ASSOCIATIONS & THE ECONOMY STUDY

Associations and CEOs: A Report on Two Studies During a Down Economy

Winter 2010

Background and Methodology

The United States is in the midst of an unusual economic recovery that has complicated the decision-making processes of association leaders. By early 2010 the Dow Jones Industrial Average was holding above 10,000 for the first time since October 2008—a vast improvement over its low of 6,626 in March 2009. But the improvement in the financial markets has been tempered by a weak jobs market. Though the pace of job losses is slowing, the unemployment rate has only increased in the past two years, jumping from 4.8 percent in December 2007 (when the current recession officially began) to 10.6 percent in January 2010.

To better grasp how these turbulent economic conditions are affecting associations, ASAE & The Center has conducted two surveys of association CEOs. The first was conducted in Spring 2009 with data collection from March 3 to May 1, 2009. The most recent was conducted in Winter 2010, starting on January 26th and completed on February 2. These two studies, coming as they do about nine months apart, provide association executives with valuable benchmarks.

In addition to the ability of each study to individually provide a single snapshot in time, the two studies together help associations better understand how well—or poorly—they are able to predict how economic conditions affect their core business and bottom line.

This study is the most reliable of the many surveys that have been conducted recently on how the economy affects association operations, because it is based on the largest sample—1,103 associations in the Spring 2009 study and 960 in the Winter 2010 study. More important, however, is that we know that this survey is based on the response of one person from each organization: the CEO. That is, there is no duplicate information from any organization. This results in an unbiased result, because it does not overweight associations simply because many contacts are available to the survey sponsor.

Though there was slightly lower response in the most recent survey (Winter) in comparison to the Spring study, both samples are sufficient to result in statistical confidence and reliability at 95 percent with 3 percent reliability. That is, we are 95 percent confident that if we redid the survey, *at the same time,* we would find results within 3 percent of the results found here.

One of the ways we increased response was by offering respondents an opportunity to view survey results, so that incentive was offered to these respondents. All respondents were redirected to a report of overall response up to that point. This opportunity for immediate gratification has been shown to increase response to surveys in several empirical studies, although few have used this strategy to fulfill that need. Of course, respondents were only able to see "polling" results using this method, not other individual responses.

This report provides a much greater wealth of information, through the ability to compare responses over time (between Spring and Winter) and by type of organization (individual membership, trade, and charitable or other nonprofit). Some questions are also broken out by revenues in this report.

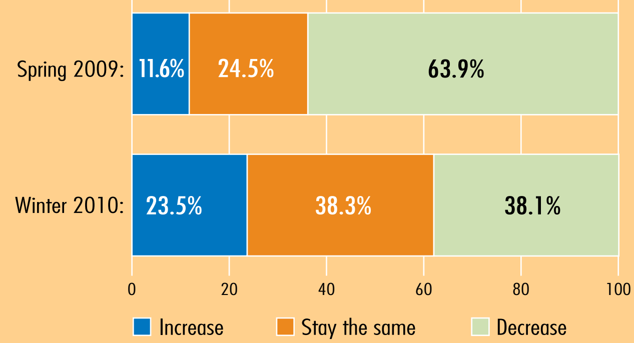
In both surveys we asked respondents a series of questions about how the current economic climate has affected their associations in the "past year" and how they predict it will affect the association in the "coming year." These questions covered their assessment of overall revenue as well as experienced and predicted changes in membership meetings, education programs (both live and online), publications, sponsorships, advertising, and staffing.

Overall Revenue

In the Spring of 2009, many association leaders appeared to be indulging their most dramatic sky-is-falling fears: Almost two thirds (63.9 percent) of the CEOs who responded were expecting total revenue to decrease in the coming year compared to the previous year; about a quarter (24.5 percent) expected no change and only one in nine (11.6 percent) thought total revenue would increase. Now things are much different. There's a more rosy outlook as far as total revenue is concerned, with just 38.1 percent of the CEOs expecting declines and about a quarter expecting increases.

FIGURE 1

Right now, is your organization planning for its TOTAL REVENUE (all sources of funds combined) to increase, decrease or stay about the same in the coming year compared to the past year?



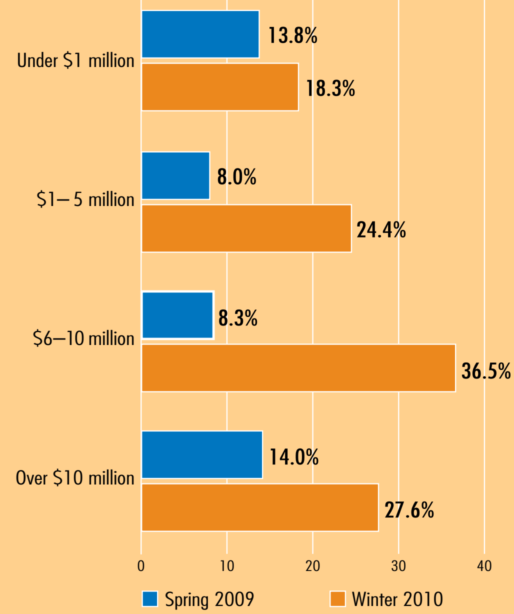
Overall Revenue

Leaders of both trade and individual membership organizations held similar attitudes about their prospects for overall revenue when they answered, but in both surveys we found differences between organizations based on budget size.[1]

Leaders of the smallest organizations are the least confident that their total revenues will increase in the coming year. This may reflect increased confidence in the financial markets among the largest organizations, which are more likely to have reserve pools that improved along with the stock market. The smallest organizations, which according to ASAE & The Center's *Operating Ratio Report* tend to prefer more liquid investments, may be less compelled to share in larger associations' optimism.

FIGURE 2

Percentage of organizations that plan for total revenue to increase in the coming year (by budget size)



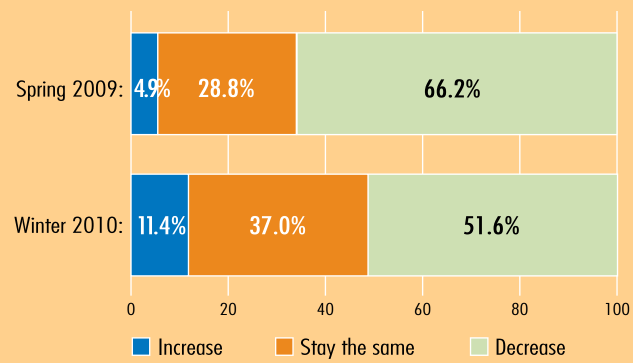
1 As in the previous survey, responses were also collected from charitable or other nonprofit organizations. However, the sample size from this category (49) is too small to make confident interpretations of those responses.

Membership

As will be seen throughout this report, the gloom and doom of the Spring has given way to a much more rosy outlook about almost all sources of revenue. Membership is one example: In the Spring, more than 66 percent of respondents believed their membership revenue would decrease in the coming year. Now, while still a majority, just over half (51.6 percent) of the CEOs believe membership revenue will take a hit and twice as many think it will increase (11.4 percent). Admittedly, this is a small percent overall, but much better than the 4.9 that expected membership increases in the Spring.

FIGURE 3

What impact do you think the current economy will have on your membership revenue in the coming year?

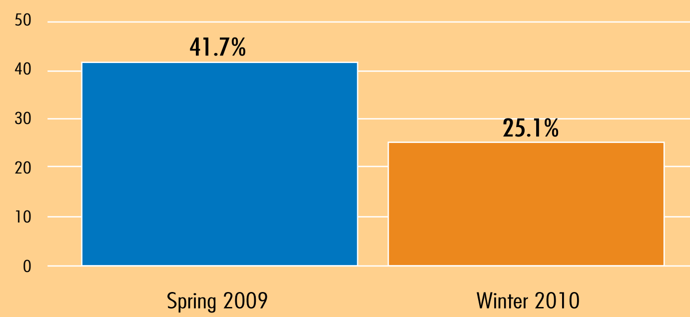


Nondues Revenue

Nondues revenue remains important to respondents partly because the survey data suggests that tinkering with dues structures means touching a "third rail" in terms of member goodwill. For instance, 41.7 percent of respondents last year said they had implemented or expected to implement a restructuring of member dues amounts; but now, only 25.1 percent of respondents in the current survey say they have or plan to do so, suggesting that perhapsa n expected negative response from members forced them to shy away from such actions.

FIGURE A4

Respondents who have already or expect to restructure dues amounts for all members or any category of member.



Overall, associations now feel much more confident in their nondues revenue sources than they did last Spring. A larger percentage of respondents believe that revenue will increase from multi-day events (increasing from 6.3 to 33 percent between surveys), multi-day education events (9.2 to 20.9 percent), sponsorships (13.4 to 27.4 percent), and foundation giving (11.7 to 20.5 percent).

But how realistic is such optimism? One way to address that question is to study the areas where association leaders reliably predicted how the recession would affect their income. In general, association leaders successfully predicted how the recession would affect their long-standing core non-dues business activities, such as short-duration education programs and publication sales.

FIGURE 5

Education, training, or professional development programs of one day or shorter

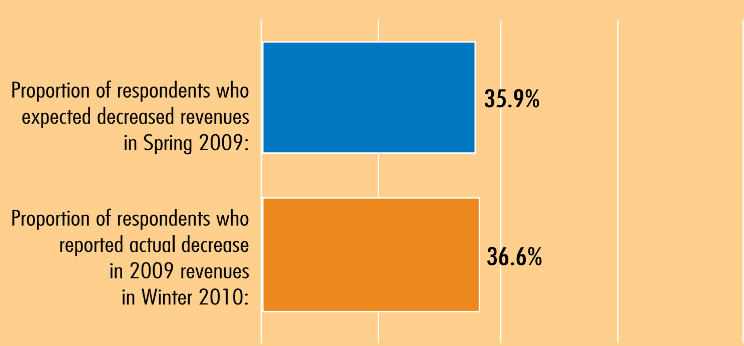
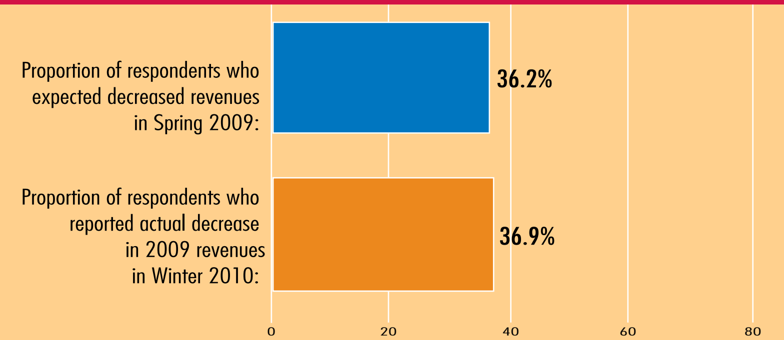


FIGURE 6

Publication sales



A little bit of better-than-expected news goes a long way with respondents. For example, revenues from sponsorships, fundraising, and investments were all better than anticipated in 2009. These better-than-expected outcomes may have helped stoke the larger percentages who predict these revenues will increase even more in 2010.

FIGURE 7

Sponsorships (funding for specific activities or programs)

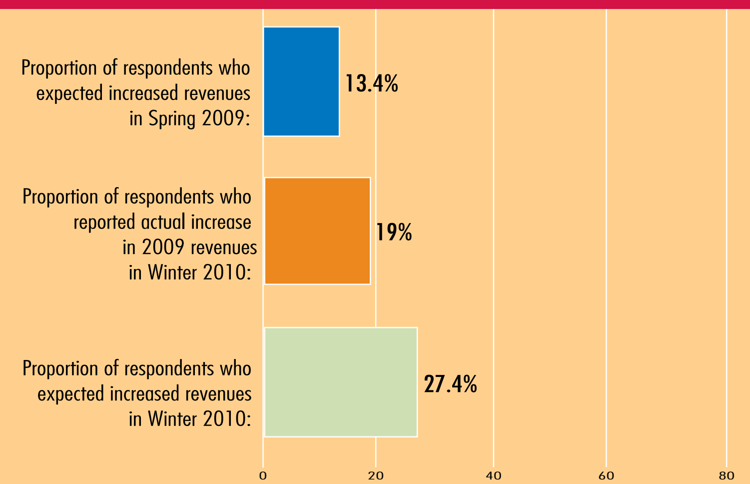


FIGURE 8

Individual or corporate unrestricted fundraising

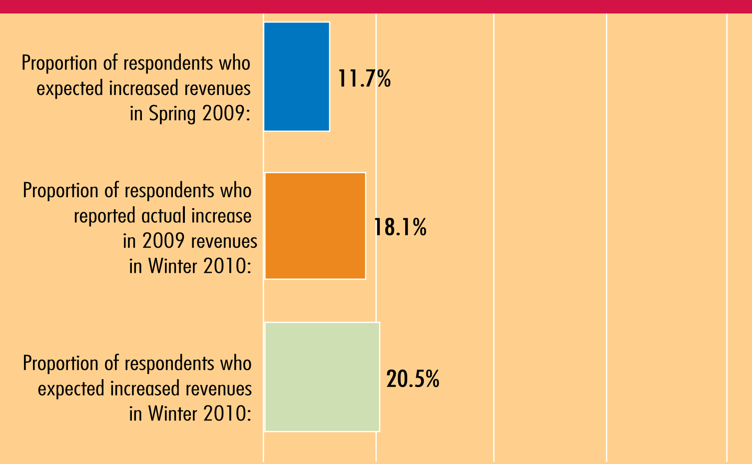
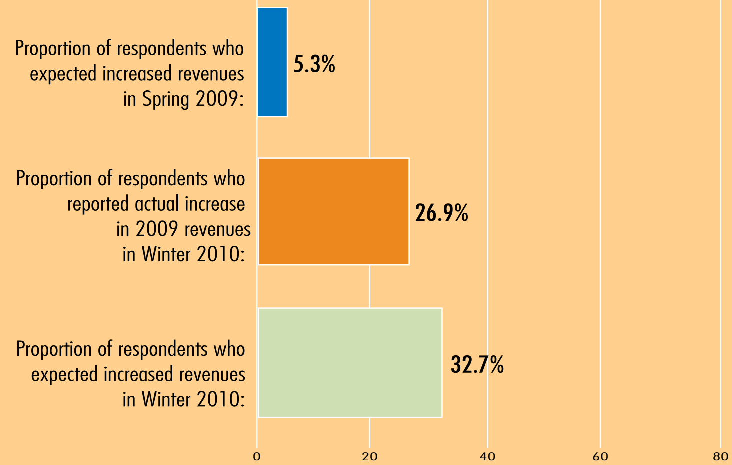


FIGURE 9

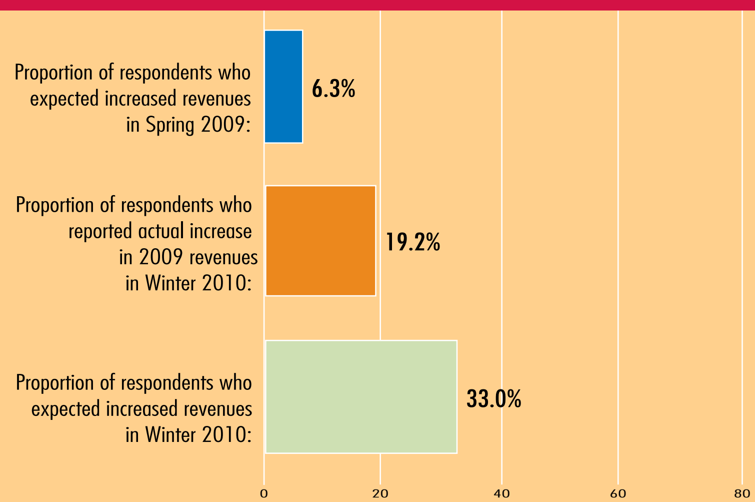
Investment revenue



Increased optimism is especially strong when it comes to multi-day events, where we see the same pattern of better-than-expected outcomes fueling high optimism for the coming year.

FIGURE 10

Multi-day tradeshow, conference, or convention

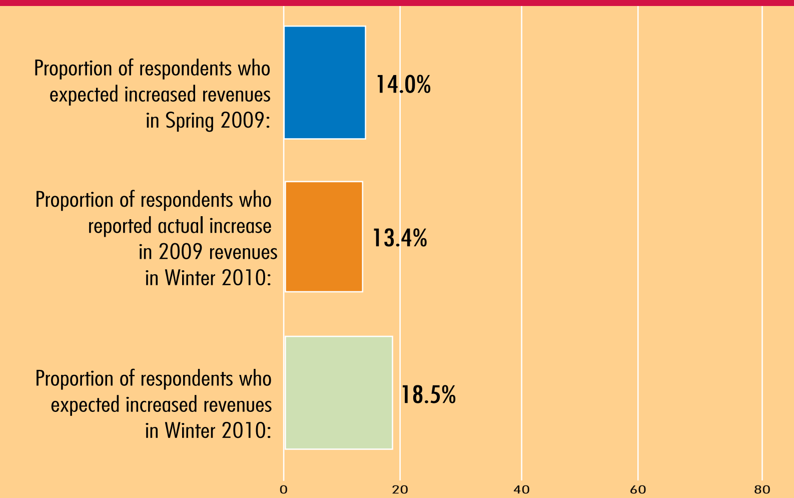


Nondues Revenue

One area where a gloomy atmosphere persists is in advertising revenues, where perhaps the economic downturn might be perceived to exacerbate a source of revenue that was already deteriorating.

FIGURE 11

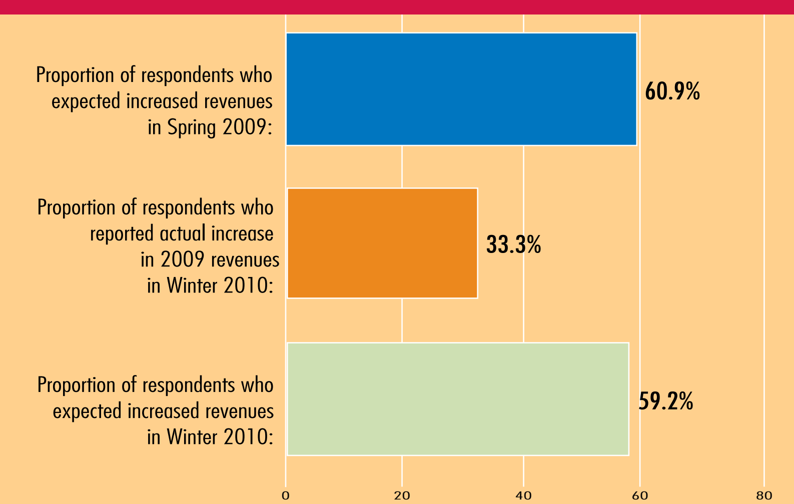
Advertising revenue



Executive optimism appear to persist despite unmet expectations in the case of online programs. In the Spring, a large majority (60.9 percent) of respondents believed their organizations would receive more revenue from online education programs in the coming year. In fact, only a third (33.3 percent) reported such an increase. Yet, a majority of association executives still anticipate significant new revenues from this type of activity. This may speak to an anticipation that online tools will provide a new revenue streams, but such hope is out of line with the mood of association members, who (according to a pair of ASAE & The Center economic surveys conducted in 2008-09) still strongly prefer face-to-face learning, even despite tighter travel budgets.

FIGURE 12

Education, training, or professional development programs offered online

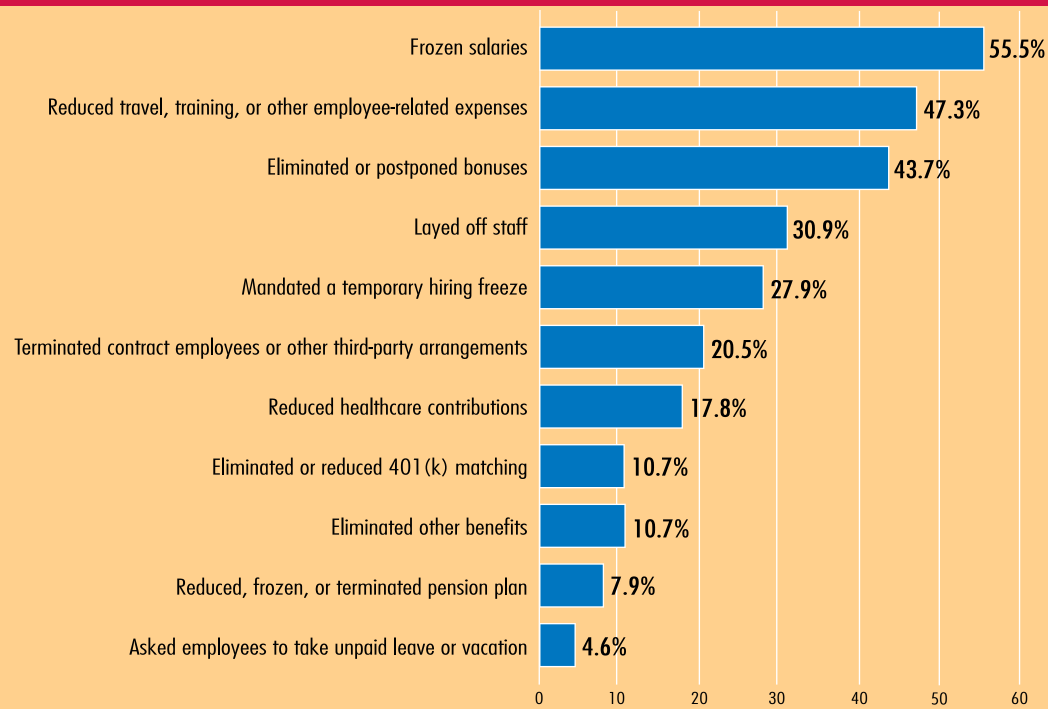


Asked last year what they were planning to do (or already had done) to address the weak economy, respondents preferred to cut staff travel budgets, use reserves to address a shortfall, reduce the use of consultants and other outside vendors, and renegotiate meeting contracts. As 2010 begins, those remain the most popular options.

Association leaders have resisted laying off staff: More organizations report that they have frozen salaries, reduced employee-related expenses, and curtailed bonuses than letting employees go. But layoffs are more likely than other cost-saving HR options such as reductions in medical and retirement benefits, or furloughs.

FIGURE 13

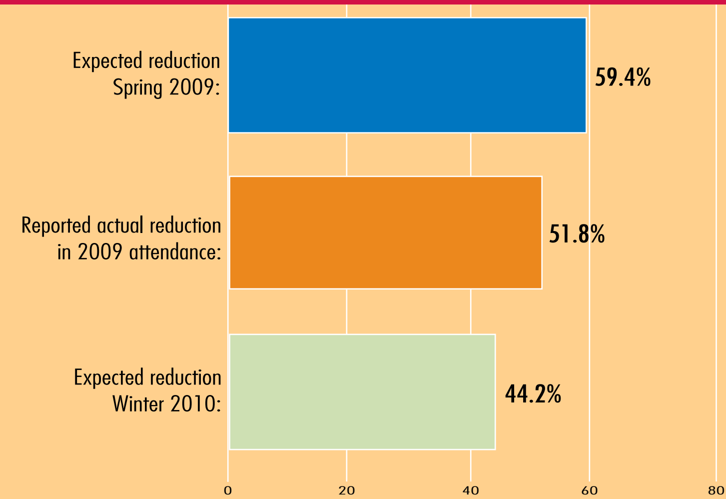
HR changes that have occurred in your organization in 2009:



As with nondues revenues, association leaders were better at predicting the likelihood of some economy-driven responses than others. In general, respondents correctly anticipated the degree to which they would lower prices for products and services, use reserves, hold emergency board meetings, and more. They were less in tune when it came to layoffs and meeting losses. Last year 59.4 percent of respondents predicted reduced attendance and the organization's largest event, but only 51.8 percent actually experienced such reductions. That's enough to prompt fewer executives to anticipate lowered attendance in the coming year.

FIGURE 14

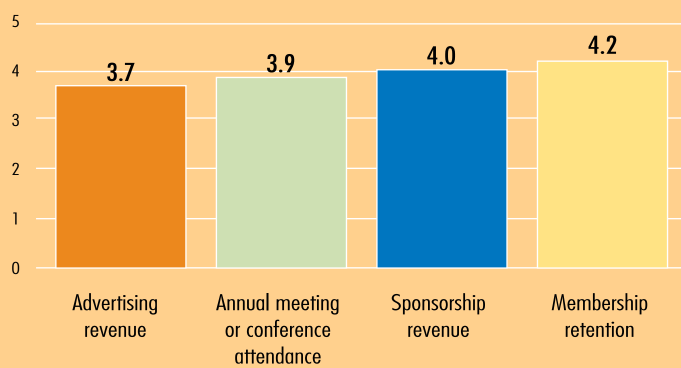
Attendance at largest meeting, program, or event



Given the slackening of the market, it's understandable that meeting attendance ranks very high on the list of association executives' concerns, as does sponsorship revenue and membership retention. For the gloomiest executives last year, dues restructuring appeared to be a tempting proposition: More than half of those who anticipated revenue increases (51.9 percent) said that they had already restructured dues or intended to do so. But even the current smaller pool of gloomy executives is avoiding that path: only 32.2 percent now say that they have done it or plan to. Such reticence may suggest that attempts to introduce a dues increase may elicit a negative response among members, echoing the open-end responses of many in ASAE & The Center member economy surveys. (For more, see "Going Steady," *Associations Now*, June 2009.)

FIGURE 15

How concerned are you with the following issues? (1 = "not at all concerned," 5 = "extremely concerned"; chart shows mean.)



Other Studies and Benchmarking in an Instant

In studying the responses in this survey, the most relevant comparisons can be drawn to ASAE & The Center's two Impact Studies of association members, conducted in December 2008 and May 2009. Both include the largest samples of the association community of any current survey available, capturing the responses of thousands of persons from dozens associations.

ASAE & The Center for Association Leadership continues to lead associations through the turbulent economic conditions. ASAE & The Center has performed two Impact Studies of association members in addition to its studies of association CEOs. Find these and many more resources ASAE & The Center have developed on the economic climate at www.asaecenter.org/economy.

The growing optimism described in this survey is matched to some degree by a growing optimism among members about the economy; a larger proportion or respondents in the most recent survey, conducted last summer, believed that their employment situation would improve. However, CEOs' concerns about member retention are justified by the fact that a larger percentage of members say they intend to drop their membership on their next renewal, regardless of whether their dues are paid by their employer or themselves—and regardless of whether they feel better about their employment situation.

The member survey also echoes this survey's findings that interest in online education options is increasing—but only slightly. Most members resist jumping from in-person to virtual-only events, and it seems more likely that they're using online options as supplements to face-to-face meetings, not replacements. The sole area of growth in meetings is in one-day events, reflecting the cutbacks in travel mentioned in this report.

Other studies of the association and travel industry are consistent with the findings in this report. A mid-2009 survey by Destination Marketing Association International of convention and visitors bureaus and related organizations—which attract associations to their cities for events—found that U.S. travel declined 3 percent in 2009. A 3 percent increase is anticipated for 2010, but according to the report a full recovery "is not anticipated until mid-decade."

A recent survey conducted by McKinley Marketing asked similar questions about association activities in 2010, though differences in sampling methodology, question phrasing and sample size make direct comparisons difficult. The McKinley survey reports that 75 percent of associations intend to or already have cut budgets; a majority of respondents also said they intended or already had frozen salaries, installed a hiring freeze, and reduced programs and services. This survey asks more granular versions of such questions, though the proportion reporting layoffs to both McKinley and ASAE & The Center is similar at just under 30 percent.

Surveys conducted through ASAE & The Center's Benchmarking in an Instant program, which gathers information in real-time on a variety of topics, relate to the data gathered here. For instance, survey on online learning strategy (data pulled February 22, 2010) shows that nearly half of the respondents (46.3 percent) pursued an online learning strategy as a source of nondues revenue, echoing the optimism about online revenue generation reflected in this survey.