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Young Members 2.0: Affordability

Making Membership Accessible for Millennials and Gen Z

Even in a world with boundless free resources, membership is not only still relevant but, in the eyes of younger members, is becoming more important. But is that enough?

When asked about their experience with the association in which they're the most active, almost half of young members, Millennials and Gen Z, responding to Personify's recently published Young Members 2.0 report[1] agreed that their experiences with associations have been "underwhelming." More concerning:

43%

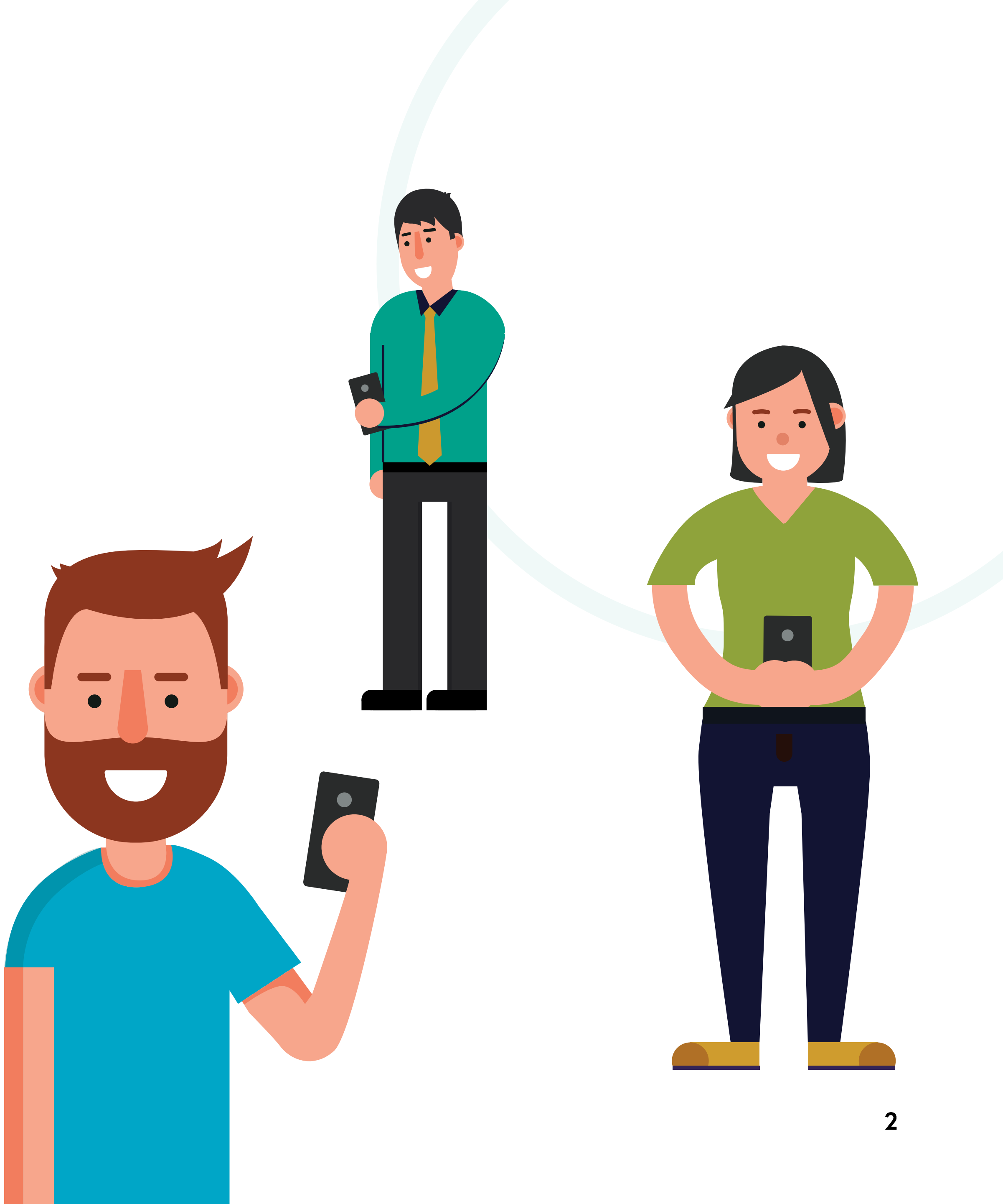
Almost half of young members agree with the statement "There isn't a strong return on investment when it comes to participating in associations."

1/3

One in three young members and two out of five Millennials agree with the statement "I have no idea how being in association actually benefits me."

40%

Moreover, only 40 percent of young members report their experience is "worth the dues (I) pay to be a member."



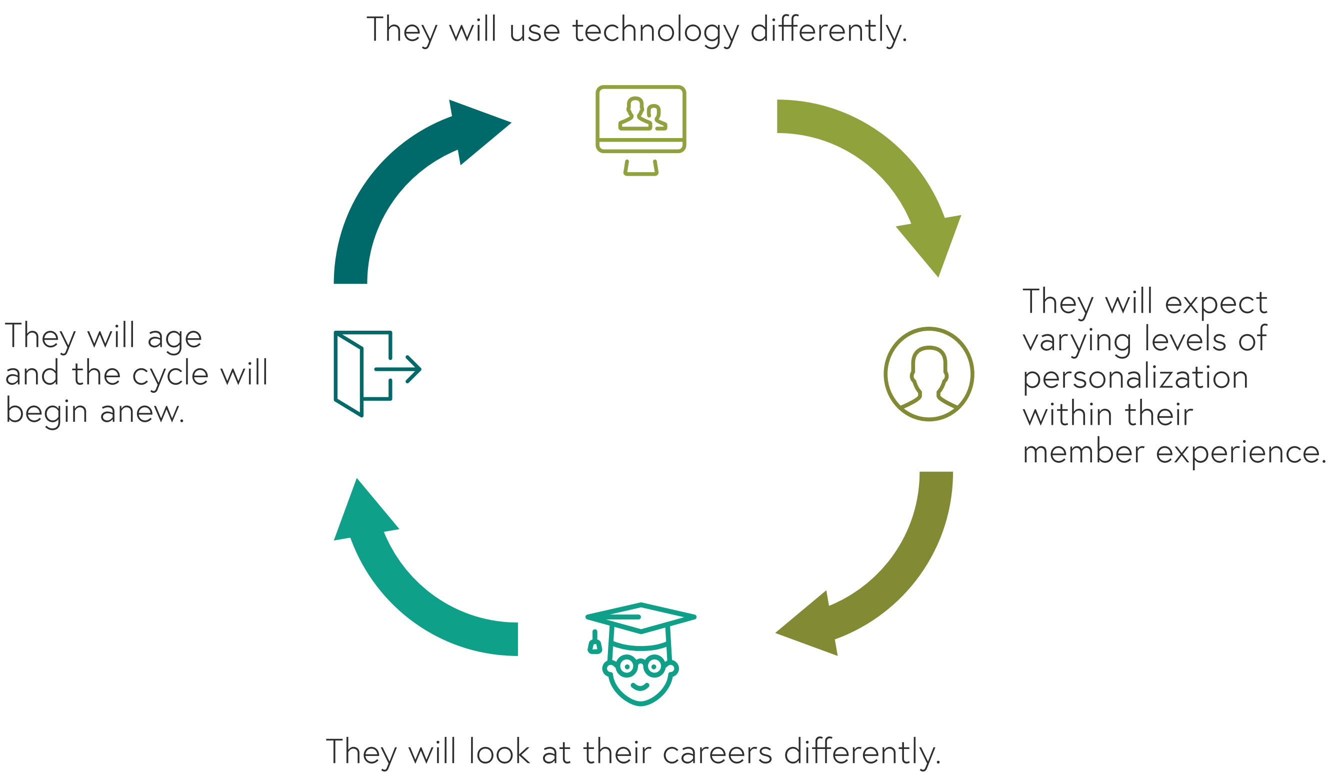
When asked why they let a membership lapse, young members told us:

	ALL YOUNG MEMBERS	MILLENNIALS	GENERATION Z
Company would no longer pay	32%	38%	21%
Decline in benefits or quality offered	37%	34%	43%
It became too costly	29%	31%	26%
Forgot to renew	28%	31%	21%
Could get the same benefits elsewhere	21%	22%	18%
Changed industry/ employment	17%	21%	10%

Although young members agree membership is important in concept, the need for membership organizations to articulate a clear return on investment in order to stay relevant has never been clearer. Proving value, defined[2] as, "a fair return or equivalent in goods, services or money for something exchanged," has never been more important.

Leaders interested in attracting, and retaining, young members must be capable of not only proving the real-dollar value of their membership but also coach young members in bringing this message to their own leadership teams and other prospective members.

At different stages your members will have different requirements.



During a recent review of the data with association professionals, Personify staff received multiple questions about young members, retention and affordability. Indeed, concerns around affordability appeared in our survey results, with young members telling us things like, "They need to increase the value of benefits if they are increasing fees," and, "Sometimes I need a payment plan."

In 2018, the median basic annual membership dues were

$212

What is Affordability?

Affordability is defined as the extent to which something is affordable, as measured by its cost relative to the amount the purchaser is able to pay. While the perception of affordability is shaped by value – the more someone sees the value in a particular good or service, the more likely they are to ensure they have the money to pay for it –young members face additional external pressures.

It's well known younger members may be more cash-strapped than other generations and Millennials in particular are feeling the squeeze. According to Statista[3], the median debt balance for Millennials living in the country's 50 largest cities is $23,064. Student loans account for the highest share of America's Millennial debt, comprising 40 percent of their total credit and loan balances. Forty-five million people across the U.S. are carrying student debt with a fifth of them owing $100,000 plus. Data from the Federal Reserve[4] shows that the amount of student loans stood at $480 billion in 2006 and by 2018, the debt had mushroomed to $1.53 trillion.

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Although they're showing signs of a greater aversion to debt than their Millennial counterparts, Generation Z is earlier in their career and just entering the workforce. Entry level roles with lower wages and less influence over management purchase decisions, the burden of potential student debt and the costs associated with starting their post-college lives may leave Gen Z with less budget for discretionary spending and no funding for membership from their employer.

Millennials, generally identified as those born between 1981 and 1996, are expected to represent half of the global workforce by 2020 while Generation Z, born between 1997 and 2012, will make up an additional 20 percent by 2021.

According to Marketing General's 2018 Membership Marketing Benchmarking Report[5], the median basic annual membership dues are $212. Additionally:

- Half of all associations (52%) raise membership dues as necesssary, with another 25% raising rates on an annual basis.
- A majority of associations that have chapters charge separate dues (52%).
- While 54% of associations offer a student membership, only 18% offer a young professional membership. Only 11% have a transitioning student/ recent graduate membership.

While affordability is subjective and based on a number of variables, for many prospective young members even the median basic membership of $212 may be too much. How can we ensure being part of an association remains accessible to all, including this important growing segment?

Models for Young Membership

Aligning membership packages with the programs young members value most is paramount. Ensuring the content, networking opportunity and career support Millennials and Gen Z are looking for is essential in establishing the perception of value necessary to getting them to commit to your organization.

However, curating programs may not be enough. Introducing additional flexibility into how young members engage and pay for their membership can create the affordability necessary to get – and keep–them on board. Here are a couple of options to help you get started.

Monthly Payments

Easily understood and highly attractive to Millennial and Gen Z members, installment pricing takes a fixed cost and distributes the payments over a period of time, typically twelve months for membership.

For young members on a tight budget, the availability of installment payments instantly removes one of the biggest obstacles to membership without the burden of financing through a high-interest credit card. And this is an increasingly important option. According to a Bankrate.com survey, just one in three young adults ages 24 to 31 carries a credit card[6].

As an example, let's take an average basic membership of $250. A young member approaches his or her employer with a request for them to absorb the cost, but budgets are tight, and the department won't have funds available for professional development until the new year - six months away. For the young member, the lump sum payment of $250 may be cost-prohibitive. Credit-card financing may be an option, but at the average rate of 19.24%, paying membership dues off in 12-months would still cost the young member $276.81 ($26.81 in interest), while paying off the membership dues over 24-months would be $303.15 ($53.15 in interest).

Those costs may seem nominal, but installment payments offer an attractive alternative for price sensitive young members. The $250 cost spread over twelve months, with no interest charged, is $20.83. They'll enjoy immediate access to benefits designed to accelerate their success and serve as an investment in their future. Or, they can use the same $20.83 and purchase a few specialty drinks from a local coffee shop. What would you choose? What should they?

Subscription Based

To paraphrase a recent observation from Goldman Sachs[7], young members prefer access over ownership.

A subscription business is based on the idea of receiving recurring revenue, usually monthly, for providing prolonged access to a product or service. For a demographic hard-pressed to remember a life without the internet, getting services and products on-demand has become routine and Millennials have led the charge when it comes to the subscription economy. Recent research from Vantiv[8](Worldpay) and Socratic Technologies has found:

92%

of Millennials have active subcription services

60%

of Millennials subscribe to an online video service like Netflix, Hulu or Amazon Prime

40%

of Millennials subscribe to a streaming music service

Like installment pricing, the upfront cost of a subscription is minimized. Instead, smaller payments occur over a period of time. Unlike installment billing, the payments do not conclude after the balance is paid in full but continue.

For membership organizations, this can seem like a nightmare – a monthly renewal cycle where a member could walk away at any moment. Why would an association consider subscription pricing?

As noted previously, young members have the strongest appetite for membership but the tightest cash flow. Like installment billing, services that would be too expensive billed in one lump sum become affordable as they're spaced out over time. Too, for young members, subscription-based programs do not feel like a serious commitment. There's no need to pay a large sum of money right away, and there's an opportunity to cancel a subscription at any time. It's not about psychological pricing tricks. The comfort customers feel is 100 percent justified since they can cancel the subscription or restart it whenever they want. This presents logistical challenges for associations but a strong benefit for prospective young members.

Also, with a subscription model comes regular cash flow. For smaller organizations, a subscription model provides the opportunity to compete with larger incumbents. Understanding that Millennials are the highest adopter of subscription services, organizations should strongly consider investing marketing dollars towards the demographic most likely to help grow the bottom line – both short- and long-term.

Subscription models prioritize access over ownership.

But subscription models aren't for the faint of heart. As attractive as subscriptions can be for young members, associations incur:

A Greater Exposure to Churn

Without question, cancellation is one of the biggest risk associations face when introducing a subscription-based model. While true that there is some reliability for your income when a young member subscribes to your organization, what's going to keep them interested, and more importantly, what's going to prevent them from cancelling their membership when they decide it's not worth the monthly fee?

The Need for Constant, Fresh Content and Programs

The subscription model is best suited to services introducing new content, offers or services on a frequent basis. For associations this can not only mean a steady stream of events, research and tools but all of the above aligned to the unique needs of young members. For resource constrained nonprofits, the demands of keeping materials fresh enough to meet the expectations of subscribers can prove challenging, even under the best of circumstances.

Credit/Debit Card Processing Issues

The card your young member used to make the first payment might not work for the next one. What is the right thing to do in this case? Should you limit access until a new card is added? Probably yes. Will this affect the member's experience negatively if he or she just forgot to update the card? Again, probably yes. Does it mean you should forgive delayed payments? Probably no. While technology within your association management solution and from your payment processor can help you manage card issues, it's still something worth considering.

Embracing Young Members

By offering a portfolio of membership options to young members, your organization gives them the ability to pick the option that best suits their needs and budgets. This can help boost membership numbers, engagement, overall revenue and their perception of affordability. Ready to take the next step?

Understand Young Members

While benchmark data is helpful in understanding macrotrends, getting a pulse on your members and their membership experience with your organization is invaluable. Survey young members. Take the time to reach out to those young members who have let their membership lapse to understand why. Membership surveys are an easy way to get quantitative data and even if not statistically significant, it should be directionally helpful.

See what your peers are doing. Understand how they've organized their membership offers by reviewing other membership models and conducting a pricing analysis.

Build the Best Offer

Affordability also isn't just about the number on your website. It is about how you package and offer your selection of programs and benefits, and to whom. This approach to pricing will help you understand what your young members truly want, and what features should be developed over time.

Influence Perceived Value

With an understanding of young member preferences and a great offer, you're ready to hook prospective new members. But it doesn't stop there. Articulate value from the first interaction by sharing and highlighting the experiences of other young members who look like them and are relatable in terms of their level of experience. Young members' need for connection expands beyond recruitment. Create ample opportunities for 1:1 engagement, in-person and online in proprietary digital communities.

Wrapping Up

When looking to make membership more affordable for younger members, the tracking capabilities and flexibility of your technology plays a critical role. Access to centralized data also creates opportunities for the transparency younger members crave with strong access to proven value metrics and to the information that will help them recognize, and internalize, their return on investment. Opportunities to heighten engagement, either through in-person or digital opportunities, reinforce value every step of the way while association management solutions give you the flexibility to accommodate membership and make it more affordable.

About Personify

Personify is the market-leading Constituent Management and Engagement (CME) platform that empowers nonprofit organizations to better engage their constituents, maximize revenue and optimize operations. For over 20 years, Personify has served as the technology foundation for organizations of all sizes from the largest associations, charities, YMCAs and JCCs to emerging nonprofits. Nearly 25 percent of the U.S. population interacts with Personify through their involvement in nonprofit organizations. For additional information, visit www.personifycorp.com.

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