

# **Attracting New Members/ Membership Administration**

## **Practical Recommendations and Examples**

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SEQUA SINGAPORE REPRESENTATIVE OFFICE  
**ZDH PARTNERSHIP PROGRAM**

**F O R E W O R D**

In 1994 the ZDH Partnership Program, Singapore, published a manual on 'Strategies for Membership Recruitment and Retention for Chambers of Commerce and Industry', written by Dr B R Sabade, Secretary General of Maharashtra Chamber of Commerce and Industry, Pune/India. The manual was distributed to the Partner Chambers and Business Associations of the ZDH Partnership Program in Asia and also via - SEQUA - to other partnership projects elsewhere. The Central America CONCAPE Partnership Project (of SEQUA and the Duesseldorf Chamber of Skilled Crafts), which cooperates with small business organisations in Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, Panama and the Dominican Republic, translated the manual into the Spanish language. It was this project which initiated a new version of the original manual under the title 'Attracting new members/membership administration - Practical Recommendations and Examples'. The new publication was written by Dr Torsten Schumacher on behalf of the CONCAPE Project and its German partner the Duesseldorf Chamber of Skilled Crafts. It has been translated into English and Spanish.

Membership Development and Retention remain a prime task for all chambers and associations. The above publication provides many new ideas for succeeding in this task. We wish the publication ardent readers and its ideas a wide spread realization.



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## 1. Introduction

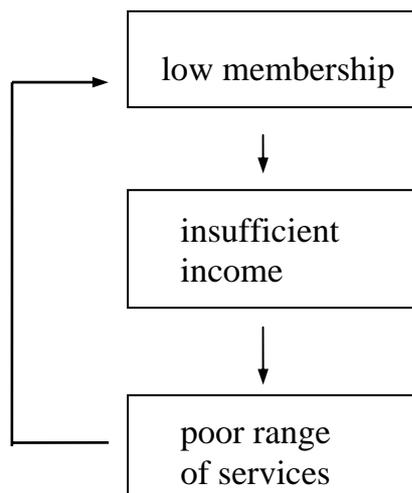
The idea for these guidelines was conceived during a seminar which the author held from 10 to 13 September 1996 in Guatemala City/Guatemala for the Foundation for Economic Development and Vocational Training (SEQUA), as part of a partnership project between the Central American and Caribbean Confederation of Small and Medium Enterprises (CONCAPE) and the German Confederation of Small Business and Skilled Crafts (ZDH).

The present guidelines assume that the reader is familiar with general principles of membership administration and strategies for attracting new members to chambers and business associations. This publication aims to supplement and expand the basic knowledge by way of concrete recommendations. The objective is to offer the reader a highly practice-oriented framework that can be applied in day-to-day work. To facilitate practical implementation, all suggestions are supplemented by examples, e.g. in the form of sample calculations and texts for various types of correspondence.

## 2. Importance of a Growing Membership

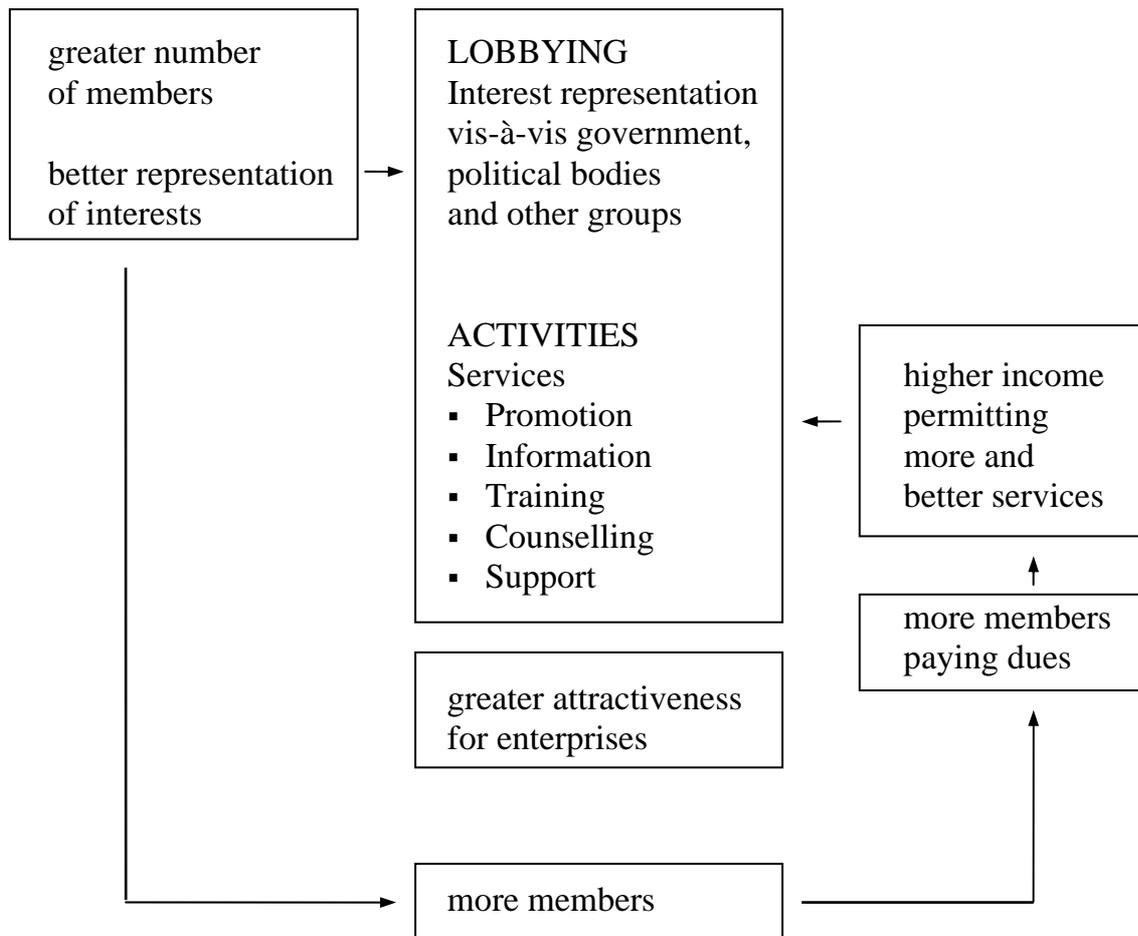
A familiar phenomenon can be observed in many countries: unless they can rely on mandatory membership, chambers and business associations are trapped in a "vicious circle" from which they cannot escape without a significant and sustained growth in membership:

This vicious circle is on the one hand very simple in its structure and on the other hand very resistant to change:



A reversal of this vicious circle should have the following general characteristics:

**Positive Effects of a Greater Number of Members on Chamber Activities**



The number of members represented by the chamber or business association is important for several reasons:

1. There are two basic sources of funding:
  - membership dues
  - fees for services rendered

Some chambers / business associations may be able to get financial assistance from donors.

The more members a chamber or business association has, the less dependent it will be on fees for services rendered (or international financial assistance). The higher the income from membership dues, the easier it is to, for example, initially offer a service at below-market price level in order to enter the market.

Donor assistance programmes will not continue indefinitely, so that in the medium and long term the importance of generating own income through membership dues and fees will rise.

2. To enable the organization to represent the interests of enterprises, especially from the SME sector, vis a vis political decision-makers, there must be a sufficiently large number of members! Otherwise the chambers or business association could rightly be asked: "who do you actually speak for?".

The more members a chamber or business association represents, the greater its credibility in assuming political interest representation.

There is a clear order of importance in developing activities: *first*, the step-by-step development of various services and thereby expansion of membership, *then*, assumption of political interest representation tasks.

Due to its general validity for chambers and business associations this may be called the "law of sequential organizational development for chambers and business associations with voluntary membership".

### 3. Attracting New Members

For a sustained and successful existence of a chamber or business association, it is important that members be attracted permanently. Only a growing membership ensures that services can be improved and interest representation intensified. Strategies for attracting new members include the application of a member-to-member system, the recruitment of new members by existing members, the organization of open-house days, sector-specific and social events, cooperation with other organizations, and the use of recruiting officers.

#### 3.1 Member-to-Member System

The so-called member-to-member system is as simple as it is effective. Indeed, it is probably the most effective instrument for attracting members and has already become commonplace in various countries, e.g. the United States.

Any chamber or business association can introduce a member-to-member system. The idea is simple: every member defines a price discount which his business enterprise offers to any other member. Non-members are excluded from this discount. Such a "closed shop" presents non-members with a considerable incentive to also become a member of the organization and thus take advantage of the preferential status.

**In many cases, a company may recover its annual membership dues if it takes advantage of the discounts! The member-to-member system becomes more interesting with every new member, because it increases the number of possible discounts.**

To assist in the practical implementation of this idea, a set of guidelines cum activity plan is introduced below; it contains the most important steps towards realization of a member- to-member system:

1. drafting of an information letter
2. mailer to members
3. collection of responses and comparison of suggested discounts
4. printing of an ID card identifying companies as participants in the member-to-member system and thus entitling them to take advantage of discounts
5. drafting of a publication with information on available discounts (as a loose-leaf work, to simplify periodic updating)
6. mailer to all members: ID card, loose-leaf publication, cover letter
7. interim evaluation: how is the member-to-member system working?

8. publicity:
  - articles and advertisements in the press
  - radio announcements
  - direct mailing
  - announcements at other events (e.g. open house day, social events)
9. quarterly updates (subject to membership development)

### **3.2 Member Recruitment by Members**

There is an active exchange of information between companies not only regarding the conduct of business and the problems of the respective sector or market, but also concerning membership in various organizations and their value in day-to-day work.

Herein lies an important starting point for increasing membership in the chamber or business association: why should our member companies not help us recruit new members - after all, they have extensive contacts in their sector.

Naturally, members must be given a clear incentive to become active for us in this manner. The following financial incentives are possible:

- The member is offered a waiver of 20 to 30 per cent of his annual membership dues if and when he recruits another member.
- If membership dues are graduated according to company size (which is strongly recommended) the financial incentive for the recruiting member should depend upon the membership dues of the recruited member. Generally, the waiver of dues for the recruiting member should only be granted after the new member has been with the organization for half a year.

To facilitate practical implementation, a sample letter by which members are informed of the new idea is shown on the following page:

Name of Chamber / Business Association

Name of Signatory

Street

City

Telephone/Fax

Name of Member Company

Name of Director

Street

City

Place, Date

**Save money -  
Recruit a member!**

Dear Member,

We have often noticed that you possess excellent contacts in your sector. Many other companies with which you are in continual dialogue respect you as a dependable and competent discussion partner.

Since you are among our most active members, you may in your discussions with other companies have had occasion to mention the work of our organization. Starting today, these discussions can directly benefit you:

**If you recruit a new member for our Chamber / business association,  
we will award you 30 per cent of this new member's annual dues!**

We are confident that this offer will be of interest to you and look forward to still closer cooperation.

We will be happy to answer any questions you may have.

Yours sincerely,  
NAME OF OUR ORGANIZATION

<Signature>

Name of Signatory

### 3.3 Open-house Day

Another effective instrument for attracting new members is to hold an "open house". The idea is to offer all interested parties a first-hand impression of the day-to-day operation.

To do so, we invite potential members to the office of the chamber or association.

The following agenda - overall duration approx. three hours - might be used to host an open-house day:

No.	Person	Content	Time Frame
1	Head	Welcome - "How it all started", i.e. reasons for the establishment of the chamber or business association and its basic objectives	15 min
2	3-4 staff	Presentation of our day-to-day work, as concrete and practice-oriented as possible. During this segment it should already become clear to the future members, how they can benefit from the organization	1 hour
3	1 member	brief statement by a member entrepreneur, explaining the reasons and advantages of membership	15 min
4	guests	questions/answers	30 min
5	1 person	handout of an evaluation form (see below)	15 min
6	all	tour of the facilities	1 hour

To facilitate practical implementation, the following example will clarify all the necessary steps/activities. Let us assume that the first open house is to take place on 15 October 1997. The following needs to be done:

No.	Activity	Date	Responsible Person
1	drafting of invitation list	25-27 Sept.	assistant
2	invitations go to print	28 Sept.	assistant
3	printed invitations ready	1 Oct.	
4	staff meeting: agenda of open-house day on 15 Oct. (who does what?) ▪ information material ▪ evaluation forms ▪ preparation of all staff	1 Oct.	all
5	<b>open-house day</b>	<b>15 Oct.</b>	<b>all</b>
6	evaluation: company visits	as of 16 Oct.	staff members

**Under the aspect of attracting new members, the above-mentioned evaluation form is particularly important.**

Therefore a model is suggested here:

<b>&lt;Name of the Chamber / business association&gt;</b>			
<b>Open-House Day on 15 October 1997</b>			
1. What are your impressions of <name of the organization>			
<input type="checkbox"/> Very efficient	<input type="checkbox"/> efficient	<input type="checkbox"/> not so efficient	<input type="checkbox"/> inefficient
			Please tick
.....			
2. How did you like the open-house day with regard to - content			
<input type="checkbox"/> Very much	<input type="checkbox"/> much	<input type="checkbox"/> not so much	<input type="checkbox"/> little
			Please tick
.....			
3. How do you read the importance of the chamber / association for your enterprise			
<input type="checkbox"/> Very high	<input type="checkbox"/> high	<input type="checkbox"/> not so high	<input type="checkbox"/> low
			Please tick
.....			
4. Do you feel attracted to become a member of the chamber / association.			
<input type="checkbox"/> Very much	<input type="checkbox"/> much	<input type="checkbox"/> not so much	<input type="checkbox"/> little
			Please tick
.....			
5. Would you like additional information?			
<input type="checkbox"/> YES		<input type="checkbox"/> NO	
If your answer is yes, please specify what you want to know.			
-----			
-----			
-----			
6. Please let us know when we may contact your enterprise to continue discussions:			
_____	_____	_____	
day	month	year	
<b>THANK YOU FOR YOUR VISIT!</b>			

All guests who answer the last question with "yes" (usually 50-80 per cent) should be contacted (phone, visit) personally at their place of business - these are the potential new members. If successful, this event can be carried out up to four times per year.

### 3.4 Sector-specific Events

Chambers and other economic organizations - with the exception of sectorally organized associations - are usually charged with looking after a wide variety of economic sectors. The typical problems, issues and development tendencies in one sector may be very different from those in another.

**Many chambers are not able to concentrate sufficiently on individual sectors. This can create the danger that the organization only "skims the surface" of the various sectors.** This is especially true for small institutions with less than 10 staff.

There will usually be some sectors which

- are economically important
- but which are at the same time inadequately represented in the membership of the respective chamber / association.

These sectors offer a great potential for new members!

#### **Recommendation:**

Companies which are not yet members of the chamber / business association can be addressed by way of special events which are tailored to the specific needs of the respective economic sector. Such events may be:

- half-day seminars
- podium discussions
- lectures

The success of this strategy of attracting members is largely determined by the factors "trigger" and "crowd puller":

- definition of a topic ("trigger") for the event which is currently of particular importance for the relevant sector
- identification of a speaker ("crowd puller") who is regarded as especially competent and/or as an opinion leader within the sector

Practical implementation of the events can be done in the following manner:

#### 1. Issue (Trigger)

The sectoral structure of the membership of the chamber / association should be analyzed. Here the importance of the member registration form introduced below (section 4.1) becomes evident.

2. Information on the chosen sector is collected. Many institutions publish sector studies which are generally available free of charge, e.g. at universities, research institutes or foundations. The following aspects are particularly interesting :
  - number of registered enterprises of the sector
  - company-related data (size, activities etc.)
  - problems and development barriers within the sector
3. Now for the decisive step: establishing contact with the companies. By way of telephone conversations and (personnel resources permitting) personal visits/company tours, an opinion leader and/or a well-known entrepreneur in the sector is identified.
4. The basic agenda of the event is planned in consultation with this person; the subsequent detailed planning is conducted by the organization.
5. Once the concept is finalized, the list of desired participants must be finalized and they have to be invited

### **Cost Calculation**

It is generally true that any new idea or any new service/activity should only be pursued if there is a realistic likelihood that it can be financed. For this reason a calculation model is introduced on the following page which can be used for any type of event/activity conducted by the chamber or business association:

<b>No.</b>	<b>Cost Type</b>	<b>Specification</b>	<b>Units</b>	<b>Price/Unit</b>	<b>Total</b>
1	labour costs (gross)	staff member 1 staff member 2 staff member 3 staff member 4	hrs hrs hrs hrs		
2	material costs	photocopies invitations info folder paper pens/pencils other			
3	transport costs	taxi car	km km		
4	communication	telephone fax e-mail internet			
5	postage	letters registered mail			
6	room rent		hrs		
7	hospitality	hours worked food drinks			
8	equipment	PC overhead projector flip chart whiteboard TV video other			
9	lecturers	honorarium hotel transport			
10	subtotal				
11	overhead costs	10%			
<b>12</b>	<b>Sum Total</b>				

The following principles must be observed in calculating costs:

- Calculation must be on full-cost basis! Many organizations make the mistake of not taking so-called "anyway costs" into consideration ("the secretary is here anyway - why should I take her work time into consideration?"). It is here that the mistake is made: income generated from the event must cover *all* costs - otherwise the point will come at which the secretary is no longer "here anyway" because her salary can no longer be paid!
- To determine labour costs, the following simple calculation can be used: gross annual salary , divided by 200 work days x 8 hours = labour costs/hour.
- Calculation on full-cost basis also implies regard to overhead costs that cannot be allocated directly (electricity etc.). To cover them a surcharge of 10 per cent is the minimum.
- The calculation of costs for technical equipment (No. 8 above) must be based either on rental costs or, in the case of own equipment, on depreciation. This is another point that is often forgotten!

Depreciation example: 1 PC of 2000 US\$ value is used for a total of 20 hours in preparation for the event. Total time of use during 1 year is 800 hours (4 hrs x 200 work days). Assuming a depreciation period of 4 years, the PC thus loses 500 US\$ in value per year. For the event we have used the PC for 20 hours. If the computer is used 800 hrs a year, then we must take 2.5% of 500 US\$ (= the cost of the computer depreciation if the price of the computer is US\$1,500 and it is depreciated in 3 yrs) = 12.50 US\$ into consideration for the PC's depreciation.

- A net financial gain can and should be envisioned and calculated!  
The cost of recruiting a new member should be recovered within a year.

### 3.5 Social Events

**In almost any country, entrepreneurs are looking for opportunities to make new contacts or refresh old ones - preferably in an informal atmosphere.**

#### **Recommendation:**

Aside from offering a range of services, chambers and business associations should also organize social events. The objective is to create a forum for the exchange of ideas and opinions. One form for such an event might be a business luncheon.

The calculation model introduced on the previous page can be used to determine the participation fee. However, since participants in a social event will often be coming into contact with the organization for the first time, the fee should be rather modest. Thus financial gain is not the chief objective here; cost recovery of 80 or 70 per cent is acceptable.

Naturally, the advantage for participating companies is that in addition to a mere exchange of ideas they can (and should) also make business contacts. For the organization, the main advantage is that it becomes better known and that a number of the companies present may well decide to become members.

Two factors are decisive for the conduct of the event and the number of members that may be gained as a result: the invitation list and the speaker.

### 1. Invitation List

First of all, the list of invitees must be carefully defined. Apart from some of the current members, it is important that the following should be invited:

- Non-members ⇒ all of course the most important target group for the invitation to the social event. They should become convinced of the chamber or business association's potential value to them.
- Political decision-makers ⇒ in the medium and long term, representing the interests of entrepreneurs vis a vis political agencies will only be possible if the respective politicians are aware of the organization. Events to which political decision-makers are invited can also have a pure service character - what is decisive is only that their attention is drawn to the capabilities of the chamber or business association. At any rate many politicians will be interested in developing contacts with the entrepreneurial sector, e.g. members of the parliamentary economic committee, department heads of various ministries, local politicians who deal with economic issues, mayors etc.

#### **Recommendation:**

Bearing this in mind, a VIP list which includes all persons important to the work of the chamber or business association should be drafted. For administrative ease, computerized registration and management of this list is absolutely essential.

- enterprises ⇒ since small or medium-sized companies are a very interesting target group for representatives of large enterprises, e.g. as suppliers, the latter should be invited.
- press ⇒ all activities of the chamber / association must generally be accompanied by press and public relations work, and this is also true for social events. Even small business associations with less than five staff are able to establish a minimum contact to the press and to invite it to such and other events.

**Recommendation:**

Each chamber or business association should have one staff member who deals *exclusively* with press and public relations. In this regard, statements like "there's no time for such things - our other work takes up all our time" are commonplace. They should be cause for concern, because they document that the importance of intensive public relations work is underestimated - and this can lead the chamber or business association to its demise!

**2. Speaker**

The second success factor is the speaker who can be found to give a presentation at our event. Possible candidates are:

- ministers or other high-ranking officials
- ambassadors (usually from diplomatic missions of neighboring countries)
- representatives of important national institutions, e.g. Central Bank President
- nationally acclaimed entrepreneurs

**3.6 Public Relations: Cooperation with Members**

A simple but in some circumstances highly effective idea consists of cooperating with some of the member companies in the field of public relations. This can be done as follows:

A display is set up in the foyer of a member company, in which the chamber/association calls attention to its service offers. Particularly important cooperation partners are of course those companies which have a busy flow of visitors. In return, the organization should offer the company either a waiver of membership dues (e.g. two months free), or free use of services (e.g. two one-day seminars free of charge).

For practical purposes it is worthwhile to place a stack of forms as shown below - possibly supplemented by further information material - in the display area:

**Are You An Entrepreneur?**

**Then Take Advantage of this Opportunity!**

Do you currently have difficulty:

- in obtaining a bank credit?
- with the qualification of your employees?
- with marketing your products?
- with suppliers?
- with??? (please specify)

-----  
-----  
-----

Just check the relevant boxes and send this form back to us, or call us.

We will help you get ahead!

We would also be pleased to arrange a personal meeting with you, so that we can discuss your questions in detail.

Your telephone number:

Your name:

Again in order to facilitate the practical implementation of the recommendations, here is a draft letter with can be sent to companies where setting up a display appears worthwhile:

Name of the Chamber/Business Association

Name of Signatory

Street

City

Telephone/Fax

Name of Member Company

Name of Director

Street

City

Place, Date

Dear Mr/Ms.....,

We are happy that you have been among our active members since <month, year>. To further develop our cooperation, we would like to make the following suggestion:

- We set up a display at an appropriate location in your foyer, and call attention to our services with a simple handout form.
- As an expression of our thanks, you will be granted either a two-month waiver of your membership dues, or you may use certain services offered by our organization free of charge - this is entirely up to you!

I believe that you too will react favourably to this suggestion, as it only offers advantages for both sides.

I shall contact you within a few days so that we can discuss details.

Yours sincerely,

NAME OF CHAMBER/BUSINESS ASSOCIATION

<Signature>

Name of Signatory

### 3.7 Cooperation with other Chambers or Business Associations

In many countries and regions, new chambers and business associations are "cropping up everywhere". Generally they are competitors offering similar services, and thus make life hard for one another.

#### Recommendation:

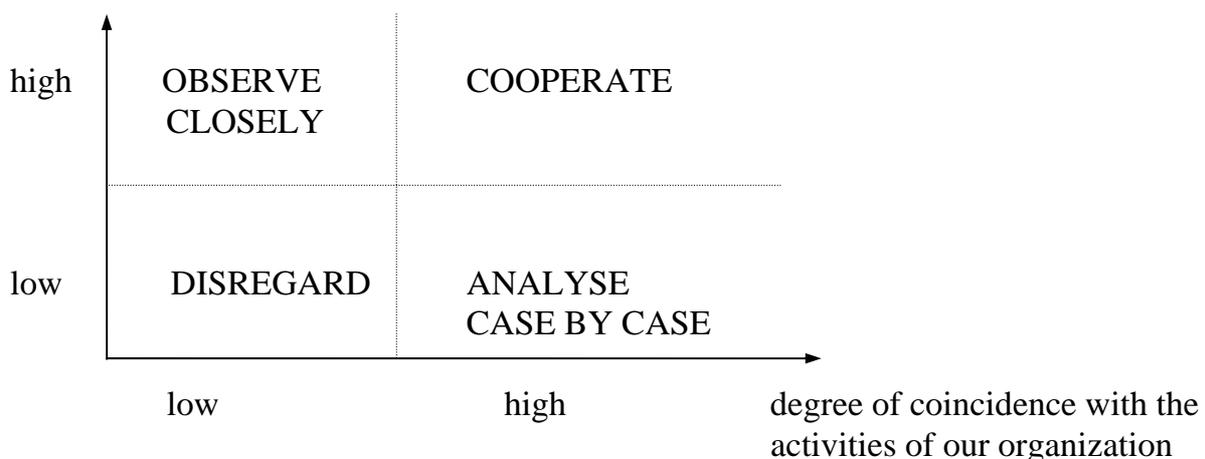
**The chamber/association should seek forms of *cooperation* with certain selected chambers or business associations.** This does not initially have to mean long-term, contractually fixed cooperation in the sense of a strategic alliance in which a large portion of the activities are conducted in tandem. However, the joint organization of a one-day seminar can already be a meaningful cooperation.

#### Identifying Cooperation Partners

The first question is: with which of the many chambers or business associations should the chamber/association seek cooperation?, The following chart illustrates in simple form the institutional environment of the chamber/association. The vertical arrow indicates the national importance of the respective institution, while the diagonal arrow reflects the degree to which its activities coincide with those of our organization. Thus the aim is not to position ourselves on this chart, but rather all other relevant organizations/institutions. Neither does this exercise constitute a quantitatively exact analysis, it is rather a qualitative analysis of our institutional environment.

Chart: Institutional Environment of the chamber/business association

Importance at national level



Note: The two arrows in the diagram indicate that as time passes, the relevant organizations can change so as to warrant placement in a different quadrant.

Thus there are four quadrants, from each of which a strategic recommendation can be derived:

Quadrant	Description	Strategic Recommendation
bottom right	Positioned here are organizations which have no great national-level importance, but whose activities coincide to a relatively high degree with ours	<b>analyse case by case</b>
bottom left	Organizations with low national importance and activities largely different from ours are located here	<b>disregard</b>
top left	Here we place those organizations which are already quite important within the country, but which are largely active in fields in which we are not	<b>observe closely</b>
top right	High national-level importance and high degree of coincidence with our activities - this looks like the interesting quadrant!	<b>cooperate</b>

Thus potential cooperation partners are those organizations which have relatively high national-level importance and also conduct activities which for the most part coincide with ours. The management of these institutions must be contacted. In doing so, it is already important at this stage to make suggestions for possible forms of cooperation and to stress the resulting advantages *for both sides* (see below: possible fields of cooperation, advantages of cooperation).

#### Why Cooperation is Necessary

It should have become clear that the institutional environment of the organization has quite a bit to do with the topic "attracting and servicing members". Unfortunately this is all too often forgotten.

**The institutional environment of the chamber or business association has a significant influence on the possible size of the organization and/or the potential for attracting new members.**

**As a rule, more than 80 per cent of those SMEs which elect to organize institutionally at all will become members of *only one* chamber or business association. This is due to limited time budgets and financial considerations.**

The greater the number of organizations located in the "top right" quadrant of the above chart (high national-level importance/high number of coinciding activities), the more limited our membership will be and the more difficult it will be for us to attract new members. In other words: the more organizations there are in the "top right" quadrant, the more important it will be to cooperate with them!

### Possible Fields of Cooperation

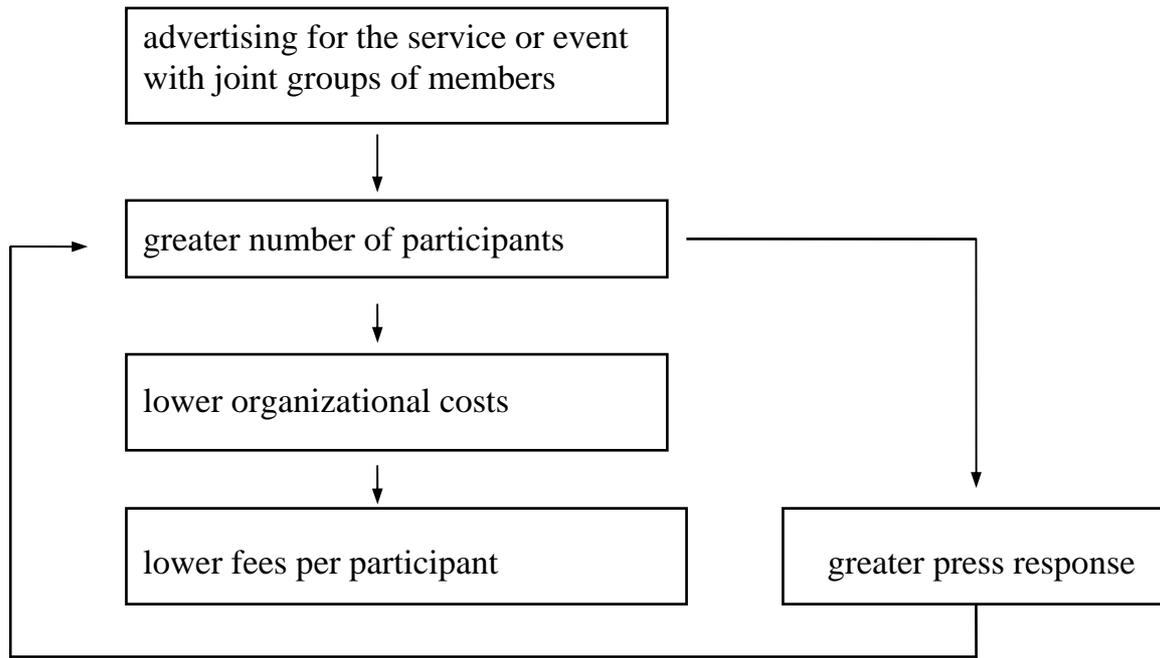
After we have identified the group of institutions with which we should seek to cooperate, we must define the potential fields of cooperation. Again: at this point the objective is not primarily to form strategic alliances (but if one such should develop with a one-time competitor, all the better!), rather, to cooperate in specific instances and projects. Here we are therefore pursuing a "policy of small steps".

1. joint organization of entrepreneurs' trips, e.g. to trade fairs or exhibitions
2. joint organization of vocational training seminars
3. mutual invitations to events (e.g. business luncheons, sector-specific events).

### Advantages of Joint Activities

1. The first important advantage of institutional cooperation is that generally a greater number of participants can be guaranteed, since in advertising for the relevant activity both organizations can approach different member groups.
2. Directly linked to this is the chance to reduce organizational cost per participant.
3. This in turn leads to the opportunity to conduct the event/service at a lower fee per participant - which raises the readiness of companies to participate.
4. Finally, the involvement of two organizations and a greater number of participants will lead to broader media coverage.

Cooperation between two organizations thus creates a cycle which may be termed "the positive cycle of cooperation between different organizations".



### Managing Cooperation

#### **Recommendation:**

*Every six months*, management should review the chart on the institutional environment of the organization, because the institutional landscape changes over time! The results of the review - i.e. at least a new chart - must be put down in written form and collected along with the earlier charts.

In the medium and long term, the number of chambers and business associations will tend to decrease, especially as a result of a growing shortage of funds. In our planning, we must be aware of this process of institutional concentration.

Therefore we must start actively seeking partners and fields of cooperation *now*, so that we can survive as an organization!

### 3.8 Recruiting Officers

A traditional instrument for attracting new members is the use of recruiting officers, who usually work on a commission basis and concentrate exclusively on member acquisition. Naturally the success of this strategy depends quite decisively on the training of the respective persons and their "salesman's talent" - because it *is* their job to sell something: the product "membership" in the chamber or business association.

The basis for evaluating this instrument should once again be a sober cost-benefit analysis, which will be introduced below by way of an example. Using exactly the same calculation system, this example can be applied to all chambers or business associations. First, the costs of an external staff member need to be calculated:

No.	Cost Type	Units	Total in US\$
1	salary		
	<ul style="list-style-type: none"> <li>▪ fixed (gross) 250 US\$</li> <li>▪ commission (20% of annual member-ship dues, payable at year's end; see following page)</li> </ul>	12 1	3,000 1,152
2	training courses (3 days each)	2	200
3	office		
	<ul style="list-style-type: none"> <li>▪ desk</li> <li>▪ materials</li> </ul>	1 12	50 240
	* telephone/fax	12	600
4	transport costs	12	1,200
<b>5</b>	<b>Total</b>		<b>6,442</b>

These costs must now be brought into relation with the income that can realistically be achieved through the use of a recruiting officer. The following assumptions are made for our example:

- four company visits per day
- four days acquisition/one day appointments, route planning etc.
- given 16 visits per week and a success rate of 12 per cent (i.e. one in eight companies can be recruited as a member - a value which experience has shown to be realistic)  
= 2 successful acquisitions per week
- 45 weeks of acquisition (seven weeks for vacation, further training etc.) = 90 new members.
- on average, new members stay in the organization for 1.5 years (may have to be adjusted for the actual case)

The 90 recruited members pay different membership dues, depending on their size. In this example, a realistic distribution of new members by size group would be the following:

<b>Employees</b>	<b>No. of new members</b>	<b>Annual dues per company in US\$</b>	<b>Cumulative dues in US\$ for one (1) yr</b>	<b>Income in US\$ for 1.5 yrs</b>
1-4	50	48	2,400	3,600
5-9	24	72	1,728	2,592
10-20	12	96	1,152	1,728
>20	4	120	480	720
<b>Total</b>	<b>90</b>		<b>5,760</b>	<b>8,640</b>

To keep the calculation conservative, 15 per cent are subtracted from these income expectations, because not all members pay their dues on time and we plan to offer waivers on membership dues in a number of cases. Thus we can expect an overall income of **7,344 US\$**. This shows that although the membership dues raised by the chamber or business association in this example are relatively low, the employment of a recruiting officer pays off!

**The use of recruiting officers is almost always worthwhile - even if relatively conservative assumptions are made, as above.**

#### **4. Membership Administration**

##### **4.1 Registration of Members**

**In at least 90 per cent of all chambers and business associations, the registration of members is inadequate!**

But a sensible and detailed registration of our members is decisive for the quality of our future work. On various occasions we will need data on our members, all of which can and should already be gathered when an enterprise becomes a member.

The following questionnaire can be used to register our members.

##### **Recommendation:**

The questions should be spread over two pages (not more!) and copied onto the front and back of a single sheet of paper. Apart from making things easier for the person filling out the questionnaire, this reduces mailing costs.

## Questionnaire for Registration of Members

Please send back to:

<Name of Chamber/Business Association>

<Street>

<City>

<Telephone/Fax>

### **I. Basic Data on Enterprise**

1. Name:.....

2. Address:.....

3. Phone/Fax:.....

4. Legal Status:.....

5. Year of Establishment:.....

6. Today's Date:.....

### **II. Contact Persons**

	Name	Position	Phone	Languages
1.	.....	.....	.....	.....
2.	.....	.....	.....	.....
3.	.....	.....	.....	.....

### **III. Sphere of Activities**

Production, mainly of: 1. ....  
2. ....  
3. ....

Trade, mainly in: 1. ....  
2. ....  
3. ....

Services, mainly: 1. ....  
2. ....  
3. ....

### **IV. Size of Enterprise**

- 1-2 employees
- 3-4 employees
- 5-9 employees
- 10-19 employees
- >20 employees

**V. Foreign Trade**

**Exports:** Export Volume in <year>: ..... <US\$ or local currency>

	Country	Percentage	Products
1.	.....	.....	.....
2.	.....	.....	.....
3.	.....	.....	.....

**Imports:** Import Volume in <year>: ..... <US\$ or local currency>

	Country	Percentage	Products
1.	.....	.....	.....
2.	.....	.....	.....
3.	.....	.....	.....

**VI. Expectations of <Name of Chamber/Business Association>**

Please evaluate the importance of the activities of our organization for your enterprise by ticking the appropriate box (the higher the number, the more important the activity is for you, i.e. 10 = very important).

**A. Interest Representation**

not	1	2	3	4	5	6	7	8	9	10	very
important	<input type="checkbox"/>	important									

for my enterprise

**B. Services**

**Overall :**

not	1	2	3	4	5	6	7	8	9	10	very
important	<input type="checkbox"/>	important									

for my enterprise

Individual Services:

	not important	for my enterprise								very important
Legal advice	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
Trade fairs/exhibitions	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
Training	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
Cooperation between firms	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
International contacts	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
Technical advice	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
Administrative advice	1 <input type="checkbox"/>	10 <input type="checkbox"/>								
.....	1 <input type="checkbox"/>	10 <input type="checkbox"/>								

**VII. Comments**

.....  
 .....

**The registration of member firms by way of this questionnaire is not an "administrative bother", but a decisive basis for the quality of future work!**

**Recommendation:**

A short accompanying letter must point out the importance of the information to the chamber/association:

Name of Chamber/Business Association
Name of Signatory
Street
City
Telephone/Fax
Name of Member Enterprise
Name of Director
Street
City
Place, Date
Dear Mr/Ms .....,
Yesterday you made a good decision: you became a member of <name of our organization>!
To help you make the best possible use of your membership, we request that you take about 15 minutes to fill out the enclosed questionnaire and to mail or fax it back to us at your earliest convenience.
<ul style="list-style-type: none"><li>▪ The data on your enterprise (I-IV) gives us an indication of the events and services which are of interest to you. In this way you will always receive the relevant invitations and announcements!</li><li>▪ If you inform us of what you expect from us, we can align our work even more closely with your wishes and needs.</li></ul>
We thank you for your cooperation and are happy to be available for personal discussions, information, etc. In anticipation of fruitful cooperation, we remain
Yours sincerely, NAME OF OUR ORGANIZATION
<Signature>
Name of Signatory

**4.2 Categorization of Members**

The generally applicable criteria by which members can be categorized in a computer-based file are the following:

- categorization by company size (number of employees)
- categorization by turnover
- categorization by economic sector
- categorization by region

It is immediately evident that as a result of the above questionnaire we already have all of this information - there is no additional work involved! All that needs to be done now to implement member registration is to acquire the appropriate hardware. A small PC should easily be sufficient to manage the administration of several hundred members. In addition, a wide range of software is available which can be applied to registration and management of members.

**Recommendation:**

Many chambers and business associations, even very small ones, introduce different types of membership (full membership, part-membership, honorary membership etc.). This is strongly discouraged, because it increases administrative effort needlessly! There should only be members and non-members!

Many chambers and business associations use different forms for compiling member data: one application form for new members and one company profile form which is completed later to provide chambers/associations/ with sufficient data on the commercial background of the member enterprises (for business matching services etc.) This practice is thoroughly discouraged since it makes double work necessary.

### **4.3 Membership Dues**

The issue of membership dues is probably one of the most difficult questions for chambers and business associations which are still in the start-up phase. On the one hand, many members will complain about the amount, no matter how small; on the other, the income generated through membership dues should become an important source of funding for the institution.

In order to find an adequate level for membership dues, one should first ensure that the monthly amount does not create a significant financial burden for the members and their day-to-day conduct of business. However, membership dues *can* be too low!

**Recommendation:**

For all of a chamber or business association's services/activities there should be a clear differentiation in fees for members and non-members. As a rule of thumb, we can say that non-members should pay 50 to 100 per cent more, so that they feel a clear incentive to become a member of the organization.

In the final analysis, this simple tactic is one of the most effective instruments for attracting new members.

Membership dues should be graduated by size of member companies; the number of employees serves well as a basis for this.

For the SME sector, where only few member firms have more than 20 employees, the following chart may be used. The actual amount charged is irrelevant at this stage - the chart only serves to indicate the degree of **differentiation** of dues!

Number of Employees	Turnover	Dues per Month - Example 1 -		Dues per Month - Example 2 -	
		%	US\$	%	US\$
1-2		80	8.00	60	12.00
3-4		90	9.00	80	16.00
5-9		100	10.00	100	20.00
10-20		110	11.00	120	24.00
>20		120	12.00	140	28.00

Regarding **magnitude** of membership dues. chambers and business associations in the establishment stage should in the long term (approx. 10 years) develop the following funding structure:

Source of Income	Amount in %
membership dues	40
fees for services rendered	60

This relationship is neither mathematically derived, nor is it precisely quantifiable - but it *is* a realistic figure based upon experience. Of course the important aspect here are not the exact figures 40/60, but the proportions. Experience shows that e.g. an 80/20 ratio of membership dues to fees for services is unhealthy.

On this basis, depending upon the number of members, the amount of dues to be charged may be determined. But as a rule, things are quite different in reality. The following funding structure may also apply:

Source of Income	Amount in %
membership dues	10 - 20
fees for services rendered	10 - 20
donor assistance	60 - 80

**Faced with a funding structure like this, the issues of "attracting new members" and "membership administration" gain additional importance. A chamber or business association will probably collapse when donor assistance programmes are discontinued or reduced. Thus, if the above structure should be given highest attention must be paid to attracting additional members in time!**

**An alternative approach to developing a realistic membership dues structure is simply to rely on experience. There is a rule of thumb which has proven applicable in many countries: the annual dues of an average-sized member should lie between one-quarter and one-third of an average monthly salary in the respective country.**

## Registration Fee

### Recommendation:

The one-time registration fee should only cover the administrative costs that arise directly from the registration of the new member. Therefore a standard registration fee should be used for all new members. Using the same calculation model, the following example can be applied to all organizations for calculating the fee:

No.	Cost Type	Specification	Units	Price/ Unit	Total
1	staff time	Director administration/ secretariat	1 hour	4.00 US\$	4.00 US\$
			1 hour	2.00 US\$	2.00 US\$
2	communication	telephone fax	2 hours	3.00 US\$	6.00 US\$
3	materials	info folder	1	3.00	3.00 US\$
		postage	---	US\$	---
		other	---	---	---
4	direct project costs				15.00 US\$
5	overhead costs	10% of direct project costs			1.50 US\$
<b>6</b>	<b>Total</b>				<b>16.50 US\$</b>

An overhead of 10 per cent of direct project costs must be included because some cost factors cannot be directly allocated to individual activities but do arise nonetheless, e.g. electricity (see also 3.4).

#### 4.4 A Difficult Task: Outstanding Dues

**Most chambers or business associations are faced with a considerable volume of unpaid dues. In many cases members have not paid their dues for two years or more.**

**As a rule, considerable administrative effort goes into recovery of outstanding dues. The success rate of these efforts is generally poor.**

**Recommendation:**

The extent of efforts to recover outstanding dues (or, in other words, collection management) should be determined strictly according to cost-benefit criteria.

The benefit is easily quantifiable: for the most part, these are the dues which the member has not paid. The costs of collection management should be calculated on the basis of the following model (which always means on full-cost basis!). The model is based on an institution in Costa Rica which raises monthly membership dues of 2 US\$ and finds itself in the following situation:

Debit in Months	Number of Members	Amount in %
0	62	11.5
1-2	96	17.8
3-12	64	11.9
>12	316	58.8
<b>Total</b>	<b>538</b>	<b>100</b>

The decisive question now is: "What administrative costs does a member who has not paid dues for a year cause our organization?"

### Costs of Collection Management per Member and Month

No.	Cost Type	Units	Price/Unit in US\$	Total in US\$
1	labour costs for <ul style="list-style-type: none"> <li>▪ telephone calls</li> <li>▪ visits to company</li> <li>▪ letters</li> </ul>	0.7 hrs 3.0 hrs 0.5 hrs	2.19 <sup>(1)</sup>	9.20
2	telephone costs	40 min	0.08	3.20
3	materials <ul style="list-style-type: none"> <li>▪ paper</li> <li>▪ envelopes</li> <li>▪ stamps</li> <li>▪ depreciation of PC and printer<sup>(2)</sup></li> </ul>	0.5 hrs		0.05 0.05 0.25 0.23
4	subtotal			12.98
5	overhead costs		10%	1.30
<b>6</b>	<b>Total costs</b>			<b>14.28</b>

(1) Salary = 350/160 hrs/month = 2.19 US\$/hr

(2) Calculation of depreciation of PC and printer:

- depreciation period: 4 years
- cost: 3,000 US\$
- use: 200 days/year x 4 years = 800 days x 8 hrs = 6,400 hrs
- cost/hr = 3,000 US\$/6,400 hrs = .47 US\$/hr

#### Result:

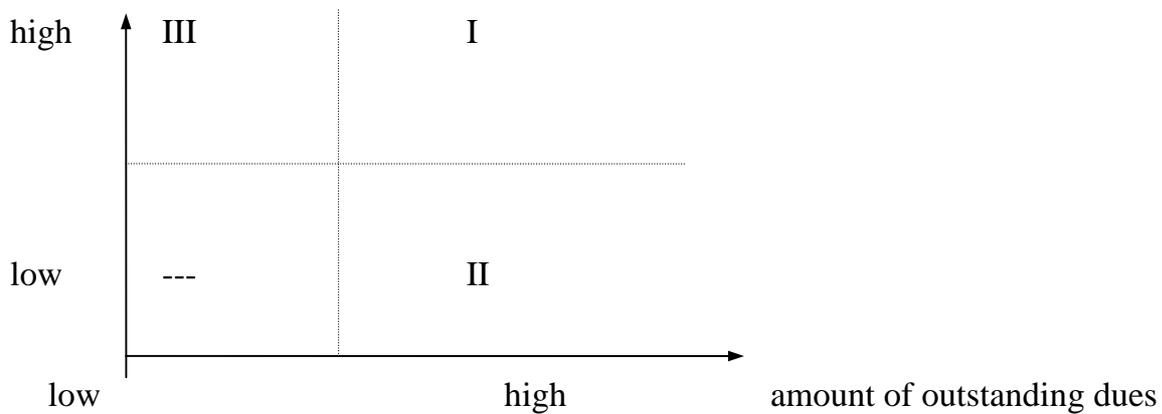
To have any degree of success in recovering outstanding dues, collection management must be rather intensive. In the above example, this costs the organization approx. 14 US\$ per recovery attempt! However, monthly membership dues only amount to 2.00 US\$! In other words: a "recovered" member has to pay dues regularly for 7 months just to recover the costs of what was actually a "well-meant" activity. Therefore membership dues of 2 US\$/month are obviously too low!

**Recommendation:**

The activities of the chamber or business association in the field of "recovery" of outstanding dues should be focused expressly on certain members.

But on which? The following diagram offers an answer to this question:

degree of activity  
as a member  
(probability of  
reaffiliation)



The Roman numerals in the matrix reflect the recommended sequence in which the segments should be addressed. Work should begin with those members who on one hand have high outstanding dues, because here the effort is more likely to be worthwhile. On the other hand, only those members who have been relatively active and have made use of our organization's services should mainly be approached for recovery of dues. For this category (I) we can assume a certain degree of identification with our institution - a fact which will have a decisive influence on the success of collection management.

**4.5 Method of Payment**

**Most member companies pay their dues on a monthly basis.**

We must encourage members to pay for longer intervals. The best way to accomplish this is by way of financial incentives. For example:

Payment for ½ year ⇒ 15 to 20% discount on membership dues

Payment for 1 year ⇒ 30 to 40% discount on membership dues

In *any* case discounts on membership dues must be higher than the respective inflation rate, because otherwise members would in real terms actually lose money if they paid for longer periods. This would mean the loss of any incentive. Furthermore, the incentive to pay annually should be greater than twice that for semi-annual payment.

#### Advantages of this method of payment

1. increased planning security
2. increased financial stability
3. clear reduction of administrative effort

**In many countries a considerable portion of members (often around 30-50 per cent) does not pay their dues or at least does not pay punctually.**

The administrative effort is correspondingly great (reminder letters, telephone calls etc). If a member company pays per year rather than by month, dues only need to be "recovered" once rather than 12 times a year. Especially in the case of small chambers or business associations, this frees time and manpower for positive, member-directed activities. This is all the more valid in view of the above-mentioned difficulties with collection management.

#### **4.6 Inflation-adjusted Membership Dues**

**If one assumes an annual inflation rate of 12 per cent, income generated through membership dues would in real terms drop by half in the space of three years if dues remain the same!**

Membership dues must be dynamic. A reasonable increase is derived by fixing dues to the annual inflation rate. Only in this way can the devaluation of income generated through membership dues be prevented.

For tactical reasons, dues should be increased every year. Otherwise, depending on the inflation rate an increase of perhaps 30-50 per cent would be necessary after, say, three years. This could frighten off many members and induce them to discontinue membership.

## 4.7 Loyalty Bonus

**In most chambers and business associations, at least three-quarters of members are relatively passive. These members should be encouraged to move closer to "their" organization.**

### **Recommendation:**

Offering a loyalty bonus is an important element of any customer relations strategy. It can easily be transferred to chambers and business associations. If a company has maintained uninterrupted membership for a certain period of time, e.g. two years, it should be entitled to a loyalty bonus.

This bonus can be awarded either in the form of a reduction of membership dues (e.g. three months' waiver of dues), or as an offer to use services free of charge for a certain period (e.g. all services free for one month, or a certain service - e.g. seminars - free for three months).

Aside from the financial aspect of customer relations, the psychological aspect deserves special mention in this context. Rewarding loyalty encourages members to move closer to the organization ("I've been a member of the chamber/business organization for two years"), and raises the degree of identification. Correspondingly, there will be an increased tendency to make use of service offers and thus raise the organization's income. This development can be augmented through intensive press work. Among the possible activities in this context are:

- reports on "the most loyal members" in the local press
- similar reports on television and radio, complemented by interviews with these members
- articles in the newspaper/newsletter of the chamber/association, supplemented by company profiles of the members.

The following letter is suggested to facilitate the implementation of these ideas in day-to-day operation. It incorporates all three aspects (method of payment, inflation-adjusted membership dues, loyalty bonus). In this way the "bad news" of adjusted dues can be offset by the other two fields. Acceptance problems can thus at least be reduced.

The letter must be sent together with the dues invoice.

Name of Chamber/Business Association  
Name of Signatory  
Street, City  
Telephone/Fax

Name of Member Company  
Name of Director  
Street  
City

Place, Date

Dear Member,

We are pleased to be able to inform you that in future we will award companies which have maintained membership with us for two years a special loyalty bonus. You can decide for yourself whether you would prefer to utilize the bonus by not paying membership dues for three months or by making use of certain services free of charge.

We are currently in the process of increasing the efficiency of our administration. This involves two main points:

- If you elect to pay your membership dues on an annual basis, you will receive a discount of .... per cent! If you pay semi-annually, we offer you a rebate of .... per cent!
- As you know, we are obliged to adjust membership dues from time to time due to inflation. In order to avoid a dramatic increase after two or three years, we shall adjust the rates on an annual basis - and that means by a far smaller amount! Please observe that we are thereby merely offsetting the effects of inflation.

We are confident that all of the above steps will find your approval and that they will further improve our cooperation. Of course we will be happy to answer any questions you may have. Please contact

- regarding loyalty bonus                      <name of staff member>      <direct phone>
- re annual / semi annual payment      <name of staff member>      <direct phone>
- re adjustment of dues                      <name of staff member>      <direct phone>

Yours sincerely,  
NAME OF OUR ORGANIZATION

<Signature>

## **4.8 Final Notes on the Service Spectrum**

A detailed and comprehensive discussion of the desirable service spectrum of a chamber or business association is beyond the scope of these guidelines. Nevertheless, some basic observations on the range of services offered are necessary, because this directly affects our topic "membership".

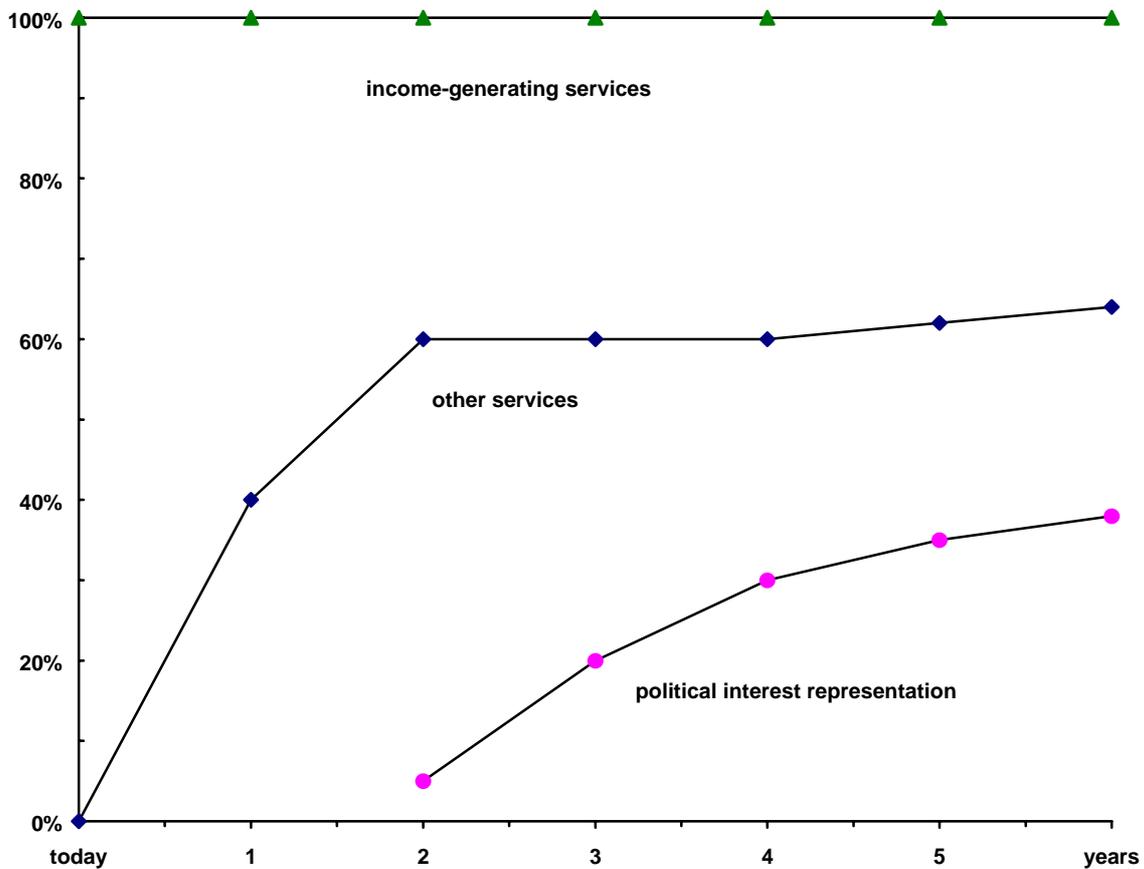
The more own income the chamber or business association is able to raise, the easier it will be to implement the various member-attracting activities. If the services offered generate a profit, not every member recruitment activity needs to be financed with a 100 per cent cost recovery (for a business luncheon, the fee per participant could for instance be calculated to only recover 70 per cent of costs incurred). This will have additional positive effects on the response and the number of participants.

### **Recommendation:**

In developing service offers, a clear focus should initially be on those services which directly lead to generation of income for the chamber or business association.

As a result, services such as advice on setting up a company, which is often cited as the most important field of activity and one that should be implemented right away, can only be offered in the medium to long term since making a profit of this service is not easy. It may be easier to generate income from organizing business delegations and conducting fairs / exhibitions. Regarding the basic development of the range of activities, the following diagram may provide guidance. It does not constitute a quantitatively exact analysis - rather, it should clarify the order in which various services/tasks should be implemented and the portions of the time budget that should be allocated to them.

Time budget of the organization (total)



Political interest representation has for a new chamber/association possibly secondary importance since it does not generate an income and because a new chamber/association has first to win status and recognition before it can be effective in interest representation. Income generating activities have highest importance at the early stages of chamber / association development and remain important throughout the life of the organization.