

## **FORTRESS WALLS, OR MARKET STALLS?**

### **What it takes for a market-oriented association business model to thrive**

*By Meredith Low*

Imagine the associations you know. Can you picture them as a fortress? Or would they seem more like a marketplace?

For a fortress-like association, only members are allowed inside, behind the walls, with shared benefits derived from being together. Some fortresses are well-protected – instead of moats and drawbridges, there may be regulations, qualifications, or high dues acting as barriers to entry.

Others may not be quite as fortified, but it's still clear who is inside and who's outside. And the focus is very much on who is inside. (The orientation may even be somewhat defensive.)

A marketplace type of association can be pictured as a place to bring together people who want to exchange, whether it's information, or goods and services. It's open and access is easy – people can wander both in and out. It may not be obvious where the boundaries are.

### **Which approach is better?**

A marketplace isn't necessarily any more virtuous or effective than a fortress as an association model.

That said, many "fortresses" may feel like they're under siege.

Rapid economic and social changes mean that entire professions and industries are challenged to maintain their own relevance. The ascent of digital media has resulted in a flood of information from myriad sources, challenging associations' traditional role as providers and arbiters of knowledge. The cost of connecting with others has dropped to the fraction of a cent it costs for bandwidth to log into LinkedIn.

This is the environment in which most associations have to convince members (whether corporate or individual) to join. (Associations with regulatory protection can perhaps afford to rise above some of these issues, at least as long as their protection endures.) And of course these are precisely the pressures that have caused associations to explore revenue streams in addition to, or quite separate from, membership dues.

The tougher the sell, the more competition there is for this investment (from other associations or elsewhere), the less automatic it is to become a member, the greater the

churn in the industry... the more unsustainable it is to focus only on existing members, that is, the ones in the fortress already.

“I think there are a lot of associations out there struggling because they’ve outlived their relevance and they haven’t created any relevance to replace it,” remarks Harvey Copeman, President & CEO of the Canadian Professional Sales Association. “Their major asset may well have turned out to be their Achilles heel if they didn’t see changes coming. We all need to evolve.”

### **What are the implications?**

So if the “association as marketplace” approach looks attractive, what is required to be great at it?

#### ***Don’t take anyone for granted***

“If your big value proposition is that you should be a member because it’s good to do, I think that’s past. It’s all about value,” says Andrew Siegart, Senior Vice-President, Member Services, Retail Council of Canada.

Mike Brennan, CEO of the Canadian Physiotherapy Association agrees, noting that this can be a significant cultural transition. “Associations struggle with the idea of why aren’t members aren’t joining ‘just because.’”

#### ***Think relationships, not members***

Relationships take time, and need to be earned. “You have to continuously yell from the rooftops,” says Beckie MacDonald, Manager, Member Services of the Ontario Library Association. “Everybody’s busy. It takes a lot to break through and have your message heard.”

Many have moved completely away from a division between members and non-members in their thinking. “In our world non-members are all prospects on their way to membership,” says Harvey Copeman, President & CEO of the Canadian Professional Sales Association.

“It’s not about creating a firewall any more; it’s about enabling the team to start building relationships,” says Andrew Siegart, whose team uses content, social media, or even personalized outreach as building blocks to reach out.

#### ***Know your market***

“To be consumer oriented you have to have an open mind and allow the market to dictate its own demands,” says Mike Brennan.

Is a survey of existing members, conducted every five years, going to give you a deep understanding of this fast-moving marketplace that you’ll need to make decisions? And do your board members truly understand they aren’t representative of most of your membership?

“My three pieces of advice when looking at your membership model are: market research, market research, and market research,” says Patrick Culhane, CAE, President of the Canadian Payroll Association, not really in jest. “Have the courage to do market research, and more courage to actually use it.”

Associations should also regularly revisit what their definition of the market is, and its boundaries. Are there entirely new pools of prospects out there, whether for membership or other services? How can they be better understood?

### ***Average only gets us so far...***

Segmentation is a critical capability for market-orientation, not just as an analytical tool but as implementation of tailored marketing. “Vanilla-flavoured strategies just don’t work any more,” notes Patrick Culhane.

Andrew Siegart points out that the RCC has “spent a lot of time over the past five years really understanding our segments, how to speak to them in different ways. We’ll do four or five different segmented strategies for each project rollout.”

Meagan Rockett, Director, Client Solutions at Greenfield Services, says associations’ segmentation capabilities are “shifting but it’s going to be slow, and particularly among prospects. They are often getting the same messages whether they’re a CEO or a student. There’s lots of opportunity.”

### ***How much, and for what?***

Pricing, bundling, and determining what offer should go to which segment is an enormously complex task, markedly different from simply setting a membership rate (perhaps including a couple of segments) and then putting out as many services as you can afford.

John Gustavson, President & CEO of the Canadian Marketing Association notes that they “have continuous debates on how long information stays locked down on the members-only part of the website,” since curation and creation of high-value content in a profoundly changing industry is a key member benefit for the CMA.

Associations will be on a steep learning curve as they test their markets and learn from the results, while trying to protect and grow their existing revenue and relationships.

### ***Decision-making at the speed of the market***

Changes in most markets won’t wait for a cumbersome decision-making process. “A market-oriented association needs a governance model that allows you to react to the market quickly,” says Mike Brennan.

“The best thing you can do is try it and fail, because you’re only going to learn how to do it better,” asserts Beckie MacDonald.

“Do your research but make quick decisions, because technology is evolving at such a rapid pace that taking a year to make a decision doesn’t work, because there’s going to be something new – and there’s always going to be something new,” adds Meagan Rockett.

Can your governance and management systems respond quickly enough for the pace of change you see around you?

It's important to note that there may be legal issues with an association’s non-profit status if they expand their thinking about their mandate, and certainly about their revenue generation. For example, some things which may be great news from a revenue standpoint – such as generating significant revenue from non-members through events or content – could create concern. Speaking with your advisors (legal and/or accounting) about your focus on non-members is important, to understand both where there may be issues, and possible avenues to address them while maintaining or increasing the strength of the association.

### **Opening up the possibilities**

A fortress might encourage a sense that we’re all in this together.

But there’s a reason that markets like Granville Island in Vancouver, or the Byward Market in Ottawa, or the Jean Talon Market in Montreal feel like such specifically local places within bustling cities.

People become regulars. You see vendors pulling out special items they’ve tucked away for customers they know will be interested. Advice is exchanged – is this the last week for strawberries, what’s the best fish today? There’s chitchat and gossip. A community – however loose – is formed.

So the question of models isn’t necessarily a stark contrast between a strong network of close relationships and an impersonal transaction. It does suggest a much more fluid notion of what it is to have an association, though, and opens up the possibilities of what membership might look like and feel like.

But we do need to recognize the extent to which these kinds of changes in how we conceptualize our associations creates new expectations and new demands.

“I’m optimistic about the longevity of associations,” says Mike Brennan. “There’s going to be value in being a member, in accessing these services on a collective, non-profit basis.” And increasingly associations can make this happen in creative, innovative, responsive ways.

How is your association thinking through these questions?

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*Copeman, President & CEO, Canadian Professional Sales Association; Patrick Culhane, CAE, President, The Canadian Payroll Association; John Gustavson, President & CEO, Canadian Marketing Association; Beckie MacDonald, Manager, Member Services, Ontario Library Association; Meagan Rockett, Director, Client Solutions, Greenfield Services; and Andrew Siegwart, Senior Vice-President, Member Services, Retail Council of Canada. Thanks also to Gilles Latour, Chief Operating Officer, Canadian Education Association, for his help.*