

The Reality of Affinity Programs

15 years ago, affinity programs garnered lucrative non dues revenues for associations and in some cases, associations enjoyed the – *can't get it anyway else Golden Handcuff product* -that ensured good retention ratings annually.

Affinity programs pay down or underwrite association costs. While some associations do not like to admit it, their vendors are very tuned into the subject of revenue uses. We know that associations' budgetary plans are becoming more reliant on expected revenues from this source of income annually.

Affinity programs provide added value to members which in turn generates member loyalty. *“Save me money annually or even better pay for my membership through such programs and I'll renew my membership.”*

Fact:

A majority of associations' running affinity programs do not audit their worth. While it is hard to de-list a program, what value or service are you providing your members if the program is dated or non-competitive?

Uncouple the programs:

There needs to be clarity between **Affinity** programs and **Sponsor** Programs. These two avenues tend to get mixed up in the planning aspect on non due revenues. **Affinity Programs** are defined as products or services that come with a cost saving discount offer to members. **Sponsor Programs** on the other hand, link to a more in-depth process with being a partner not a seller. There is a defined distinction between Affinity and Sponsorship programs; however I know also this is still debatable amongst many associations.

What's the difference?

An **Affinity Partner** link has the association offering the partner distribution channels to members in the format of:

- Space – This refers to advertising opportunities
- Time – This refers to exhibiting at trade shows
- Footprint – Affinity Partner is able to market their discount offerings to members
- Commission Agent – Affinity Partner provides a rebate/commission to association based on the number of sales



Sponsors link is the want to test products through focus groups. They want to support awards in the form of tangible offers. They want to support education sessions, see sales growth, would like to niche market to establish solid connections and are willing to pay more to do so. Sponsor product offers will not necessary be the best price in the market place but the value added services around the product/service justifies the sponsor link. They are more driven to identify what their needs are before meeting the association needs. It is interesting that when this statement comes out at seminars, association managers disagree. That's okay but what is wrong if associations take a new approach to separate the two programs. It may just improve revenues.

Is it all about Money?

In a recent survey of the value of affinity programs, seven major associations were asked this question. The associations were made up of both national and provincial and membership ranged from 8,000 to 30,000. All agreed that there is revenue from such programs with some indicating modest to average, but most viewed affinity programs not so much in terms of non dues revenue but more as providing value for their membership dollars.

Success or Failure:

If you have run an unsuccessful affinity program, you are not alone. Associations have failed for several reasons including:

- Not doing a cost analysis of the activity cost versus the return on investment.
- Failing to structure a solid strategic marketing plan for program delivery to members
- Failure to educate the vendors in understanding the culture of the association which is reflective on their collateral materials promoting the product/service.

Let's look at activity-based costing:

If you are spending more money on the activity with little return then an analysis is recommended on what the actual cost would be in running the program.

A simple template for comparison of direct costs versus activity based costing can be defined into four categories: Product Development, Association's Costs in Hard dollars versus Activity Based Costs in soft dollars and Vendor Dollar Participation.

By creating a template you are actually looking at a planned return on investment which aids in keeping or deleting programs as well as showing management that you are benchmarking such services.



When completed, you actually have a planned returned on investment tool

A template might look like:

Product Development	Association's Costs Hard Dollars	Activity-Based Costs – Soft Dollars	Vendor Dollar Participation
Brochure Re-design			
Envelope Letterhead E-newsletter Fax Broadcast			
Postage			
Advertising			
Administrative			

Getting the Same Deal:

The reality that associations' need to recognize is that multiple associations are getting the same program. Exclusivity of a program is becoming less attractive as associations may want to give the member choices. One could say this has to do with the competitive marketplace. If going exclusive on a product, do the homework on the value.

Be aware also that it is unfair to ask a vendor to be exclusive if the association is not willingly to meet all their criteria. Like minded associations may have similar deals and the one up concept can't be used today as was in the past.

Other Trends:

Some trends we have notices lately include:

- Clustered products or services being provided by one vendor. The vendor does negotiations but the association promotes the program under a white label
- Theme products – Park/Fly/Drive/Roadside assistance packaging. Main vendor will bring the other partners to the association as a packaged program.
- Online driven programs have an ease of access for members and are less costly to promote

Vendors offering affinity programs are demanding more association support whether it is in hard or soft dollars. They are assessing the association's growth and member retention. They don't necessary want to hookup with a declining association and



thus some will actually decline to participate based on the associations past history dealing with vendors or inactivity.

In running affinity programs associations may want to concentrate on their core business and perhaps move more to the white label approach. You can brand the program but all the work and supplier negotiations are done by a much more powerful buying group. It is very cost effective and comes with accountability on both the part of the vendor and the association with tracking reports etc.

The Delivery:

Delivery value to members is not that simple in today's marketplace. Getting the right products and services and being innovated equates to member loyalty.

In choosing programs a checklist is necessary to determine:

- **Commitment** – Are you striving for added value or just filling up on products/services to look good in the eyes of members?
- **Knowledge** – Benchmarking your programs – a must that includes time, the people, and the cost of the benefits. You may determine that perhaps the benefit outweighs the cost.
- **Research** – As demographics of members change the need to get outside the box is evident.
- **Strategy** – A must have to develop a balanced strategy identifying the key objectives and goals in offering a member value program
- **Implementation Plan** – Likely one of the most critical items in running an affinity program. The plan to achieve the objectives must be aligned with the strategy.
- **Revitalize** –If the program is stale – revitalize it
- **Eliminate** – Saturated programs based on competitive market conditions are no longer a perceived value to members
- **Evaluate** - Evaluate....Evaluate
- **Retention Tool** – Use the affinity program as an added value to members. Not a member? No longer a benefit.

Affinity Programs done right strengthen add value services to members. It is knowing how to be innovated, working with the right vendors, identifying members needs and having the right people to execute the plans that makes the difference.

How would you score on your affinity program today?

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