



Level Upon Level

Exploring the concept of tiered dues structures and how they make a difference in your ability to cultivate new members

By Dawn Moliterno

Chambers of commerce have traditionally banked on affinity programs and recycled ideas to provide value to members for their membership dues investments. But, catering to companies with a “one-size-fits-all” benefits package can be a challenge. When it comes time to redo the chamber’s organizational budget, they are left with this quandary: How can you realistically raise dues without adding value and not see your retention numbers dwindle?

Embracing one of the fastest growing trends nationwide, more chambers are turning to a tiered investment approach to replace outdated dues structures. A tiered dues program allows chambers to emphasize the value of membership in a format all members can understand. Cumbersome and antiquated, the traditional dues structure is often a point of frustration for members, who struggle to make customized pitches to prospects based on a standardized dues formula. By creating clear levels of investment, chamber members better understand and appreciate the value of their investment.

In the business world, the tiered investment strategy is nothing new; it’s long been applied by many highly recognized companies such as AT&T, Sprint and Armstrong Cable. For example, when you purchase cable you have the option to buy the standard package (basic cable), the advanced package which includes HBO and other movie stations, or the premium package with even more channels. For the most part, however, the concept of tiered dues only entered the chamber arena in the early 1990s.

Using this structure, chambers accommodate companies regardless of size to ensure proper investment for the resulting delivery of service and product. Participants customize their membership “experience” by selecting their level of involvement and investment. It also allows sales representatives to increase new sales and renew existing accounts because it is easy to explain the member what they receive for their investment and how they can “upgrade” their involvement. Finally, it allows chambers to emphasize the value of membership equally well to all members, large and small.

How it works

Before you can transition to a tiered dues program, you should determine if your organization is ready to do so. First, a chamber core competence and member needs assessment should be undertaken. This evaluation should reveal whether your organizational structure is optimal to meet your member's needs. Tiered dues programs require specific, measurable benefits aligned with what a chamber can deliver well. Because they must be so customized to match your chamber's products and services, tiered dues structures are not easily copied between chambers. One of the most challenging strategies in the process is incorporating everything you do, or should be doing, to create the product—the tiers.

A tiered dues program design consists of:

- Pre-determined number of investment tiers that are priced to market realities
- Added value throughout the tiers
- Customized tiers to match the needs of your segmented target audiences
- Value proposition created for each tier
- Fluidity to keep the tiers from becoming static
- Sustainability plan

The success of the tiered dues program rests in the relationship marketing strategy. This strategy compels your chamber to visit its membership to build strong relationships and ensure the longevity of its involvement with the chamber. This is the infrastructure of a true retention plan. Members join on a promise but stay based on their experience. If they have had no personal contact, then they have no point of reference or experience to pull from.

Chambers must define all aspects of the transition, including implications for how a chamber approaches its existing base versus its new audiences, and the timeline of the transition. A tiered investment program is part of an overall strategic plan. It cannot be a project that is coming from the membership department, but should be an organization-wide commitment. It is a change in culture and how to do business.

Tiered advantages

A common question raised is “why do chambers avoid using a tiered investment program?” The answer almost always is fear of the unknown, and, rather than risk dues revenue, chambers take the route perceived to be less risky. But research shows that chambers employing tiered investment programs find they stood more to risk by not changing, and they experienced increased revenue among other benefits.

There are many benefits of adapting this strategy for long-term success. Here are some of the reasons chambers are moving toward tiered dues structures:

Not an investor level program

Not all tiered investment programs are the same in content, structure, financial formulas, tier parameters, etc. Therefore, benchmarking can be somewhat challenging. A common problem in benchmarking within the industry is that not everyone speaks the same language or chamber terminology. This is true of tiered investment programs. Ask a chamber if it has a tiered investment program, and the reply is almost always “Yes.” However, start to discuss the details of the program and you discover the chamber has investor levels.

Most investor level programs have the following characteristics:

- Not tied to dues. Investments are over and beyond a chamber's dues.
- Chamber must sell twice—once on dues and second to join an investor level.
- Fragmented value of dues compared to added value of investor levels.
- Confusion as multiple messages are delivered.
- Dual management of service and delivery, since they are separate from dues.

Some chambers have implemented an investor program successfully only because they were prepared to deal with the challenges mentioned above.

Source: Introspect Associates

- Clarity and focus throughout the organization
- Realignment of business purpose to match customer needs
- Greater accountability among staff
- Competitive advantage
- Better opportunity to engage members
- Members are given control and choices
- One clear and concise message is created
- Strong value propositions
- Increased market share
- Increased membership (both new and current members)
- More profitable business model

Tiered investment structures allow chambers to adapt to rapid change and significant competitive challenges. For the first time, chambers can use this model to align themselves to sell and deliver on value propositions instead of mass marketing of products and services. They can demonstrate a return of investment for members since the tiers are segmented to match products and services to member needs and desires. Through its simple messaging, members understand and appreciate what they actually receive with their membership investment. Since products are segmented by audiences, chamber staffs are forced to communicate the relevant information to that audience.

In study after study, including focus groups conducted by Introspect Associates, chamber members have said they don't specifically know what they receive for their investment. However, when shown the tiered concept, members appreciated the compartmentalized areas of information that they could easily digest. In turn, the chamber now has the flexibility to adjust its prices based on market conditions instead of trying to catch up to market trends.

Successes and challenges

Chambers using tiered dues program have reported the following successes:

- The ability to identify and focus the bulk of benefits and services toward the mass of membership while customizing more economic-oriented programs for the larger size companies.
- The new structure made it easier for members to understand the benefits and value of membership – became a new language culture that simplifies the message of why they need to belong.
- Have increased average sales from just over \$400 to more than \$1,000 in two years. Sales teams love the program because it gives them flexibility and control. New members like it because they are getting more for their investment.
- Net membership increased by 9.2 percent in first year of implementation.



Snapshot: Tiered Dues Program

A sample of available membership levels, in ascending order, in a tiered dues program:

Venture (Requires participation in chamber-sponsored health insurance program)

Members receive: Blue Cross Blue Shield of Michigan Insurance and service from chamber customer service experts, subscription to magazine, event and service update, member to member guide, membership decal, access to professional sports stadium suite and major product discounts including office supplies, long distance and Internet connectivity, cellular service, credit card processing, overnight delivery and shipping services.

Business Builder

Members receive prior-level rewards plus: Quarterly Membership Receptions, "Members Only" pricing for events and publications, grass roots legislative advocacy network, special procurement events, inclusion on the chamber's business referral list, a free listing at local business search engine website, International Business Network, trade counseling, legislative ombudsman, access to Policy and Action Groups, three representatives on mailing list, membership plaque.

Bronze

Members receive prior-level rewards plus: Admission to Executive Exchange, special listing in the Executive Level Member Guide, complimentary research package/publications, day long Lansing Field Trip, discounted rates on Comerica Park suite, five representatives on mailing list, prestigious plaque.

Silver

Members receive prior-level rewards plus: Silver Symposium event, logo in member to member guide & magazine, admission to Start-Up Seminar and Great Small Business Adventure events, quarterly executive updates, contract research, personal chamber liaison, logo in an annual Executive Member Guide, unlimited representatives on mailing list, executive membership plaque.

Gold

Members receive prior-level rewards plus: Corporate logo in chamber lobby, profile in magazine, \$300 Member Benefit Pass towards advertising in a chamber publication or the purchase of an event sponsorship, access to chamber's videoconferencing and meeting facilities, profile in an annual Executive Member Directory, most prestigious membership plaque.

Source: *Detroit (MI) Regional Chamber of Commerce*

- Sales channels are more focused, and it's been a huge positive for internal sales teams in terms of dollar production per account, despite their initial fears.
- Provides a platform for continuous change in programs and structure.

- The program serves as a foundation for the ultimate retention plan.

As with any change, there are some challenges to consider:

- Stick to the plan, don't waiver when losses occur.
- Stick with quality, not quantity, of members.
- Boards will tend to want to tinker with or change the program. However if they stay the course, they will reap the benefits. They must believe and support the concept.
- Marketing and communication staffs tend to deviate from the program's simple, concise message.
- One chamber saw a reduction in membership in the first year (935 to 825). However, income increased 34.1 percent and has increased steadily at least 4.5 percent each year since.
- One major challenge is that certain industries, such as realtors, non-profits and government agencies tend to skew the proposed tiers, so that some special pricing needs to be implemented in the structure.

Review & revise

Any review of a dues structure needs to be part of a broader review. Chambers should review overall revenue sources, chamber objectives and priorities, and member needs, in addition to looking at dues. With any dues restructuring, the chamber should always test the market elasticity. Even a tiered investment strategy includes several phases of testing concepts with staff, board, volunteers and members. This helps the chamber and its board feel more comfortable with any suggested change by gauging the market reaction to the shift.

The biggest benefit of a tiered investment strategy is that the chamber minimizes its loss potential. There is still a financial formula behind the tiers, and members are less likely to drop when they feel like the chamber gives them a whole lot more for their investment. In most cases, chambers allow members to upgrade to higher level tiers. Typically there is a formula behind the tiers that prohibit larger companies from choosing to come in at the lower level thus insulating the chamber from any potential lost revenue.

Marketing strategy has everything to do with a successful dues increase in a tiered strategy approach. Present benefits first and dues structure second. The chamber wants to establish the value and pleasantly surprise the members with a lower dollar number than the member had perceived.

Analyze the money sources

Lastly, focus on the dollars the chamber earns every month instead of the people or number of members. Name any for-profit company that counts the number of clients as a barometer of success. Companies use revenue or total sales to gauge their performance. There is a need and value in knowing how many members a chamber has, but the focus must shift to dollars. The reason is simple: a chamber can have a small membership base and have high revenues based on the dollars. By attracting quality members willing to pay fair market price, the chamber will increase its long-term profitability. ☐☐

Dawn A. Moliterno is the President & CEO of Introspect Associates, Ltd, a business strategy firm which works with chambers of commerce across the country. Dawn can be reached at 330-533-5919 or dawn@introspectassoc.com.