BEST PRACTICES IN MEMBER RETENTION

Retention Best Practices from Top Membership Organizations
All of our interviews and all of the research underlines this point. Tactics are secondary to value.

The first year is key. If the value is not there the first year, renewal is far less likely across the board.

Most large organizations rely predominantly on direct mail. The most prevalent and successful style is a minimalist invoice that “assumes the renewal.”

Renewal emails are important, even when they do not directly result in conversions, because they improve response in conjunction with DM.

Most organizations are doing it and have seen rapid growth in the program since launch.

Renewal rates are much higher for those who enroll, which these organizations credit for much of their improved result.
Key Takeaways, cont.

There is a retention window sweet-spot

- Most high-performers focus on soliciting just three months pre-expire.

Renewal does not stop at expiration

- For the majority of organizations surveyed, renewal efforts continue for several months post-expiration. For many, up to 50% of renewals take place after expiration.
- The top-performing organizations continue to pursue lapsed members indefinitely. For most, email is the most productive channel for lapsers.

Renewal email is not “opt-in”

- The majority of organizations surveyed treat renewal notices as transactional, not opt-in required. They generally use “invoice-style” messaging.

Grace periods help renewals

- A grace period of 2-3 months post-expire before benefits stop is correlated with higher renewal rates in surveys.
- Our primary research bore this out.
Methodology

Industry Benchmarks*

- To find industry benchmarks, we compiled, synthesized, and distilled the leading secondary research on renewal practices of membership associations.

Survey Target Organizations

- Target Organizations were selected and filtered based on how well they met 10 criteria, to ensure they were a good fit for the study. Participants completed a 17-question online survey and a 50-minute phone interview.

*Industry Benchmarks come from a much larger sample size of 394 individual membership associations.
### Methodology, cont.

<table>
<thead>
<tr>
<th>Membership Service Groups</th>
<th>National Scope</th>
<th>Large Base</th>
<th>Periodic Active Renewal Ask (annual)</th>
<th>Targets Individual Consumers (not B-to-B, not for their trade)</th>
<th>Targets Mostly 50+ Customers</th>
<th>Ask for Affirmation /money</th>
<th>Rely Heavily on Direct Mail</th>
<th>Selling Power of Membership in a Group</th>
<th>Direct Marketing Assoc. Member</th>
<th>Top 50 Mailer of 2015*</th>
<th>TOTAL</th>
<th>Potentially Clinching Details</th>
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<tr>
<td>Individual Member Assoc.</td>
<td>X</td>
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<td>X</td>
<td>X</td>
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<td>X</td>
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<td>X</td>
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<td>Similar target, annual renewal opt-in</td>
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<tr>
<td>Motor Club A</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>9</td>
<td>High match</td>
</tr>
<tr>
<td>Motor Club B</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>9</td>
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<table>
<thead>
<tr>
<th>Professional Organizations</th>
<th>National Scope</th>
<th>Large Base</th>
<th>Periodic Active Renewal Ask (annual)</th>
<th>Targets Individual Consumers (not B-to-B, not for their trade)</th>
<th>Targets Mostly 50+ Customers</th>
<th>Ask for Affirmation /money</th>
<th>Rely Heavily on Direct Mail</th>
<th>Selling Power of Membership in a Group</th>
<th>Direct Marketing Assoc. Member</th>
<th>Top 50 Mailer of 2015*</th>
<th>TOTAL</th>
<th>Direct connection, new to Top mailer list</th>
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<tbody>
<tr>
<td>Professional Society A</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Professional Society B</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>5</td>
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</table>

*Industry Benchmarks come from a much larger sample size of 394 individual membership associations.
## Comparable Organization Analysis

<table>
<thead>
<tr>
<th>#</th>
<th>Organization</th>
<th>Category</th>
<th>Retention Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Membership Association</td>
<td>Advocacy/Lobby</td>
<td>78%</td>
</tr>
<tr>
<td>2</td>
<td>Professional Society A</td>
<td>Advocacy/Lobby</td>
<td>78%</td>
</tr>
<tr>
<td>3</td>
<td>Professional Society B</td>
<td>Advocacy/Lobby</td>
<td>80%</td>
</tr>
<tr>
<td>4</td>
<td>Leading Insurance Company</td>
<td>Insurance</td>
<td>88%</td>
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<td>5</td>
<td>Motor Club</td>
<td>Insurance</td>
<td>76%</td>
</tr>
<tr>
<td>6</td>
<td>Magazine A</td>
<td>Special Interest</td>
<td>74%</td>
</tr>
<tr>
<td>7</td>
<td>Magazine B</td>
<td>Special Interest</td>
<td>70%</td>
</tr>
<tr>
<td>8</td>
<td>Fundraiser A</td>
<td>Special Interest</td>
<td>32%</td>
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<tr>
<td>9</td>
<td>Fundraiser B</td>
<td>Special Interest</td>
<td>69%</td>
</tr>
<tr>
<td>10</td>
<td>Alumni Association</td>
<td>Alumni Association</td>
<td>67%</td>
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SUMMARY FINDINGS
Membership Populations are Similar

The majority of organization surveyed have members populations of a very similar age. As such, they can reasonable be expected to be a strong point of comparison for best practices in this demographic.
Membership Populations are Similar, cont.
The Value Proposition Drives Renewal

Both Industry Benchmarks and our survey findings conclude that the value proposition is the most common reason not to renew.

- The most common complaint after “not seeing the value” is that too much effort is required to engage in meaningful benefits.

Top Reasons for Not Renewing

- **37%** Left the field, industry, or profession
- **28%** Lack of engagement with the organization
- **24%** Forgot to renew
- **26%** Could not justify membership costs/lack of ROI
- **22%** Too expensive
- **19%** Lack of value

Value Proposition
New Members Need to Clearly Understand Member Benefits

If an organization can clearly communicate the value of membership early in a member’s tenure, they can create lifelong members, as member retention grows significantly after the first year of membership.

- Prof. Society B, Fundraiser A, and Magazine B message their first-year membership differently to highlight the benefits and value of membership.
New Members Need to Clearly Understand Member Benefits, *cont.*

1st Year Retention Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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<tr>
<td>1</td>
<td>62%</td>
</tr>
<tr>
<td>2</td>
<td>60%</td>
</tr>
<tr>
<td>3</td>
<td>53%</td>
</tr>
<tr>
<td>4</td>
<td>53%</td>
</tr>
<tr>
<td>5</td>
<td>40%</td>
</tr>
<tr>
<td>6</td>
<td>35%</td>
</tr>
<tr>
<td>7</td>
<td>34%</td>
</tr>
<tr>
<td>8</td>
<td>25%</td>
</tr>
<tr>
<td>9</td>
<td>20%</td>
</tr>
<tr>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>11</td>
<td>N/A</td>
</tr>
</tbody>
</table>
First-Year Member Renewal is a Universal Challenge

All organizations surveyed struggle retaining first year members.

- Clearly communicating the value of membership early in a member’s tenure can create lifelong members.

The longer the membership history, the higher the retention rate becomes. If we can keep them past 3 years- we retain better. 40% at first year vs 80-90% later.

New people take more work – new-to-file subscribers don’t renew as quickly or as strongly as long-term subscribers,

1st year RR: 53%
2nd year RR: 61%
3–4-year RR: 71%
5+ year RR: 82%

Paid members transitioning from a free student membership renew at a higher rate than normal first year members: 27% [vs. 19-20%]

Renewal jumps from 1st year at 60% to 2nd year+ at 80%. The hardest person to renew is a first year cash payer.

Prof. Society B
Magazine B
Fundraiser B
Prof. Society A
Motor Club
The Value Proposition Drives Renewal

Do you offer auto renew?

60%

of organizations
surveyed said yes

- Of those with an established auto-renew program, on average, **26% of their entire membership base is enrolled.**
- Organizations starting an auto-renew program have **grown their enrollment by 37% annually** on average.

* Magazine A also offers "Auto-Billing", which sends enrolled members a renewal invoice each year.
Auto-Renew – Biggest Impact on Renewals

Insurance Co.
Driving customers to automatic renewal (monthly/annual basis, linked to bank account)

Magazine B
Focusing on “Continuous Service” (auto-renew) by making a mandatory requirement for online channel. Still looking to expand it.

Magazine A
Shift to auto-billing

Fundraiser B
Getting more aggressive in our asking strategy. Looking at historical highest contribution and asking for 2 levels above.

Fundraiser A
Focused on new creative after hiring new staff – New card design, new letter. Doing better job with the levers we always had. Called “Continuous Service.”

Motor Club
Moving customers to auto-renewal.

Prof. Society B
Improving our auto-renewal effort by using every opportunity to ask-incent members to sign up for auto-renew.

Alumni Assoc.
Auto-renew is new and already is showing strong numbers.
Direct Mail is King

Direct mail still drives renewal and commands the lion’s share of budget allocation, but several organizations rely on a synchronized campaign of direct mail, email, and telemarketing to keep awareness high through the renewal cycle.
Direct Mail is King, cont.
Emails Play Their Part

Emails are utilized in-between Direct Mail drops as reminders. Prof. Society B and the Alumni Assoc. both gain over 10% of their renewals through email.
Emails Play Their Part, *cont.*
The majority of organizations surveyed consider renewal email to be transactional and do not require a member to “opt in” to receive renewal communications. The average email database can reach 61.4% of the membership.
Renewal Stream Duration & Effort

Renewal stream averages: Begins 3.9 months pre-expire with 7.1 contacts and continues 12+ months post-expire with an additional 5.8 contact.

Total average contacts: 12.9
Renewal Stream Duration & Effort, cont.
When averaged, the majority of renewals are captured pre-expire. However, several organizations renew a large portion of their membership post expire.

Member Renewal Timing
Grace Periods Help Renewal - Industry Benchmarks

**Grace periods help renewal.** Associations that do not offer a grace period generally see lower retention rates than those that do. On average, grace periods last 3 months,

- Individual member organizations with renewal rates **under 80%** typically do not offer a grace period beyond three months; only 1% offer a six-month grace period.¹

- Individual member organizations with an **80% or higher renewal rate** offer a wider range of grace periods: 17% offer a one-month grace period; 52% offer a two-to three-months grace period; and 11% offer a six-month grace period.¹

¹ 2016 Membership Marketing Benchmarking Report, Marketing General, Inc.