2011 Economic Impact on Associations:

A Benchmarking Report on Priorities, Challenges and Strategies for 2011

LOOK : LEARN : PLAN : DELIVER

McKINLEY MARKETING, INC.
TRUSTED ASSOCIATION ADVISORS

mckinleymarketing.com

McKINLEY MARKETING, INC.
TRUSTED ASSOCIATION ADVISORS

February 2011

Dear Colleagues:

McKinley's 2011 Economic Impact on Associations (EIA) Study marks the fourth installment of our series which examines the impact of economic conditions on our sector. The report provides insight on how the reality of 2010 compared to expectations, measures the impact and effectiveness of various marketing techniques and gauges perceptions of the year to come.

The EIA Study is based on the responses of close to 300 participating association executives who generously shared their time and responses. This year we are able to provide an important historical perspective, as most of the results include three years of trend data. Without any significant changes in the demographic makeup of the respondents, the 2011 EIA Study shows marked improvements along almost every major economic indicator. Indeed, we are pleased to report that it appears that the association community has turned a corner on the road to recovery.

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, wish to discuss the data in more detail or would like to arrange for a presentation of the data for your senior staff or board of directors. Best wishes for a prosperous 2011.

Best regards,

Jodie Slaughter President & Founding Partner	Jay Younger Managing Partner & Chief Consultant	Shelley Sanner, CAE Managing Consultant

Introduction

In early 2009, McKinley Marketing (McKinley) developed the first in a series of research studies designed to examine how associations were dealing with a dramatically changed economic landscape. McKinley's first Economic Impact on Associations (EIA) Study indicated that association executives were taking drastic measures to reduce operating expenses and were apprehensive about the looming impact of economic conditions on membership, meeting attendance and other revenue generating programs. Bugdet cuts, layoffs, salary freezes and other cost-savings measures were wide spread, and the sentiment for the coming year was decidedly negative.

As the pace of economic decline moderated, associations became somewhat more optimistic about the outlook for the coming year. Highlights from McKinley's second EIA Study, published in February of 2010 included the following key findings:

> For many participants, the impact of the recession in 2009 was not as bad as expected. Going into 2009, 82% of respondents expected that the economy would have an extremely or somewhat negative impact on their ability to achieve their goals in the coming year. However, when asked to look back on 2009, 37% of respondents felt that actual results were about what was expected while 35% said that results were not as bad as anticipated.

> Participants were more optimistic about the outlook for 2010, represented by a 15% drop in the percentage of respondents who thought the economy would negatively impact their activities (82% in 2009 vs. 67% in 2010). Similarly, a small minority (13%) felt that the economy would have a positive effect on their ability to meet their goals in the coming year.

> 42% of respondents accessed reserves in 2009, with roughly equal percentages using the funds to cover operating expenses and invest in new initiatives.

> Despite the negative impact of economic conditions, nearly half of participating associations were trending upward in terms of membership over the past 5 years.

As 2010 drew to a close, McKinley again invited participation from the association community on these important questions to establish a longitudinal picture of the ongoing economic climate. McKinley now presents the fourth installment of the EIA series which includes three full years of trending data on many questions.

Survey Method

McKinley developed and deployed an online survey to measure key data in the EIA Study. The survey was launched on December 3, 2010 and remained open until January 7, 2011 and received responses from 281 organizations, representing a broad spectrum of the association community. It is worth noting that the personal and organizational characteristics of EIA respondents (e.g., budget size, sector, job responsibilities, organizational role, etc.) have remained extraordinarily consistent over the three year horizon of these studies.

If you wish to participate in future benchmarking studies or would like to arrange for a presentation of the EIA results to your senior staff or board of directors, please contact Shelley Sanner at ssanner@mckinleymarketing.com.

Organizations

Fifty-five percent of respondents represent professional societies (consisting mostly of individual members), 30% are from trade associations, 12% from a "hybrid," 2% from philanthropic or cause-related and 2% describe their association as "other."

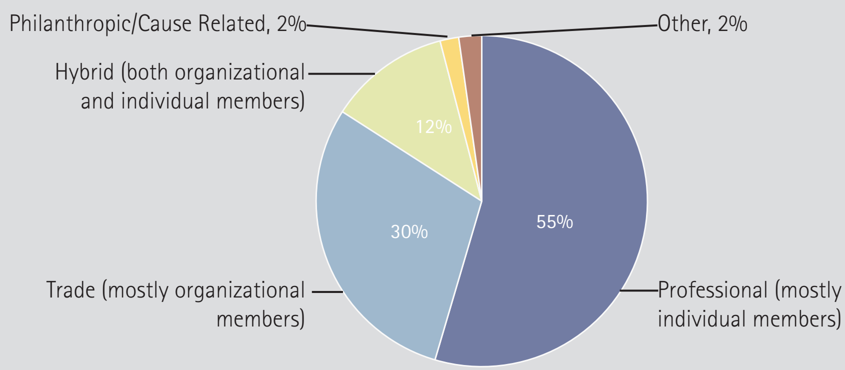
One quarter (25%) of the survey respondents represent healthcare organizations, while 12% describe their organizations as education and humanities. Scientific and engineering associations account for 10% of respondents. The balance represents a variety of industries, including manufacturing, finance/accounting, professional services, building/construction, legal, association management and the food industry.

The number of senior executives who responded to the survey trended upwards in 2011, with 92% holding a director level position or higher (an increase of 4% over the 2010 survey). The remaining participants reflect the breadth of the profession and represent a variety of responsibilities.

Fifty-seven percent of survey participants represent organizations whose annual operating budgets are less than $10 million, while 9% have budgets of over $50 million.

TABLE A

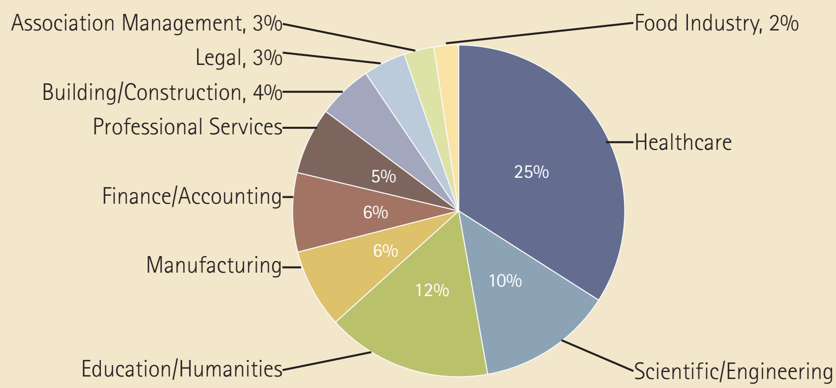
Which of the following best describes the organization you work for?



Total Responses: 224

TABLE B

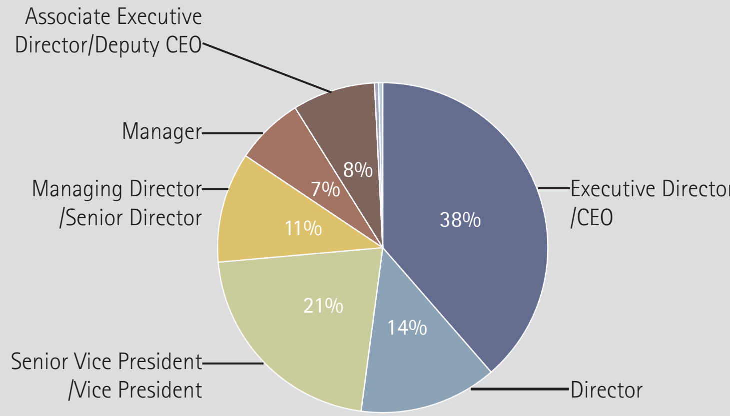
What field/industry does your association represent?



Total Responses: 224

TABLE C

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



Total Responses: 228

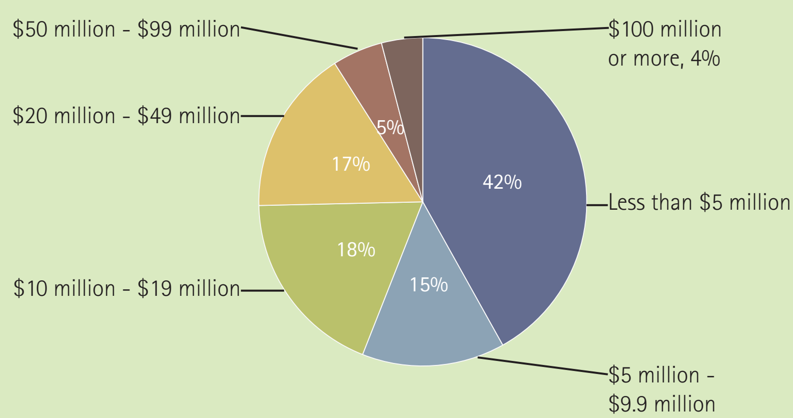
TABLE D

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

Total Responses: 493

TABLE E

What is your organization's annual operating budget?



Total Responses: 224

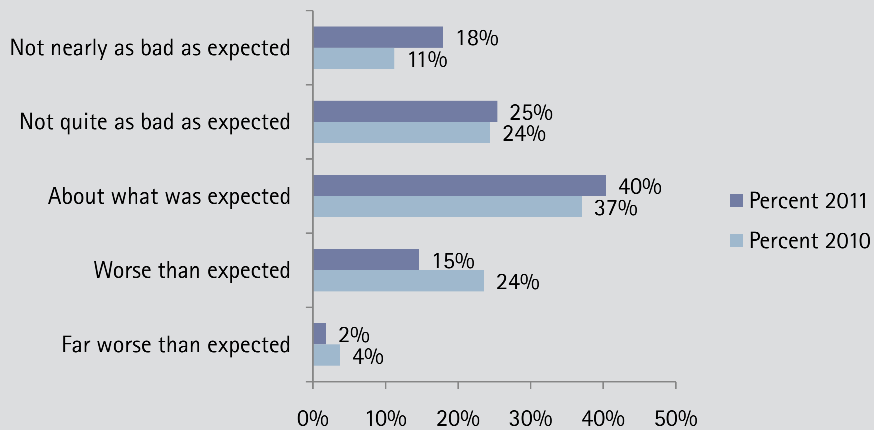
Key Finding #1

The survey shows a major shift in the perceived impact of the recession.

Despite the once bleak economic outlook, respondents show a significant shift in perception with 11% fewer respondents categorizing the economic impact on their associations as "worse than" or "far worse than" expected (17% today versus 28% in 2010). Similarly, 8% more respondents describe the impact as "not nearly" or "not quite" as bad as expected.

TABLE 1

Looking back on 2010, what was the impact of economic conditions on your association?



Total Responses: 281

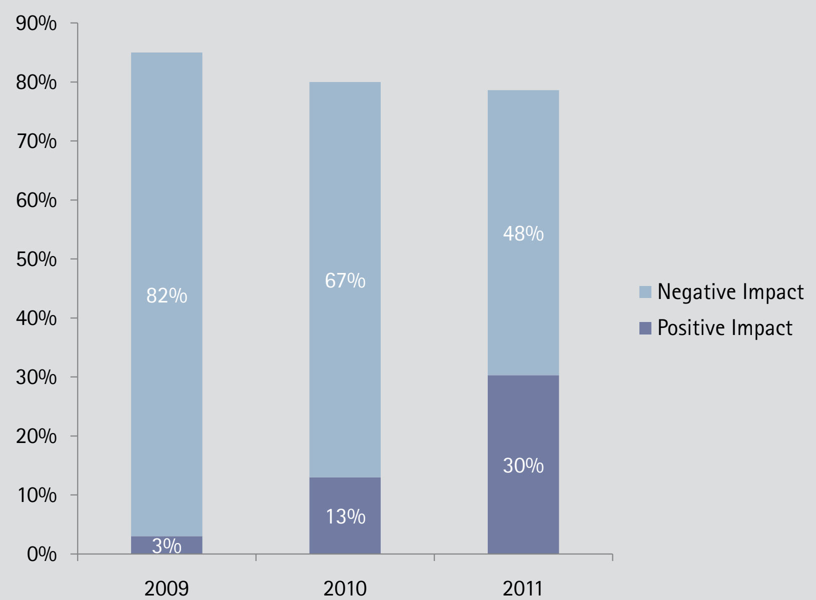
Key Finding #2

Respondents are looking ahead with optimism.

Major shifts occurred in the perceptions of the economic impact on 2011 goals. The percentage of participants reporting that economic conditions would have a "somewhat positive" or "extremely positive" impact on their goals in 2011 is ten times what it was in 2009 and more than double what it was in 2010.

TABLE 2

What impact will economic conditions have on your ability to achieve your goals in 2011?



Total Responses: 239

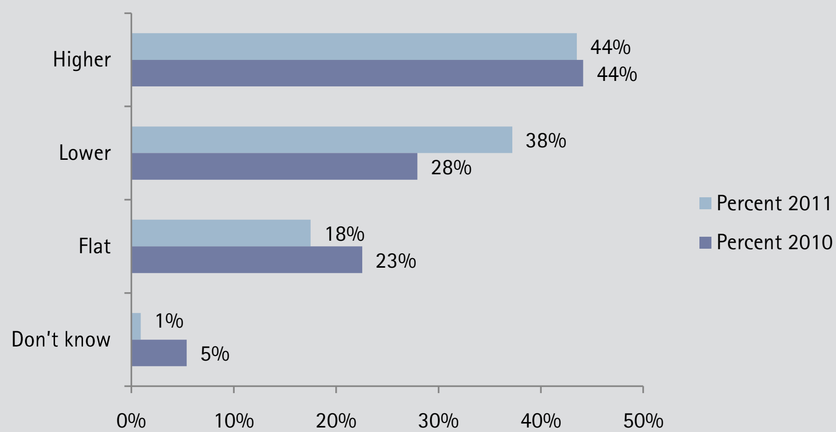
Key Finding #3

While major economic indicators point to a nascent recovery, this year's five-year membership trends clearly show the impact of the recession.

As in 2010, McKinley again asked survey respondents to report on their five-year membership trends. Thirty-eight percent of respondents describe their five-year historical membership trend as "lower." This increase of 10% over the 2010 results underscores the ongoing membership challenge that many associations face. While the economy may be improving, the reverberations of its impact may be seen for some time as membership tends to lag other indicators of economic recovery.

TABLE 3

Is the annualized trend in full, paid memberships for your association over the past 5 years (since January 1, 2006):



Total Responses: 234

Key Finding #4

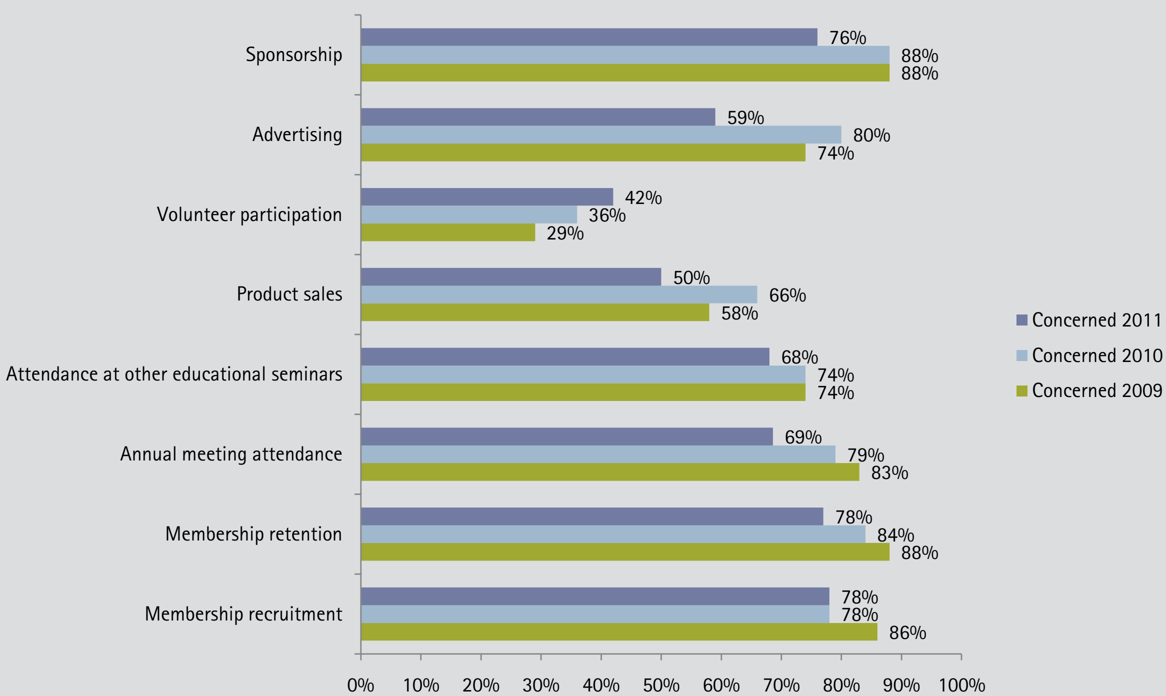
Despite continued concerns, levels across almost all core association business lines have dropped dramatically.

In less than a year, survey participants are reporting a dramatic decrease in concern for their core business lines. Advertising shows the most notable drop at 21%, while four other areas also decreased in concern by 6% to 16%. These shifts point to strong optimism and genuine recovery from what has been a very challenging time for many associations.

While all signs point to more financial stability for associations in the coming year, the pace of improvement is mixed. Sponsorship saw a 12% decline in concern – a healthy improvement, but a much smaller shift than the 21% reported for advertising. Likewise, retention dropped by 6% in concern, while recruitment held flat from 2010 to today. Even more important to note is the continued increase in concern in volunteer participation (29% in 2009, 36% in 2010, and 42% in 2011).

TABLE 4

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



Total Responses: 2011: 237
2010: 340
2009: 283

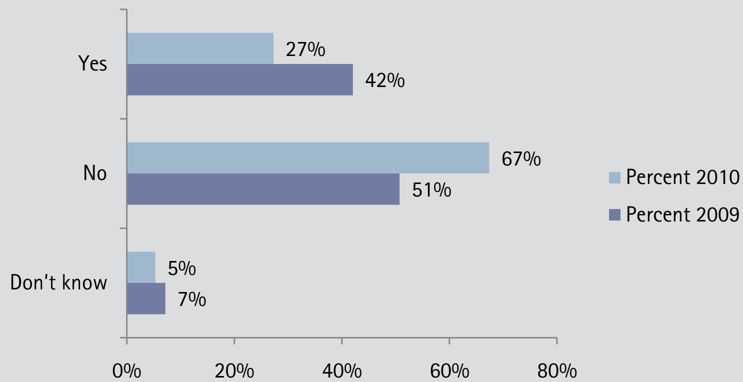
Key Finding #5

The financial health of most associations is on the rebound.

Fewer associations are tapping into reserves and, when doing so, a greater percentage of them are investing in new initiatives (rather than covering core operating expenses). This suggests a more financially healthy landscape and outlook for associations.

TABLE 5

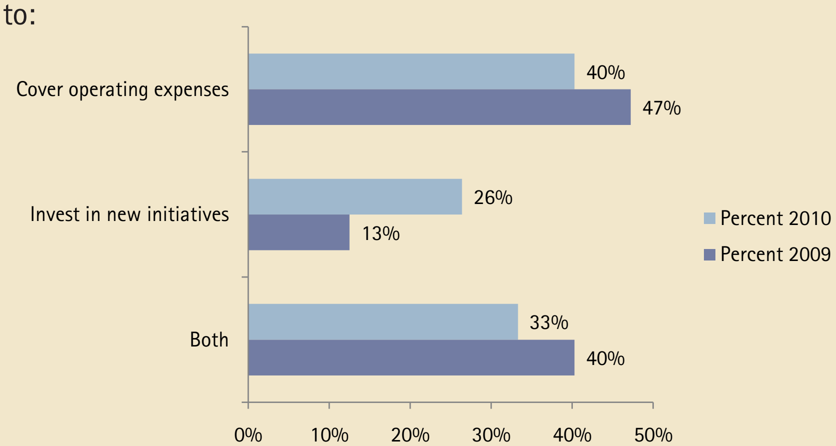
Did your organization access reserve funds in 2010?



Total Responses: 282

TABLE 6

Was the reserve funding used to:



Total Responses: 72

Key Finding #6

Associations are showing strong budgetary outlooks with austerity measures down across all major indicators.

The survey points to a remarkable decrease in anticipated reductions and freezes. Four of the eight areas dropped by more than 25%, including budget cuts, salary and hiring freezes and reduction of programs and services. *(See chart on next page.)*

TABLE 7

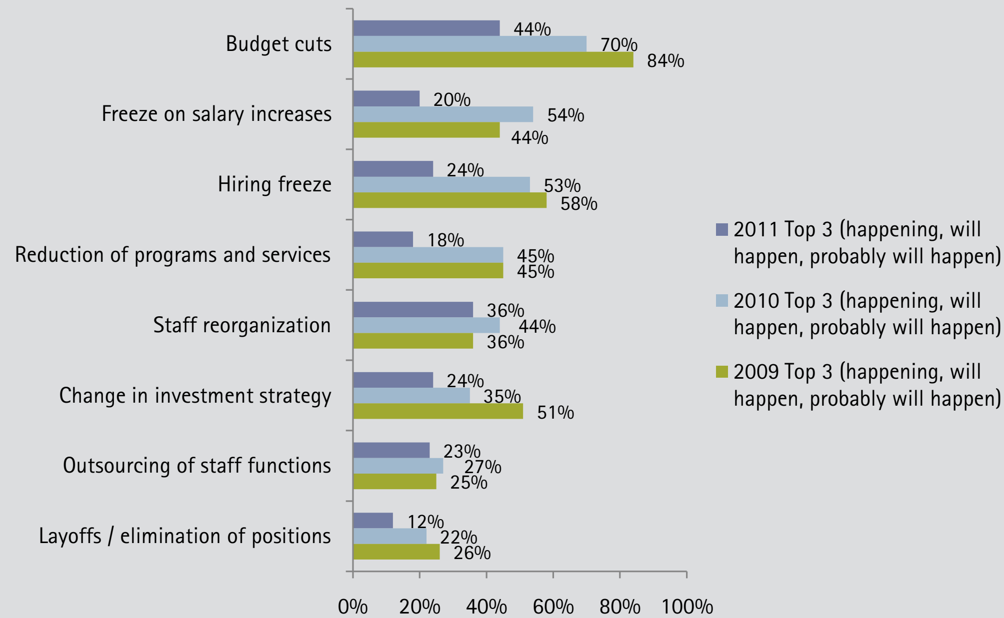
What do you expect to happen at your association in 2011 as a result of current economic conditions?

	IS HAPPENING NOW	DEFINITELY WILL HAPPEN	PROBABLY WILL HAPPEN	PROBABLY WILL NOT HAPPEN	DEFINITELY WILL NOT HAPPEN	DON'T KNOW
Layoffs / elimination of positions	4%	2%	6%	46%	36%	5%
Hiring freeze	10%	3%	11%	42%	28%	7%
Freeze on salary increases	7%	3%	11%	46%	27%	8%
Staff reorganization	5%	6%	25%	37%	20%	7%
Budget cuts	12%	7%	26%	38%	14%	4%
Reduction of programs and services	3%	2%	14%	56%	23%	4%
Change in investment strategy	5%	6%	13%	43%	18%	15%
Outsourcing of staff functions	5%	1%	17%	44%	21%	13%

Total Responses: 230

TABLE 8

What do you expect to happen at your association in 2011 as a result of current economic conditions?



Key Finding #7

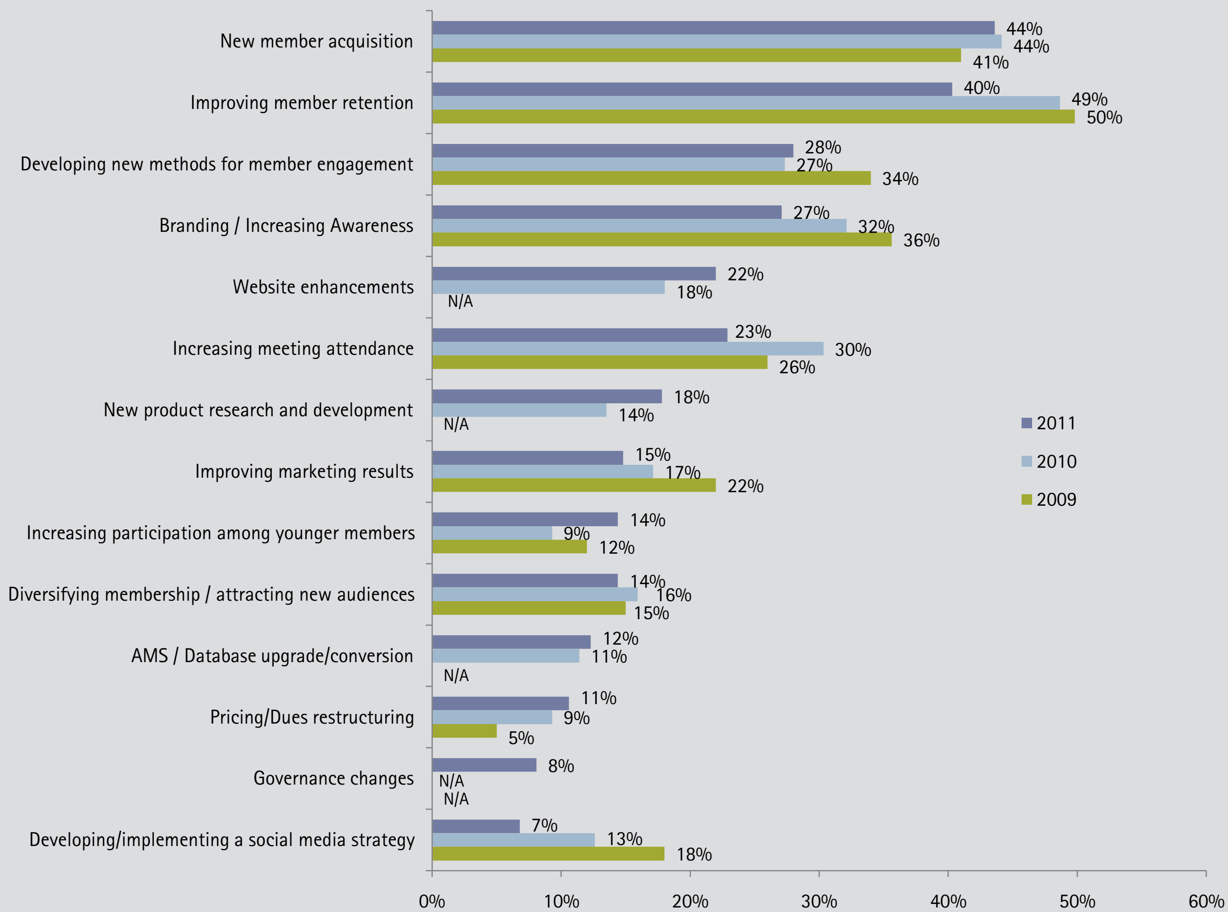
The improving economic outlook is reflected in respondents' highest priorities for 2011.

As in prior EIA studies, membership recruitment and retention remain the highest priorities for participants. However, while retention was the number one priority in 2009 and 2010, new member acquisition marginally edged it out as the top priority for 2011.

When asked about their organizations' highest priorities, respondents also revealed positive movement around the priorities that are most closely linked to economic recovery–nonessential, high member value initiatives such as website enhancements, AMS or database upgrades and increasing participation of younger members. McKinley also noted that associations are showing more likelihood of tackling the issue of pricing and dues restructuring, indicating that they may have more confidence in members' tolerance for price fluctuations.

TABLE 9

What are your three highest priorities for 2011?



Total Responses: 237

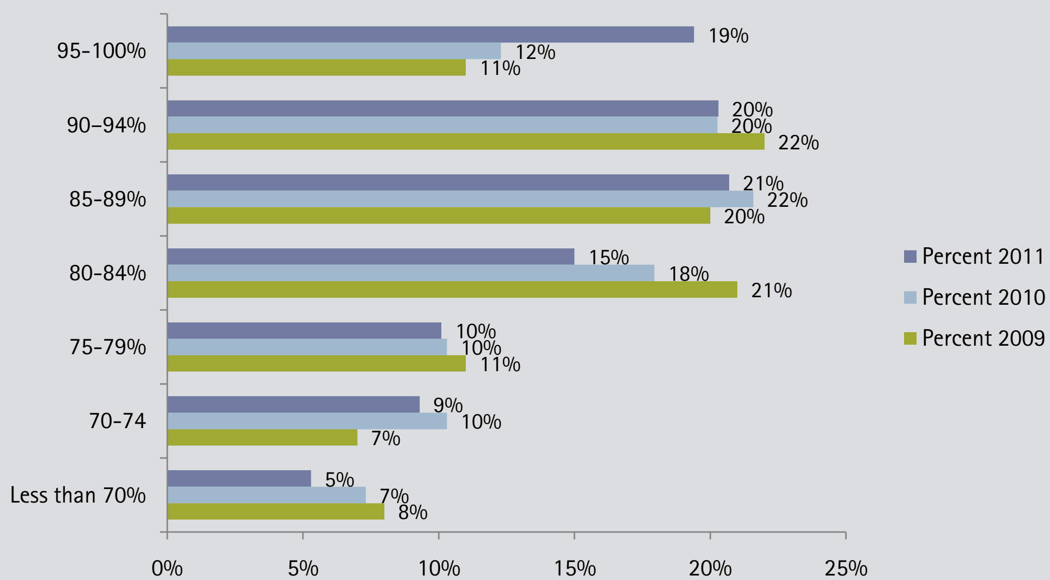
Key Finding #8

Membership is rebounding.

Retention rates show very positive improvement, with current rates increasing in numbers on the high end (95%-100%), and decreasing on the low end (74% and less). Even more encouraging are the rates over the past 12 months. The number of respondents describing a decrease in their retention rate over the past 12 months has dropped by more than half (46% in 2010 and 23% today), and more than doubled for those who describe it as increasing (11% in 2010 and 30% today).

TABLE 10

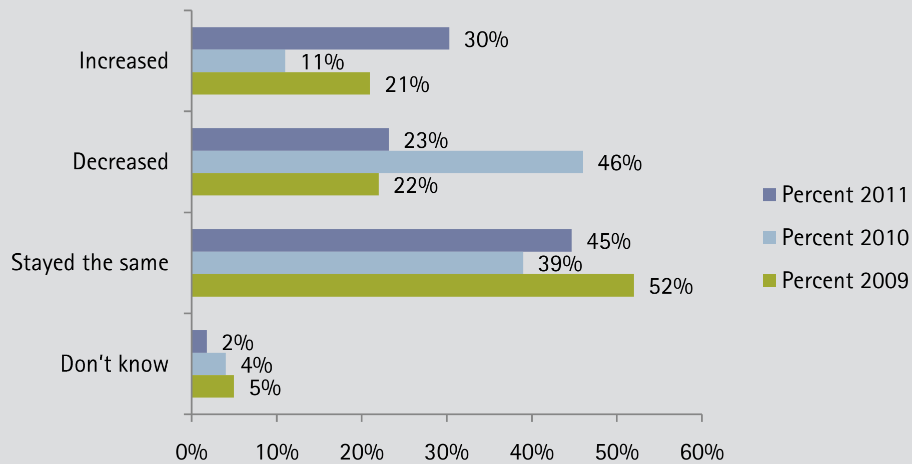
What is your current membership retention rate?



Total Responses: 228

TABLE 11

Over the past 12 months, has your retention rate:



Total Responses: 229

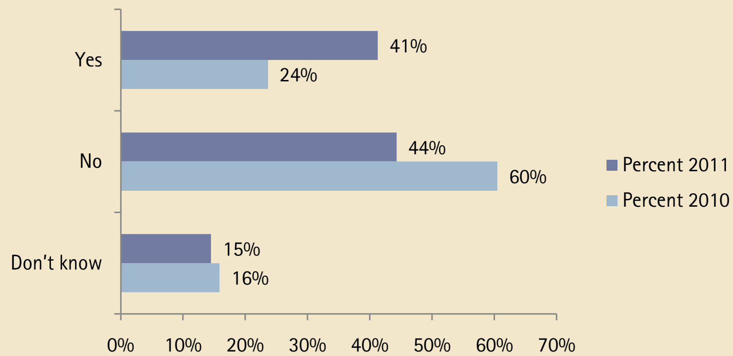
Key Finding #9

Hiring should get back on track in 2011.

The survey participants reported very optimistic hiring plans, with the number of respondents planning to add staff in 2011 almost doubling. The survey reveals respondents' plans to add staff in a variety of key areas, including marketing, communications and executive management. Education, membership and meetings show lower numbers than other functional areas, while component relations remains flat.

TABLE 12

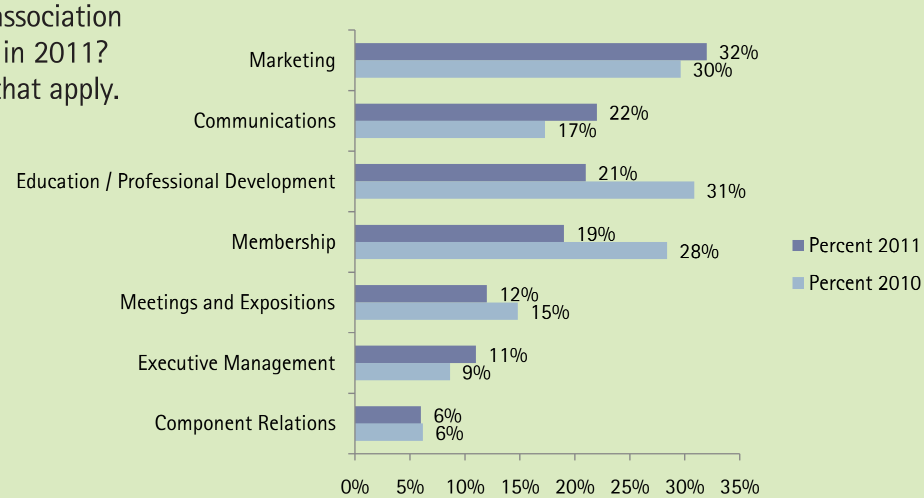
Does your association plan to add new staff positions in 2011?



Total Responses: 236

TABLE 13

In which of the following areas does your association plan to add staff in 2011? Please select all that apply.



Total Responses: 171

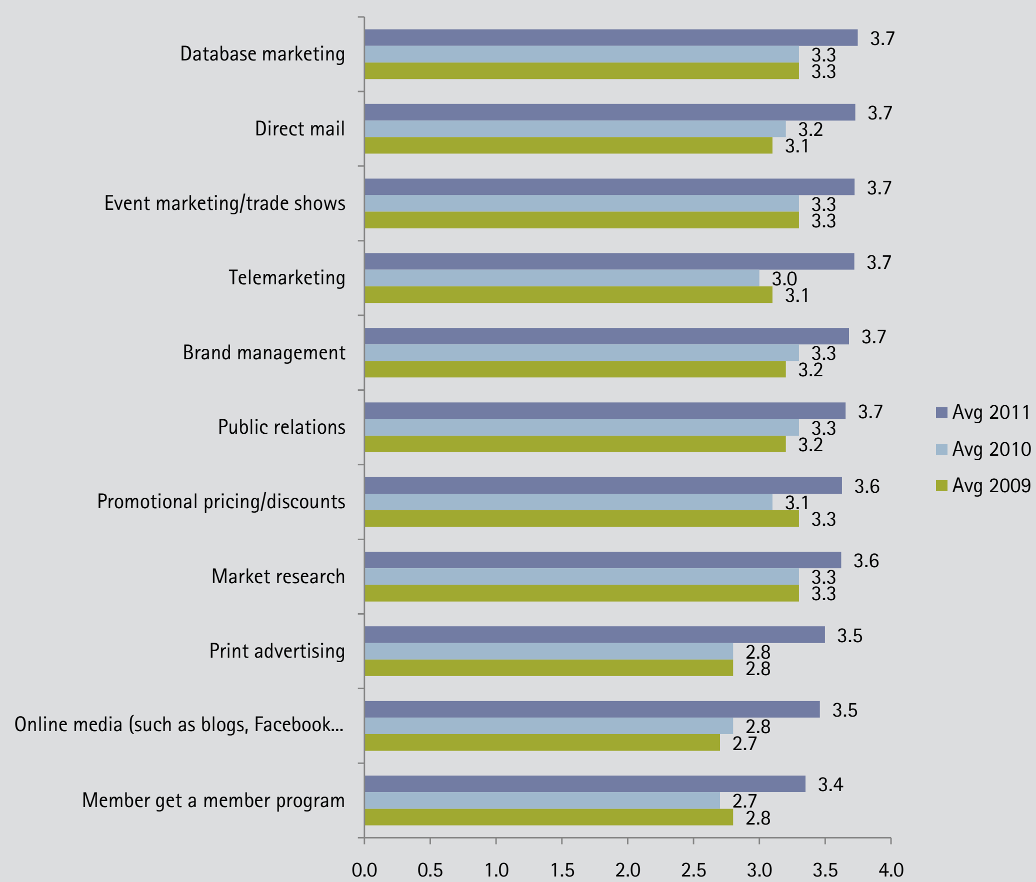
Key Finding #10

Survey respondents perceive greater effectiveness across all forms of marketing outreach.

With the shift in the economy comes a shift in the perception of marketing effectiveness among survey respondents. Every form of marketing saw a significant increase in confidence, with six of the eleven forms of marketing showing an impressive 3.7/5 mean. According to the respondents, member get a member programs and online media are the least effective forms of marketing.

TABLE 14

How effective were each of the following methods in helping your association achieve its goals in 2010?



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

Key Finding #11

Budget increases in many core marketing areas suggest that associations are making significant investments in outreach to members and prospects.

Survey respondents anticipate budgetary growth in the area of member and prospect marketing, turning the tide on what has been a decline in most marketing areas. It should be noted, however, that email communications to members and word-of-mouth marketing show fewer respondents anticipating increases. (Both of these areas have had steadily declining numbers over the past three years).

TABLE 15

Do you anticipate that your budget for each of the following will increase, decrease or remain the same in 2011?

	Increase		
	2009	2010	2011
Market research	13%	17%	26%
Direct mail	10%	14%	23%
Email communications to members	56%	49%	43%
Print advertising	7%	6%	15%
Trade show attendance / marketing	16%	23%	36%
Web site modifications	61%	62%	71%
Online advertising (Google adwords, banner advertising, online sponsorships)	22%	31%	42%
Social media (blogs, Facebook, Twitter, etc.)	52%	56%	57%
Public relations	30%	26%	29%
Word of mouth marketing	40%	39%	34%

Total Responses: 2011: 240
2010: 316
2009: 258

American Academy of Dermatology

American Academy of Hospice and Palliative Medicine

American Academy of Periodontology

American Association of Motor Vehicle Administrators

American Association of Pharmaceutical Scientists

American Bar Association

American Chemical Society

American Group Psychotherapy Association

American Hospital Association

American Inns of Court

American Institute of Architects

American Institute of Chemical Engineers

American Physical Therapy Association

American Public Transportation Association

American Society for Gastrointestinal Endoscopy

American Society for Quality

American Society for Surgery of the Hand

American Society of Civil Engineers

American Society of Radiologic Technologists

American Society of Travel Agents

American Water Resources Association

Association for Career and Technical Education

Association for Corporate Growth

Association for Operations Management

Association of College Unions International

Association of Fundraising Professionals

Association of Governing Boards

Association of Water Technologies

Biotechnology Industry Organization

Canadian Society of Association Executives

CFA Institute

College and University Professional Association for Human Resources

Community Associations Institute

Council on Foundations

Craft and Hobby Association

Federation of State Humanities Councils

Golf Course Superintendents Association of America

Healthcare Information and Management Systems

Illuminating Engineering Society

In-Plant Printing and Mailing Association

Independent Community Bankers Association

Independent Lubricant Manufacturers Association

Institute of Management Accountants

Interlocking Concrete Pavement Institute

International Association of Movers

International Code Council

International Erosion Control Association

International Facilities Management Association

International Food Information Council

Investment Management Consultants Association

Legal Marketing Association

Marble Institute of America

The Morton Arboretum

National Asphalt Pavement Association

National Association for College Admission Counseling

National Association of Chemical Distributors

National Association of Children's Hospitals and Related Institutions

National Association of Counties

National Association of Independent Schools

National Association of Insurance and Financial Advisors

National Association of Local Boards of Health

National Association of the Remodeling Industry

National Business Officers Association

National Fire Protection Association

National Health Council

National Investor Relations Institute

National Marine Manufacturers Association

National Volunteer Fire Council

New Jersey Society of Certified Public Accountants

New Mexico Medical Society

North Carolina Nurses Association

Occupational Therapy Association of California

Oncology Nursing Society

Organic Trade Association

Pennsylvania Dental Association

Produce Marketing Association

Professional Insurance Marketing Association

Promotional Products Association International

Public Responsibility in Medicine and Research

Research Institute for Fragrance Materials

Risk and Insurance Management Society, Inc.

Sigma Xi: The Scientific Research Society

Society for College and University Planning

Society for Marketing Professional Services

Society for Neuroscience

Society for the Advancement of Material and Process Engineering

Society for Women's Health Research

Society of Biological Psychiatry

Society of Hospital Medicine

Solar Electric Power Association

Special Libraries Association

Teachers of English to Speakers of Other Languages, Inc.

University Risk Management and Insurance Association

Urgent Care Association of America

Utah Association of Certified Public Accountants

Valley Industrial Association

Virginia Association of Realtors

The Wildlife Society

LOOK : LEARN : PLAN : DELIVER

McKINLEY MARKETING, INC.
TRUSTED ASSOCIATION ADVISORS

mckinleymarketing.com

Washington

2233 Wisconsin Ave, NW
Suite 525
Washington, DC 20007

t 202.333.6250
f 202.333.5172

Chicago

t 630.857.3187
f 312.372.2770

© 2011 McKinley Marketing, Inc. All rights reserved.