

Trade Associations

Adding value – the means to retention and growth of membership

With the economic outlook still uncertain, members of organisations, whether corporate or individual, will not continue to subscribe unless they feel they are receiving real value for money for their subscription.

Acquiring new members is a costly exercise, so minimising attrition rates must be a priority for all trade associations, societies and membership bodies at present; otherwise falling income levels will provide a serious challenge to your future.

The key to minimising membership renewal attrition rates is to ensure that your trade association is seen to provide value for money and continues to do so year on year. Members need to understand that the value the association provides cannot be obtained anywhere else.

The challenge is to communicate clearly and reinforce the 'WIFM' factor 'what's in it for me' – to existing and prospective members.



So, what is 'added value'?

Value is a subjective concept which means different things to different people – but in essence, members need to see and value the difference that their membership of an organisation makes to them, by enhancing their business or professional life.

Identifying needs

It is 'human nature' that members want to feel that their input is valued and appreciated and they are being given an opportunity to influence and provide feedback to their member organisation on how their needs should be met, even if, in reality, they may not actually take up the opportunity.

It is important to develop a communication and awareness programme that gathers information about members' needs and wants. This market intelligence provides vital clues to understanding what is required to keep members involved.

By communicating with members; meeting them in fora; listening to their needs; and encouraging them to participate and to air their views, you are improving the likelihood of ongoing involvement and commitment to your association.

Also use other methods to explore the range of services and benefits you can offer, such as:

- Examining what other membership organisations do in related and unrelated industries / professions and considering where there are benefits that would be useful to your members
- Investigating comparable organisations in other countries – despite legislative and cultural differences, these may offer valuable insights
- Looking at profit-making businesses which offer similar services, and their methods of delivery
- Conducting a 'blank sheet' exercise by imagining that the association never existed and asking the question 'if we were starting now, how would we do it?'

Actively draw members' attention to the benefits available to them and make it easy for them to access them so they become 'real'. The leaders of a trade body or membership organisation spend much of their time thinking about how to manage these issues; whereas members will rarely give them a thought unless they are prompted.

Satisfying the 'what's in it for me' challenge – reasons to join an organisation

Some professional organisations, particularly those in regulated industries or professions, have a partially captive market, as there is a statutory requirement for individuals wishing to provide the regulated service to be a member of their relevant membership body. However, if this is their only reason for continued membership these members are unlikely to obtain more than the bare minimum of value from the membership, ignoring the benefit of engaging in other activities, or buying other services available to them.

So how can you manage to go that extra mile by demonstrating that you can add value for your members? Consider the following pointers which can help provide a 'quick win' for you:

- Ensure you can clearly show that it is in members' long term interest to join. For example, trade associations are central to their industry and, as a result, can often offer bespoke money saving products to members, such as free advice on a variety of issues and providing special rates through affinity services from HR advice and legal services through to cheaper insurance policies and savings in bank charges.
- Become the first port of call for specialist advice on technical, legal or commercial matters of specific relevance to your members.

The challenge for trade associations is to identify the 'WIFM' (what's in it for me) factor.

- Provide a strong lobbying voice through the membership body that will carry more weight than an individual corporate or personal point of view. If members have the opportunity to be appointed to sit on a committee or to become a Board member, so they will have an even greater ability to influence the future of their industry or sector.
- Provide a monitoring and updating service on relevant industry developments and other relevant legislation so members receive early warning of the practical implications on dealing with any changes afoot.
- Provide regular networking opportunities and contact with peers at conferences, exhibitions and discussion groups to discuss non-competitive, industry wide issues.
- Demonstrate that members will have access to information and services that are not readily available elsewhere and are either included as part of the subscription fee or can be accessed at significantly reduced rates.
- Promote your brand and ensure you can demonstrate that membership provides reputation enhancement – members of trade associations or professional bodies are often viewed by the external world as having committed to a minimum quality standard, which enhances the members' standing to the outside world.

- Advertise your members to others, by for example, maintaining a register of members on your website which is accessible to the public.

Thinking commercially

An important aspect to consider for many membership bodies is the development of commercial services; the attractions of which are compelling. First and foremost they are an additional source of income, which potentially generates the opportunity for subscriptions to be lower than would otherwise be the case. This helps to retain and attract new members whilst creating more resources that are available to carry out important mainstream representational and other work.

Secondly, providing services that are better quality and/or cheaper than comparable services from other sources enhances the inherent value of the membership subscription. Indeed, in some cases the provision of commercial services may be more attractive to some members than the mainstream representational services and produce a cost saving for members accessing the commercial offering that exceeds the cost of their membership.

In summary

- Take time to fully understand the wants and needs of your members.
- Develop your brand and deliver services that are affordable, desirable and unique.
- Interact with your members positively through regular and professional two way communication.
- Continuing to meet members' needs and expectations requires ongoing review and action – we can help you with this process.

To find out more information about this and how Kingston Smith can add value to your organisation, please contact [Janice Riches](mailto:Janice.Riches@ks.co.uk) on 020 7566 4000 or jriches@ks.co.uk



Cashflow...the lifeblood of every organisation

Whilst reduced discretionary spend continues, Membership organisations are often hit with cashflow peaks and troughs in their annual operating cycle, more so than many other organisations, firstly, because they are reliant on their membership subscription renewals to provide an injection of cash and secondly, because they often have one or two significant events or conferences in the year, around which much operational activity is planned.

The challenge of managing cash flows is exacerbated in times of recession because members and customers pass their own financial difficulties onwards in delayed payment for services. In addition, financing to manage a cash flow gap is much harder to obtain and is costly.

Cash is king: an old adage but so true in these troubled times. What's the most important indicator of business health?

Cash is king: an old adage but so true in these troubled times. What's the most important indicator of business health? Some people look first at turnover, then profitability and finally cash flow. However, cash is what actually stands between an organisation and bankruptcy. An association may be growing strongly, it may be generating surpluses or indeed may even survive a period of operating deficits, but if it cannot afford to pay its creditors and runs out of cash then it is likely to be heading for insolvency.

Sound cash flow management is crucial to survival and requires the organisation to keep within the strict financial covenants that have been agreed with lenders.



The challenge of managing cash flows is exacerbated in times of recession...

Our tips are essentially good business practice – going back to basics and instilling the right discipline in your organisation. Act quickly and decisively – and turn a problem into an opportunity

1. By preparing monthly cash flow forecasts for at least a year ahead, you can establish what your short term cash requirements are and then forecast longer term cash flows based on realistic and credible information. Unexpected costs are an unpleasant fact of life for any business. It is usual in your cash flow forecast to build a monthly contingency into the figures to mitigate the effects of unexpected costs. If these costs never materialise, you will be pleased at how well you are doing against budget.
2. Use historic data analysis to accurately predict the timing of members' fee income, following the issue of renewal reminders and allowing for likely attrition rates.



3. Negotiate credit terms with suppliers that are as long as possible; negotiate terms for members' subscriptions that are as short as possible. Offer incentives to members to subscribe by direct debit in order to maximise regular and timely payments and to ensure attrition rates are kept to a minimum.
4. Ensure your membership database can provide sufficient information to quickly identify members who have not renewed subscriptions and terminate services to them within a specified time.
5. Adequately cost new members campaigns: the initial cost of advertising and mailing for new members can be significant and is then followed by the ongoing cost of member fulfilment. A high turnover of membership makes it harder to recover the initial outlay.
6. Events often require up-front payments or deposits well in advance to secure a venue or other related services so make sure you have factored this into your cash flows projections and collect deposits from attendees in advance to counter cash outflows where possible.
7. Credit check carefully: A major exhibitor for an event going bust or delaying payment could have very serious cash flow implications.
8. Keep your bank informed: manage your relationship with your bank and keep them in the picture every step of the way.
9. Tax: look at your tax liabilities – can any be reduced by efficient tax planning? For instance, can you restructure pay and benefits packages for staff in a more cost and tax efficient way? Consider the impact of quarterly VAT returns and their settlement, particularly if output VAT has to be accounted for to HMRC before cash has been recovered from invoiced debtors.

10. Review your costs: look at your costs on a value for money basis. Leave no stone unturned and review every commitment.
11. Staff: Don't jettison staff unnecessarily; it may prove a false economy to make staff redundant when you consider the costs of recruitment (both direct and indirect) and the loss of continuity and expertise.
12. Make sure your cash flow projections are a team effort. Involve budget holders and senior management.
13. Set early warning triggers so that a sudden or unexpected rise or fall in cash is identified quickly and action can be taken to manage the situation appropriately.
14. Always consider the unexpected: Factor in scenario planning for best and worst case outcomes so that you can anticipate adequately for dips in cash and maximise the investment opportunities for any surpluses. Even if current interest rate returns are modest it is a good discipline to make a habit of regularly reviewing options to maximise investment returns on surplus cash held.
15. Scenario planning helps to ensure that you anticipate the immediate and longer term impact of business decisions, such as introducing a new event for members.
16. Consider the risks linked to operational activity and the impact on cash flows, including those risks that are considered less likely to happen, but which would have significant impact if they did.

To find out how we can help your Trade Association with managing its cashflow efficiently or any other business related issue, please contact [Sandra De Lord](mailto:sdelord@ks.co.uk) on 020 7566 4000 or sdelord@ks.co.uk

How Kingston Smith's trade association team can help

We have a multi-disciplinary, specialist trade associations' team headed by four partners. With over 70 trade association clients we have in-depth experience of the issues trade associations face. This knowledge enables us to offer practical advice and share areas of best practice to help our trade association clients succeed in meeting their core objectives.

We offer a comprehensive range of highly specialised services tailored to your needs that deliver real value. These include:

- Governance and strategic planning advice
- Tax planning advice
- Financial and accounting support
- Assurance services
- HR issues
- IT advisory services
- Professional management services
- Membership and IT outsourcing
- Income streams and marketing advice

Contact us

More information about **Kingston Smith LLP** and our services can be found at www.kingston-smith.co.uk/tradeassociations

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