Non-Dues Revenue: Boosting the Bottom Line!

Opportunities for Additional Revenue Abound
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I. Introduction: All too often the search for additional sources of revenue is confined to either selecting among affinity programs, or perhaps pushing for more corporate sponsorships. These certainly can offer good sources of income, but there is such a world of opportunity in the typical association that it is important to search as broadly as possible for the various valuable opportunities that are there for the picking if we can only see them.

In order to do justice to the immense variety of opportunities that are available, a listing of hundreds of items would be required. Such an approach would be exhaustive, but somewhat counterproductive. You see, the best solutions are always time and site specific… it is in meeting the member’s needs that the best sources of revenue are derived and those needs are particular to the niche the association fills and the time in which it is able to take action.

So to make the argument for diversity lets look at a case study of an actual (but unidentified) “Association X” that recently went in search of opportunities. Some of what they found might work for your association, or your clients; certainly all will not. However their methodology of brainstorming and looking with “fresh eyes” for opportunities is certainly something everyone can use. Certain of the areas they looked at are listed below and one or more of the many opportunities they found in each is described.

A. Product related:
   Association X has a very large annual meeting which approximately 10% of the membership attends; the other 90% simply can’t afford the expense to attend. The suggestion was made that the broader membership would really get value from the excellent educational content of the meeting. A variety of methods of packaging could be done - video for the most popular, others in CD-ROM, still others by text. The methods used had to be further studied, but the idea of taking existing content from a conference and repackaging the best of it for broader sales appeared well worth pursuing.

B. Pricing:
   Publications for the Association were priced by the publication department, largely based on direct cost with a bit of a profit. Once prices were set they were not changed whether the product was a hot seller or gathering dust. The decision was made to look at pricing to see first if an initial reasonable profit was being made, second that the price was truly as high as the market would comfortably bear, and third whether the prices of existing hot sellers should be raised.

   The Association was attaching a premium for the booths at “corners” in their annual meeting exhibition hall at a price that had stayed the same for a number of years. That price was updated. The Association was not, however, charging a premium for the heavy traffic areas such as near the main entrance. This failure was soon remedied! These two pricing policies were also put into play, though at lower prices, at the exhibit halls of their regional meetings.
C. Finding additional advertisers and exhibitors:

It was noted that the Association had been fairly static in the exhibitors and advertisers it had been working with. Upon examination two important problems were identified - first the number of exhibitors was far greater than the number of advertisers, and second (through a web search) that there were far more companies “out there” that X should have been doing business with that it was not doing business with. The decision was made that these problems represented truly significant opportunities for the association that would warrant significant prompt effort.

D. Cutting Costs:

The Association was contracting with their printers to direct ship their regular monthly publications as well as their Annual Meeting Program Book. By taking the shipping away from the printers and giving it to one of the large specialized shipping companies they discovered they could save many thousands of dollars a year.

It was noted that the Association has an unfortunate tendency to print too many copies of their new books. This results in excess inventory taking up valuable space and the eventual cost of destruction of whatever is truly excess. The decision was made that a committee would be created to reach a consensus on the best number of copies to publish, rather than leaving the decision to a single individual.

E. Contributions:

Despite the fact that Association X was a 501(c)(3) it had long ago stopped asking its members for contributions. One of the few benefits of “X’s” aging membership is that they are more likely to be interested in planned giving opportunities, or simply making charitable contributions. The global search for additional revenue made revitalization of this giving to the organization a “no brainer!”

In order to stir up interest in charitable giving to the Association and gain some unrestricted donations, the Association decided to offer special badge ribbons for those attendees at the annual meeting who contributed $20 at registration. With thousands of attendees this new “tradition” was expected to create an attractive new revenue stream…one that previously had simply been overlooked.

F. Service to Members:

Members of Association X all had to buy particular kinds of supplies throughout the year. The Association had never aided the members in getting better prices for these supplies…or benefited from the members purchases. The decision was made to approach a few large national vendors to see if the products could be provided directly to the members at a discount while a royalty stream was earned by the Association.

G. Sponsorships

The Association has a very popular news bulletin that is published monthly. Before the brainstorming session they had not realized the value a vendor would see in having its name and logo and only their name and logo on this monthly document that was reviewed by nearly all the members. The goal for this sponsorship was set at $25,000 a quarter!

Association X publishes a number of important texts that would be of interest not only to their members but to a portion of the general public. Fortunately certain of these publications are in a field in which some major corporations would like to be seen as “good citizens.” “X” is strategizing how to get one of these corporations to sponsor the distribution of an initial publication into the hands of each of its members at cost (including shipping) plus a nice profit to the association. The member then will have the opportunity if they
choose to share the publication in the community in which they work. Naturally copies will be available for sale by the Association to the general public at non-member prices.

II. In Conclusion: Opportunities for additional revenue streams for associations are quite literally endless. Identifying them is the first step, and should be fun. The next step and where so many associations fail is in the follow through. You will always have more ideas than you can undertake, so just take the best. Grab the low hanging fruit and use good business planning to execute on the more challenging opportunities you select.
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Ian K. Portnoy, Esq., Partner, McKenna Long & Aldridge LLP

Typical dilemmas facing Not-for-Profit CEOs or CFOs:

I. Members are objecting to higher dues
II. Tuition levels are maxed out for the market
III. Desire for additional programs
IV. Need for staff increases or staff pay increases
V. Need for additional scholarship aid

How to generate additional funds (all involving intellectual property or other intangible assets)

I. Save Money
II. Find Money
III. Make Money

A. Save Money

1. License/Software Audit
   a. Annual software survey/examination of license agreements.
   b. Who owns the programs you use?
   c. Do you pay annual license fees for some or all of them?

2. Drill Downs
   Examine total annual expenditures for licensing. If it is a material amount, “drill down.” If it is an immaterial amount, move on.
   a. Do you pay by “seat” - number of uses, number of simultaneous users
   b. How many licenses do you pay for and how many do you need?
   c. Do you pay for support and/or maintenance?
   d. Do you use all of the programs for which you are paying?
   e. Do you need all of seat licenses for which you are paying?
   f. Are your licenses current?
   g. Support and Maintenance
(i) Are you paying for it and not using it?
(ii) Are the versions of the software you are using supported by the developer?

B. **Find Money**

1. What does your organization have now which may be a hidden or undiscovered asset?
2. Education programs which might attract a wider audience
3. Magazine
4. Trade publication
5. Valuable name
6. Trade show
7. Finding Money - Details
   a. A program or concept your staff has developed which program may appeal to other similarly situated organizations
   b. A way of looking at a problem, common to your NFP niche, a way of ordering or arranging concepts common to your niche, a way of handling a specific issue which may be unique, a fresh idea unexplored by others but which may solve these typical problems
   c. Has your staff developed software? Does that software offer a solution
      (i) to a problem other NFPs may have
      (ii) to a need other NFPs may have
      (iii) to a need or problem any company may have
      (iv) Does that software add to or improve a typically commercially available program?

8. Magazine/Trade Publication
   a. Does it make money?
   b. Does it have an audience outside of your members?
   c. Would your members pay for it if it did not come as part of their membership benefits?
   d. Is your audience a unique “market niche” attractive to advertisers?
e. Have you considered merging your magazine or other trade publication with others to make the combination more attractive?

9. Valuable Name
10. Trade Show
   a. Who attends?
   b. Is it profitable?
   c. Does it have an audience outside of your members?
   d. Is your audience a unique “market niche” attractive to trade show sponsors?
   e. Have you considered merging your trade show with others to make the combination more attractive?

C. Make Money
1. Create it internally - your staff is as bright and creative as any other
   a. Do they know you are interested in their ideas, solutions, suggestions?
   b. Is there an incentive plan?
      (i) Does not need to be cash?
      (ii) Does not need to be huge sums
   c. Do you allow time for such creativity?
   d. Do you provide the tools needed for such creativity?
   e. Do you have an employment agreement/consultant agreement which clearly establishes ownership?

2. Outsource it
   If your staff has identified the need, and the need is not unique to your organization, consider having the solution made for you and then market it.

Examples of Generating Non-Dues Revenue
1. NFP developed and/or assembled the information, the manner of presenting the information, the user friendly and easily accessible navigation such that the organization became the de facto key source for that sort of information and for other similar presentation types.
2. NFP which allowed its staff the time and flexibility to engage in work-related thinking. Three of them developed a work-related concept and with the NFP’s help, a web-based product is
being created with what appears to be wide market appeal. The creators, the NFP and the technology company are now producing and marketing the concept with all three sharing in revenues.

3. NFP which realized it has an attractive asset which it sold to a third party.

Related issues - important but not covered as part of this presentation:

1. Tax implications of income you may derive from these activities
2. Protection issues for intellectual property
   (a) patent
   (b) copyright
   (c) trademark
3. Means by which you monetize
   (a) sale of asset
   (b) license of asset
   (c) assignment of all or some aspects of asset
4. Marketing Issues
   (a) can you do it internally
   (b) do you need to bring in capital and/or marketing expertise
5. Employment and business related issues
   (a) if the concept is a success, do you presently have the means by which to own the product, incentivize your employees, market the product
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Bruce J. Parker, President and CEO, Environmental Industry Associations

I. Environmental Industry Associations (EIA)
- Largest trade association (501©6) representing the private waste services industry in North America
- Two sub-associations: National Solid Wastes Management Association/ Waste Technology Equipment Association
- Over 500 corporate members
- 24 staff
- $5M annual budget

- $12M budget / 80 staff
- Industry consolidation
- Membership loss
- 52% dues from 5 members
- De facto dues cap

III. The Need
- Long-term financial stability
- Focus on core programs, activities, products and services
- Non-dues revenue source

IV. The Means
- Sell Waste Expo Exposition and Conference
- Dominant industry trade show
- Profitable
- EIA resources limit growth potential
• Sell *Waste Age Publications*
• Quality publications
• Highest ad $ market share (*Waste Age*)
• Tough competitive market

V. The Opportunity
• PRIMEDIA, Inc.
  o Diversified media company
  o Trade shows, consumer and business magazines
  o Strong resources and financials
  o Looking for an “anchor” trade show and magazine to purchase
  o Guess whose?

VI. The Sale – January 1999
• $15M Market Value
  o Goodwill
  o Copy rights and trademarks
• $4M Non-Competition Agreement
• $$ Other payments to EIA over 5 years for services to support Waste Expo
• EIA and PRIMEDIA formed a strong “partnership”

VII. Mission Accomplished
• EIA is financially healthy
  o Investment fund over $20M / part of earnings budgeted for annual operations
  o Strong balance sheet
- Continues to receive revenue and other non-cash benefits for services provided to Waste Expo

- EIA downsized and is now more efficient and disciplined

- EIA is totally focused on member services, programs and opportunities for other non-dues sources of revenue
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Craig Silverio, IOM, CAE, Vice President, Finance, Packaging Machinery Manufacturers Institute (PMMI)

Organization Profile

501c6 trade association
39 staff - U.S., Mexico, China
500+ member companies
Customer-research driven
Trade show centric

Presentation Overview

Hedgehog Concept

Branding

Leveraging Internet Technologies

Golden Nuggets Uncovered

Affinity Programs

Hedgehog Concept – We Bring Buyers and Sellers Together

Trade Shows

Advertising, Print and Virtual

Branding

Leveraging Internet Technologies

Internet Advertising – Outward focus

Why is our site better than theirs?

Event Key Words – Outward focus
Event Advertising – Inward focus
You see this, we see that.
Makes big events smaller.
 Makes finding who is important easier.
Leverage bricks and mortar activities.

Golden Nuggets Uncovered

Customer Needs Uncovered via Customer Research – Search as Broadly as Possible!

Customers require safer equipment, documentation of machinery design
Customers need better training on purchased equipment
Customers want a simplified trade show floor experience
Customers want trade show costs under control
Customers dedicating more marketing dollars to Internet
Customers want vehicle to promote importance of machinery

Revenue Generating Solutions
1.
2.
3.
4.
5.
6.

Affinity Programs

Stick with the tried and true
Align offerings with industry/markets served
More customer research
Great Ideas Checklist!

Identify the primary service or activity that your organization excels at, and consider ways to sell more of that service or activity for a price. Make sure that there is a need, and that you have not yet saturated the marketplace.

Think of ways that you can deliver your core products/services differently. E.g. Distance learning, delivery via internet, customized solutions, etc.

Develop/strengthen your branding of core product/services and build upon that.

Continuously survey your customers (members, members’ customers, members’ suppliers, etc.) to identify what challenges and issues they face.

Brainstorm to determine if you can monetize a solution that your customers would value and pay for.

Conduct research to determine whether your industry stakeholders would value an “industry designation” that would set them apart from their peers as experts in their field. Consider a credentialing or certification program that your customers would be willing to pay for.

What does your company currently outsource, that your customers are not 100% satisfied with? Research whether your organization can bring this in-house and deliver more effectively and generate revenues from.

**Continuously survey your members** to identify what goods/services they all need/require in their business (that you do not currently fulfill).

Consider whether you can provide these goods/services at a lower price, while still being able to deliver it when they need it.

Stick with the tried and true; don’t be a commodity provider.

**Test-survey a sample of members** to make sure that what you propose to offer will in-fact be of interest to them.

Explore strategies to minimize your tax exposure when establishing for-profit entities.