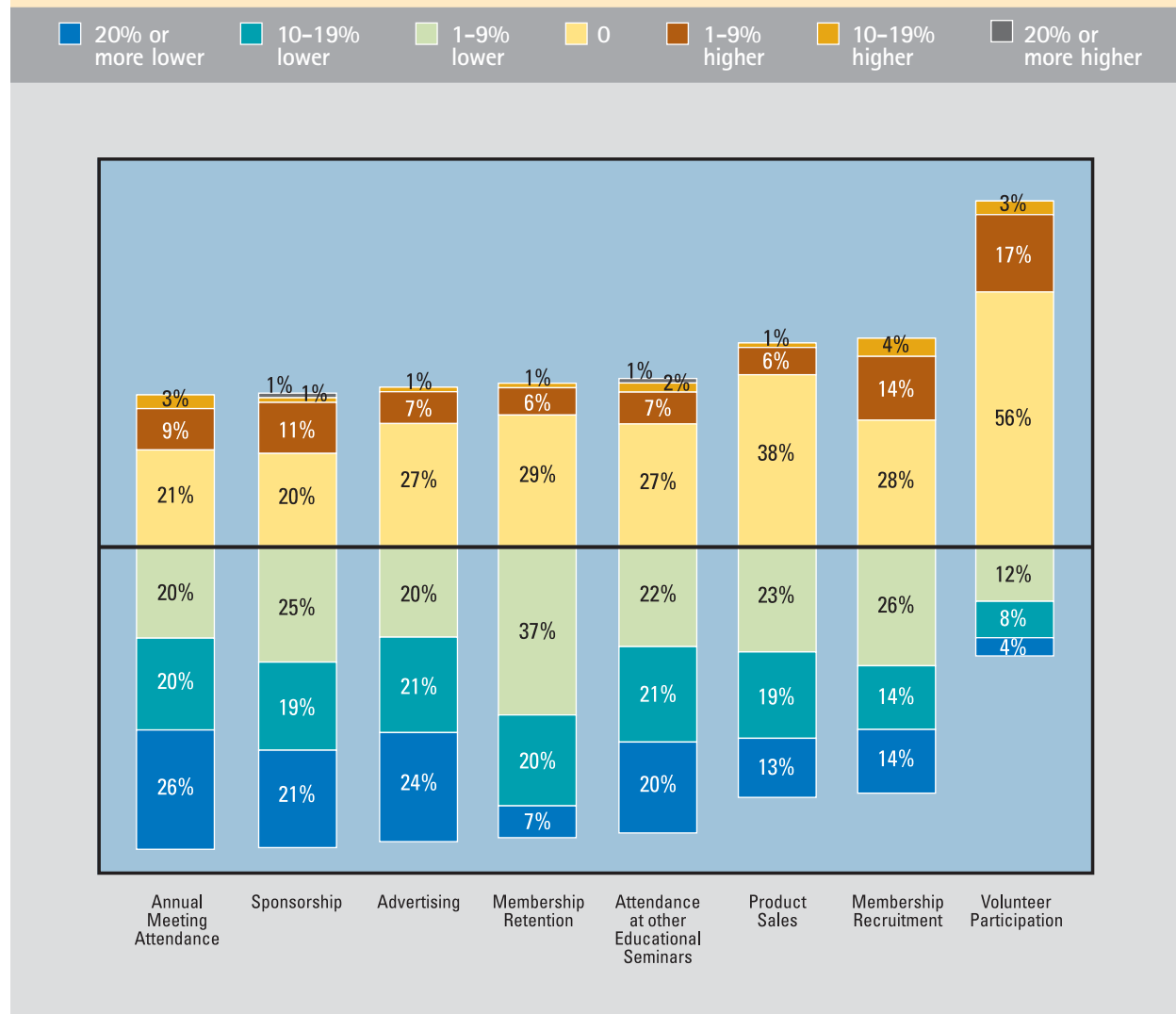
Total responses to this question: 244

Key Finding #2

Annual meeting attendance, advertising and sponsorship have been hit the hardest by current economic conditions.

Although the top three priorities cited by survey participants in the January study focused on membership [improving member retention (50%), new member acquisition (41%) and branding/increasing awareness (36%)] many association executives report that the recession's biggest impact is around their ability to meet their annual meeting and professional development goals. About two-thirds of survey participants report a decrease in Annual Meeting registrations with slightly more than 26% seeing attendance drop off by 20% or more in 2009.

TABLE 2
2009 Key Association Business Lines



Key Finding #3

More than half of the survey respondents reported a decrease in member retention in 2009 with less than 10% reporting an increase and 29% reporting that it remained the same.

In January, membership retention was a top priority for 50% of survey respondents. Six months later, more than 60% of association executives reported that membership retention has declined as a result of the recession. Although many respondents stated in the January study that they would increase their focus on member-centric activities, nearly a third (27%) of respondents report that they are experiencing a decrease in member retention of 10% or more.

The 7% of associations that are experiencing an increase in member retention primarily attributed it to increased efforts by the association to demonstrate the value of membership during challenging economic times. Specific efforts used by associations reporting an increase include:

- > Increased brand recognition
- > Low dues rates combined with an increased need for information by the members
- > Increased need for networking, camaraderie and business development.
- > Personal follow up calls to lapsed members by volunteers
- > New marketing staff who have focused their efforts on retention

(REFER TO TABLE 2 ON PAGE 7)

Key Finding #4

Association budget cuts, modifications to staff salaries and functions, and a reduction in association programming were taking place to some degree at the end of 2008. But by mid-2009, these cutbacks are significantly more pervasive.

Associations have acted quickly to adapt to losses in operating revenue and reserve portfolios. Budget cuts, which were widely anticipated in the January study, have been nearly universal, as 85% of respondents say that they have reduced budgets as a result of economic conditions. Staffing and compensation changes have been more wide-spread than expected, with approximately half of the respondents freezing salary and hiring and nearly one-third experiencing layoffs.

TABLE 4
What do you expect to happen at your association in 2009 as a result of current economic conditions?

ITEM	(SURVEY RESULTS, DECEMBER 2008)			(SURVEY RESULTS, JUNE 2009)
	IS HAPPENING NOW	DEFINITELY WILL HAPPEN	PROBABLY WILL HAPPEN	IS HAPPENING NOW
Budget cuts	35%	18%	31%	86%
Freeze on salary increases	11%	7%	25%	55%
Hiring freeze	25%	11%	21%	50%
Reduction of programs and services	8%	9%	28%	38%
Change in investment strategy	16%	12%	22%	32%
Layoffs / eliminate positions	8%	4%	14%	30%
Staff reorganization	11%	4%	20%	32%
Outsourcing of staff functions	5%	5%	15%	13%
<i>Total responses to this question:</i>	283			211

Key Finding #5

Promotional pricing/discounts, public relations and direct mail were cited as the most effective methods for achieving association goals in 2009.

Association executives are finding success through creative approaches to promoting their benefits. Some executives report that bundling various offerings helped increase sales while others found success in creating a la carte offerings at their meetings. Other tactics that are proving to be successful include:

Pricing/Discounts

- > Offering quarterly dues payment
- > Promoting a "dues relief" program
- > Discounting registration rates to their annual meeting
- > Early, early bird registrations with increased incentives
- > "Two for one" dues payments
- > Local resident discounts to the annual meeting
- > Increasing travel grants for members to attend conferences
- > Providing free conference registration when attendees pay travel expenses and stay at HQ hotels
- > Offering conference attendees a payment plan

Public Relations

- > Increasing advocacy efforts in light of healthcare reform efforts underway
- > Creating consistency in the promotion of value through several different mediums

Direct Marketing

- > Increased coordination of direct mail, email and telemarketing with a more personal message used in each channel
- > Increasing testimonials throughout marketing efforts

(REFER TO TABLE 6 ON PAGE 11)

Key Finding #6

Association executives report better results from online media when compared to responses in the December 2008 survey.

The previous study showed that association executives were eager to increase their online media efforts, as most associations had not yet seen the desired results. In the June 2009 survey, online media was cited as effective or very effective (top two boxes) by 20% of respondents. Another 29% reported online media to be moderately effective (3 rating), an increase from the December 2008 study. Some of the tactics being used by survey respondents include:

- > Setting up social Networking sites such as a group on LinkedIn and Facebook
- > Using blogs to promote education
- > Text emails from members to members resulting in a better click-through rate
- > Pay per click advertising (Google Ad words)
- > Promoting conference specifics on Twitter
- > Search Engine Optimization
- > Free webinars and virtual professional events
- > Increasing the number and quality of email blasts
- > Revamping Web site
- > PURL campaigns

TABLE 6

How effective are each of the following methods in helping your association achieve its goals this year?

ITEM	5 (VERY EFFECTIVE)	4	3	2	1 (NOT AT ALL EFFECTIVE)	NA	MEAN
Public relations	9%	26%	31%	12%	6%	16%	2.7
Promotional pricing /discounts	8%	27%	27%	18%	6%	14%	2.7
Direct mail	8%	23%	32%	19%	9%	10%	2.7
Brand management	6%	22%	30%	12%	5%	24%	2.4
Event marketing/trade shows	6%	19%	30%	19%	8%	18%	2.4
Database marketing	6%	24%	23%	14%	5%	27%	2.3
Market research	6%	20%	30%	11%	4%	29%	2.3
Online media (such as blogs, Facebook group, twitter, YouTube)	4%	16%	29%	20%	9%	21%	2.2
Print advertising	3%	10%	35%	24%	9%	19%	2.2
Telemarketing	9%	17%	15%	11%	6%	42%	1.9
Member get a member program	5%	10%	16%	18%	14%	36%	1.7

Total Responses: 225

Key Finding #7

Associations are employing a range of innovative marketing approaches to respond to the current economic climate and the challenges it is creating at their organizations.

From increased staff outreach to members, to engaging volunteer leaders in their marketing tactics, associations are facing today's challenges with new strategies and tactics in hopes of turning the tide.

Many association executives are reporting positive results from increased personal touch such as phone calls and personalized mailings. For example, one association executive stated "We have literally had to renew and recruit members one at a time. We have added many personal contact efforts in addition to our regular telemarketing. This year, we have used the President, the Board of Directors, the Executive Committee, committee staff liaisons and current members who have relationships with specific members and prospects to encourage companies to renew or join."

Another approach cited by an association executive was to use this opportunity to increase their efforts to create additional member value and loyalty. According to this respondent, "We are spending \$25 million dollars [from reserves] in free education courses, education conferences, products, services and programs for our members who have suffered tremendously in the housing market downturn." The respondent added that members are thrilled to receive the free education, tools and programs that can help them get back on their feet.

Key Finding #8

Association executives experiencing a positive or neutral impact as a result of current economic conditions do not belong to any single demographic area such as industry, size or type of member.

Although there are many anecdotal stories of how the current recession has been particularly difficult for some industries while others may be benefiting from new stimulus packages, the study shows that associations from all industries, regardless of size or member type are feeling the impact in 2009. In fact, 83% of those surveyed believe the economy will have an extremely or somewhat negative impact on their ability to achieve their goals. Once again, the organizations that believe the current economic conditions will have a positive impact on their association were spread across numerous industries and organizational sizes.

Key Finding #9

Associations with a positive outlook on the economy are more likely to increase or maintain their marketing and communication efforts.

While a majority of respondents have seen budget cuts, organizations with a positive outlook are more likely to increase or maintain their budget for marketing efforts such as market research, direct mail, and trade show promotions. Similarly, the organizations with a positive outlook also report that direct mail is a much more effective tactic in achieving their goals than any other marketing channel.

TABLE 9

Has your budget for the following activities increased, decreased or remained the same in 2009?

ITEM	INCREASED	DECREASED	REMAINED THE SAME	DON'T KNOW
Web site modifications	60%	11%	29%	0%
Email communications to members	49%	9%	43%	0%
Social media (blogs, Facebook, YouTube)	46%	9%	37%	9%
Word of mouth marketing	31%	9%	40%	20%
Online advertising (Google adwords, banner advertising, online sponsorships)	29%	9%	44%	18%
Direct mail	26%	20%	49%	6%
Public relations	29%	14%	43%	14%
Trade show attendance / marketing	26%	31%	34%	9%
Market research	14%	11%	66%	9%
Print advertising	11%	34%	51%	3%

Total Responses: 35

AACE International	American Industrial Hygiene Association	Association for Education and Rehabilitation of the Blind and Visually Impaired
AAUW	American Inns of Court Foundation	Association for Manufacturing Excellence
Academy of General Dentistry	American Institute of Chemical Engineers	Association for Women in Science
Advanced Medical Technology Association	American Library Association	Association Forum of Chicagoland
Air Movement & Control Association International	American Medical Association	Association Management & Marketing Resources
Allergy & Asthma Network	American Medical Association Foundation	Association of College & University Housing Officers—International
Mothers of Asthmatics	American Physical Therapy Association	Association of Collegiate Conference and Events Directors—International
American Soc of Radiologic Technologists	American Society for Blood and Marrow Transplantation	Association of Community Cancer Centers
American Academy of Allergy, Asthma & Immunology	American Society for Clinical Pathology	Association of Corporate Counsel
American Academy of Dermatology	American Society for Clinical Pharmacology and Therapeutics	Association of Fundraising Professionals
American Academy of Diabetes Educators	American Society for Photogrammetry and Remote Sensing	Association of Rehabilitation Nurses
American Academy of Hospice and Palliative Medicine	American Society for Quality	National Organization for Continuing Education of Roman Catholic Clergy
American Academy of Pediatrics	American Society for Surgery of the Hand	Automotive Aftermarket Industry Association
American Academy of Periodontology	American Society of Mechanical Engineers	Automotive Service Association
American Academy of Physical Medicine and Rehabilitation	American Society of Safety Engineers	BOMA/Suburban Chicago
American Alliance for Health, Physical Education, Recreation and Dance	American Staffing Association	Building Owners and Managers of Atlanta
American Architectural Manufacturers Association	American Student Dental Association	Business and Professional Women's Foundation
American Association of Airport Executives	American Teleservices Association	California Clubs of Distinction
American Brush Manufacturers Association	American Theological Library Association	Casket & Funeral Supply Association of America
American College of Cardiology	American Water Resources Association	CCIM Institute
American College of Foot and Ankle Surgeons	APICS	College of American Pathologists
American Craft Council	ASAE & The Center for Association Leadership	COMMON – A Users group
American Dental Hygienists Association	ASPEN	Community Associations Institute – Orange County
American Group Psychotherapy Association	Associaiton Management Center	Concrete Reinforcing Steel Institute
American Health Care Association	Association Connecting Electronics Industries	
American Hospital Association		

Construction Management Association of America	International Erosion Control Association	Oncology Nursing Society
Council of Residential Specialists	International Publishing Management Association	Organic Trade Association
Easter Seals, Inc.	International Reprographic Association	Pennsylvania Dental Association
Entomological Society of America	International Order of the Golden Rule	Produce Marketing Association
Environmental Solutions Association	Kappa Delta Pi	Professional Association of Colorado Educators
Equipment Leasing and Finance Association	Kitchen Cabinet Manufactures Association	Promotional Products Association International
Exit Planning Institute	Legal Marketing Association	Public Relations Society of America
Financial & Insurance Conference Planners	Marble Institute of America	Salt Institute
Geological Society of America	Material Handling Equipment Distributors Association	Selected Independent Funeral Homes
Health Information & Management Systems Society	Metals Service Center Institute	Self Storage Association
Heart Rhythm Society	National Association for Retail Marketing Services - Int'l	SIGMA
Home Care Alliance of MA	National Association for the Education of Young Children	Society for College & University Planning
Human Resources Management Association of Chicago	National Association of Hose & Accessories Distribution	Society for Healthcare Strategy and Market Development
Hydraulic Institute	National Association of Realtors	Society for Marketing Professional Services
Illinois Section American Water Works Association	National Association of Tax Professionals	Society for Neuroscience
Independent Community Bankers of America	National Association of the Remodeling Industry	Society for Vascular Surgery
Independent Cosmetic Manufacturers and Distributors	National Association of Theatre Owners	South Florida Hospital & Healthcare Association
Independent Insurance Agents of Virginia	National Club Association	Special Libraries Association
Independent Sector	National Funeral Directors Association	Specialty Equipment Market Association
Industrial Supply Association	National Institute of Pension Administrators	The Aluminum Association
Institute for Supply Management	National Kitchen and Bath Association	The Endocrine Society
Institute of Management Accountants	National Marine Manufacturers Association	The ESOP Association
Institute of Real Estate Management	National Middle School Association	The Ohio Society of CPAs
Insulating Concrete Form Association	NATSO, Inc.	The Wildlife Society
International Association of Diecutting and Diemaking	Northeastern Illinois Public Safety Training Academy	Tree Care Industry Association
International Bottled Water Association		Urgent Care Association of America
International Business Brokers Association		Valley Industrial Association
		Virginia Association of Realtors
		Visiting Nurse Associations of America (VNAA)
		Water Quality Association



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