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Identifying Value within the Trade Association Environment

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We all want to identify value for our association members, but how do you do that when your members are not individuals?

This is the question constantly faced by trade associations and it relates directly to the issue of dues structures and membership models for industry organizations.

Many trade associations still use the percentage-based-on-revenue model for determining annual dues, and I often joke that if I could solve this problem, I would become rich selling the solution. It continues to be a sore point with trade association members, and in an economic environment filled with mergers and acquisitions, it is a budgetary concern for trade associations as the total number of members continues to drop when consolidation occurs.

What do you do when yesterday you had 4 members and today, they have merged into 1?

We have to address this question because of the following:

- Revenue in these types of dues structures are self-reported, and thus, may not be accurate.
- This type of percentage dues model can lead to a perception of unfairness when there is no real differentiation in levels of service for money paid.
- Smaller members may have the opinion that the larger companies “should” pay for the work that is needed simply because they are larger.
- Smaller industry companies may not join because they receive the benefit of the trade association’s work anyway.

As we explore the relationship between dues models and value in the trade association environment, we need to ask these questions:

- No matter how old the trade association is, what motivated the industry to unite in the first place?
- Is the mission still relevant today?
- Are the deliverables to member organizations mission-driven?
- Is the industry still relevant?

The last question is painful but must be answered.

Some industries fade away due to new technology or methods, but the companies try to hold on because they have made their livelihood this way for years. By holding on to an outdated industry, they then hold on to an outdated trade association. In these cases, the struggle to identify value becomes a case of identifying a reason to exist. If there is no reason to exist, then there is no value proposition.

But let us go back to examining the relevant trade association and the identification of value. As mentioned, the economic environment encourages mergers and acquisitions, which means that many trade associations are facing decreasing membership totals. When 4 companies become 1, that means the trade association loses 3 memberships and thus the related dues income. Yet, the association must still provide a level of service that is considered “high value” and do it with fewer resources.

The reason the dues model is the best place to start analyzing the value offered to trade associations members is this:

Dues are an expense and companies look at the bottom line. Networking, professional development, and access to products is not going to be part of a value proposition for a company. Why? Because the individuals in the company will get those things at their professional society. And, if the company is large enough, it will provide these things on its own.

Trade associations are the face of an industry, not a community for individuals. By taking the approach that the trade association is the industry’s voice and leader, the value develops in the achievement of goals that protect and promote the industry.

In my opinion, because the value proposition is defined completely differently for a company than an individual, I believe the areas where trade associations provide value are:

- Advocacy
- Marketing and public relations on behalf of the industry
- Workforce issues (identifying potential employees, training, retention)
- Coalition building with similar industry trade associations

These are broad areas that will be defined differently for each industry, but some general examples are:

Advocacy: promote regulations that are less onerous and less expensive for conducting business – this can be accomplished by educating lawmakers on the industry and any self-regulation the industry does.

Marketing and public relations on behalf of the industry: developing marketing campaigns that influence positive perceptions of an industry to the general public and other decision makers.

Workforce issues: educating high school and college students about job opportunities in an industry through job fairs; another option is to create training programs for use by the industry.

Coalition building with similar industry trade associations: multiple associations representing an industry can partner to present a united front and face of an industry. Sharing increasingly limited resources for marketing campaigns and education programs *will create success across the industry and thus for each organization within a coalition.*

While this may seem obvious, it is easy for a trade association to become caught up in the needs of the individual representing the company rather than maintaining focus on the needs of the industry. By staying focused on the industry and building strong relationships with decision makers inside the company, trade associations can outline and present the value proposition of a united industry.