

THE COST OF BELONGING

If you struggle to recruit or retain members, maybe the subscription fee is putting them off. But is free membership really the answer?

Rob Spalding investigates...

Life completely changed for Carla Nagel when she conceived and coaxed the Neuromarketing Science and Business Association into being four years ago and became its executive director.

She also joined a mini-revolution, which the traditionalists of association-keeping have not yet fully grasped. After her story appeared in this magazine, David Smith wrote in: "I am the founder of the International Network for Health



David Smith

Workforce Education (INHWE). We are a very new membership community who only launched last Monday. After reading your article regarding Carla Nagel's decision to make the Neuromarketing Science and Business Association a free membership organisation, my colleague and I decided at the very last minute to completely change our business model and adopted a policy of free membership for our network. The results have been excellent. In less than 10 days we already have over 50 members from 26 different countries. News of our network is spreading quickly and this is predominantly due to our decision to adopt a free membership policy."



Carla Nagel

of our network is spreading quickly and this is predominantly due to our decision to adopt a free membership policy." Nagel is wedded to the longterm view that, ultimately, there

should be no cost for belonging.

"I am a true believer that free membership is the future. It is more about the community you are building than the short-term turnover."

But how to run a not-for-profit organisation with no fees for membership?

"For a growing association such as ours, not having a thousand-plus database, it is of key importance to grow in reach. After a few years we concluded that though we had a lot of visitors to our websites (association and event), we could not seduce them into signing up for our mailing lists, or to becoming a member.

"So we started an extra form of membership for free with only a few benefits (one article per quarter, online networking) and we send these free members every two weeks a dedicated email about other (paid

around becoming a 'traditional' membership association catering for a small group of fee-paying organisations who would benefit from membership. However, these kinds of organisations can take around two years to become fully-functioning and to offer real value to their members.

"After reflecting on the article in *AMI* we realised that free membership offered us a chance to build our membership quickly, enabling us to immediately start to fill a gap in the associations world for educators of health professionals. It also allowed individuals to join and remain a member of our community even if they leave their current place of work, helping to spread the word about INHWE even further.

"We have had some fantastic initial

"I am a true believer that free membership is the future. It is more about the community you are building than the short-term turnover." Carla Nagel

services that we offer. And of course they get emails about (paid) events we organise.

"So it is an extra marketing layer for us, rather than a replacement of existing membership types. We rather like the fact that we can now communicate with 1,850 members in 93 countries rather than the 200 members we had before. We grow 50-100 members per month."

"Before reading Nagel's interview," writes Smith, "our business plan was based

feedback but know that our network will only be as strong as its membership base. Therefore, our next steps are to build our member community, deliver on all the services we offer and arrange our first event to allow our members to meet in person and generate cashflow."

So how do associations tend to make a living? Marie-Pierre Richard, executive director of the Union Internationale des Avocats in Paris, gave us an example of a



'typical' membership model.

"Our members pay yearly membership fees, which entitle them to benefit from reduced rates for our training sessions, seminars and congresses," she says.

"We propose different membership fees, based on age or country category. We also have a specially reduced fee for students and for retired persons. Altogether, we propose 10 different rates of membership fees.

"For the congress, our grid of tariffs is fairly wide and follows the same pattern, to which we have added three different dates of registration: early bird, standard and on site. This results in a grid of 30 different tariffs."

Crucially some of the pricing structure is governed by the association's by-laws.

"The by-laws state that the membership fees have to be established depending on the place where our members practice and according to the age of our members. Our membership and event prices are attentively monitored, because the association is concerned by the fact that young members or members from developing countries should have the same facilities of access as other members. What also features in

the by-laws is the fact that one can remain a member only if the dues of the concerned year have been settled."

The thing about zero-rated membership fees is there seems to be no need to start an association to use them. But they may be the best way to start an association in the first place. It's all a question of pricing, says Andreas



Andreas Hinterhuber

Hinterhuber, partner of Hinterhuber & Partners, a consulting company specialising in strategy, pricing, and leadership, based in Innsbruck, Austria. Andreas Hinterhuber heads the company's pricing practice and advises leading companies around the world on pricing, mainly value-based pricing.

"Pricing affects the profitability of companies and associations like no other lever of management. All companies, regardless of size or legal status, need a clearly defined pricing strategy that is acted upon with

discipline. In practice, too many companies set their prices based on gut feeling or based on whatever they perceive their competitors may be doing. This is usually a recipe for mediocre performance. The most effective pricing strategies allow a joint increase in company profits and customer satisfaction. Offering the base product for free and charging for supplementary or ancillary services is only one of many pricing approaches, the model adopted by Google and Ryanair.

"In the end, in price setting, it all comes down to value. The more value suppliers provide and the more they can document and quantify it to customers, the higher their pricing freedom. So, lest we forget, non-profits also set prices based on customer perceived value. Teaching fees at universities worldwide is a good example. Fundamentally a company's, or an association's vision, strategy and competitive advantage are all elements that can and should be directly linked to producing a cohesive pricing strategy."

So how about you: will you stop charging your members for belonging in future? ■