

Solid Associations: Not Recession-Proof

by Rick Cohen

IS THIS RECESSION THAT IS CURRENTLY whacking 501(c)(3) nonprofits also hitting tax-exempt “associations” such as chambers of commerce? A front-page story in the April 11 and 12, 2009, *Wall Street Journal* on the impact of the recession in Loganville, Georgia (population: 9,500), noted that the number of dues-paying members in the small town’s chamber of commerce had decreased by about 40 percent (from 300 members to 180).¹

There may be some recession-resistant businesses and products (“social media marketers,” Dunkin’ Donuts franchises, and Apple’s iPod, for example), but it seems that even reliable nonprofit performers, including chambers of commerce, are not among them.

How does the economy affect trade associations compared with 501(c)(3)s? And how have business leagues and trade associations strategized their way through this devastating global economic spiral?

Most members of the American public may not be aware of the various kinds of tax-exempt associations across the nation, but these associations are everywhere. Many were established as 501(c)(6) organizations such as business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, and others sometimes incorporated as 501(c)(3)

charities.² Chambers of commerce such as Loganville’s are particularly well known. Other typical associations are business trade organizations, such as the National Association of Manufacturers (NAM) and the National Federation of Independent Businesses (NFIB); local and national boards of realtors, economic development groups, such as “downtown associations”; visitors bureaus; professional associations, including the American Bar Association and the American Medical Association; and the National Association of Women Business Owners. Less well-known associations are various sports entities such as the National Football League (an association of football teams with a common business interest).

The trade association that represents these various trade associations—the American Society of Association Executives (ASAE), a 501(c)(6) organization—contracted with McKinley Marketing Inc. to gauge the impact of the economic downturn on ASAE’s 2,500 members.³ The survey reveals some expected and some surprising results.

Negative impacts anticipated. Among some 300 respondents, nearly 75 percent indicate that the economy will have a somewhat negative impact on their ability to achieve their goals in 2009, only 10 percent say that the impact will be extremely negative.

Varying areas of revenue concern.

Negative impact centers on nondues-related areas of revenue. Forty-five percent of respondents are somewhat concerned, 43 percent are extremely concerned. Meanwhile, 42 percent are somewhat concerned about advertising revenue, and 32 percent are extremely concerned. These are the discretionary expenditures of association members, which are at risk as the economy squeezes their bottom lines.

Membership revenue contraction.

While members have strong motivation to protect their interests through their trade associations, membership dues may constitute discretionary “free rider” expenditures to be cut: Sixty percent of respondents are somewhat concerned, and 28 percent extremely concerned about membership retention, and 48 percent are somewhat concerned about members’ attendance at their associations’ annual meetings, and 35 percent extremely concerned. The plummeting enrollment at the Loganville Chamber of Commerce exemplifies this finding.

Budget cuts, but not program reductions. One-third report already having made budget cuts, another third say that cuts will probably happen, and one-fifth say that they haven’t cut their budgets yet but definitely will, while 8 percent say that they have reduced

programs and services, 9 percent say that program retrenchment will definitely occur, and 29 percent say that such retrenchment will “probably” take place.

Protecting staff from the economy.

While one-fourth have already frozen hiring, another third say that they probably or definitely will freeze hiring. Only 8 percent report having resorted to layoffs, another 4 percent say they will have to lay off employees, and 14 percent indicate that they will likely have to conduct layoffs.

Strategies focused on members.

How do trade associations envision surviving the recession? By being more effective membership associations. Respondents’ top priorities for 2009 are improving member retention (50 percent), acquiring new members (41 percent), using branding and public awareness efforts (36 percent), and developing new methods of member engagement (34 percent).

Spending for effective strategies.

Evaluating the potential effectiveness of various strategies to help associations achieve their goals, respondents say their most effective tools are direct mail, event marketing, and public relations. Surprisingly, respondents identify online media (blogs, Facebook, Twitter, and so on) as the least effective tool at their disposal. Nonetheless, 52 percent of respondents say they will increase their budgets for these social-media techniques (and one-quarter will keep their budgets stable), 56 percent will increase spending on e-mail communications with members, and 60 percent will spend on Web site modifications. Despite their positive orientation toward direct mail, 42 percent say that they will reduce their 2009 direct-mail budget, and 40 percent will reduce print advertising.

Based on respondents’ expectations and prognostications, are the survey findings reflected in the actual membership

and performance of trade associations? As the press covers a regular stream of stories of declining membership rolls, Loganville’s chamber of commerce is not alone in dealing with membership disintegration.

- Only about 70 local businesses have maintained their membership in the Kuna, Idaho, Chamber of Commerce, and even fewer remain actively involved.⁴
- The Indio, California, Chamber of Commerce, with membership down from 750 to 709, dismissed its executive director for “economic reasons.”⁵
- Over the past year, the Las Vegas Chamber of Commerce laid off 20 percent of its employees, and its membership declined from 6,800 to 6,550 members.⁶

Perhaps the most telling example comes from Redondo Beach, California. Responding to the economic times, the chamber held this year’s annual meeting not in the fancy digs of the Portofino Hotel & Yacht Club but on the second floor of the local public library and reduced the advanced registration fee from \$50 to \$30. The theme of this year’s program? “Surviving Challenging Times.”

Are there lessons in the trade associations’ perspectives? Two seem obvious:

- Membership and constituency development and expansion strengthen organizations in normal times and sustain them through financial challenges. As membership rolls shrink, the strength of associations such as chambers of commerce withers.
- To survive economic downturns, organizations may have to spend money on the strategies that build short- and long-term organizational sustainability or watch themselves lose muscle and edge.

There’s probably a third lesson in the survey findings as well, exemplified by the contradictory responses regarding

social media. Just like most nonprofits, these business associations don’t have silver bullets to draw on. This is one sweeping, deep recession with reverberations that will clearly extend into 2010. And all kinds of 501(c) organizations will suffer.

But like these trade associations, all nonprofits have constituencies, formalized as members or not. Whether for 501(c)(3) or 501(c)(6) organizations, these constituencies are the core strength of the nonprofit sector. To weather this storm, investing in the sector’s core strength is the lesson to be learned from the nation’s top trade associations.

ENDNOTES

1. Gary Fields, “Tough Times for Town Fathers,” the *Wall Street Journal*, April 11–12, 2009.
2. According to the *Internal Revenue Service Data Book, 2008*, there are 89,409 organizations classified as 501(c)(6) “business leagues.”
3. *2009 Economic Impact on Associations: A Benchmarking Report on Association Priorities, Challenges and Strategies for the Coming Year*, McKinley Marketing Inc., 2009.
4. “Membership Melts at Kuna Chamber of Commerce,” *South Valley Press*, March 5, 2009.
5. Aldrich M. Tan, “Decline Forces Updates to Chamber’s Events,” the *Desert Sun*, February 27, 2009.
6. “LV Chamber Lays Off 20 Percent of Staff,” *Las Vegas Review-Journal*, April 8, 2009.
7. Muhammed El-Hasan, “Commerce Groups Are Cutting Back,” *Daily Breeze*, March 17, 2009.

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