



PRICING
SOLUTIONS

Using Data to Differentiate Reality from Assumptions

Pricing Strategies for Professional Associations
& Non-profits

Using Data to Differentiate Reality from Assumptions

Associations & Non-profits

Background

Most associations are **struggling to retain members**, a problem that the pandemic has exacerbated, as they invest heavily to support the shift to digital offerings. How can these associations retain and even grow membership numbers moving forward to justify these sizeable investments?

Until recently, most professional associations have placed a low priority on strategic pricing, resulting in a poor understanding of the value members place on their membership. **Is continuing education as valuable as attending annual conferences?** Are digital publications valued more than print? Are membership discounts even of consequence?

When there are too many offerings, it is exceedingly difficult to determine what exactly is driving membership rates and contributing to membership retention levels. Strategic pricing always takes value into account, so determining what different member segments (or groups of members) value is a critical first step when an association undergoes a pricing transformation

The Challenge

One association we worked with was experiencing **a decline in membership** and came to us looking for ways to protect and grow membership numbers. This association had one single price for membership with no membership-tiering (a term that describes pricing based on different levels of membership). What's more, this association had two distinct types of members, one which they perceived as being extremely price-sensitive. To appease the price-sensitive group of members the association offered constant discounting to all members.

Our team's goals were to:

1. Determine if the hypothesis about price sensitivity was true
2. Identify which offerings were most important to members
3. Reveal how much members would pay for each offering
4. Pinpoint the ideal combination of offerings that would drive the most value through a tiered pricing approach.

To complicate the matter, the association offered a continuing education element which had an important influence on members because continuing education was required for members to maintain their professional license. This continuing education revenue contributed to the overall health of the association. As such, it was important to balance growing membership with success in the continuing education vertical, ensuring that any changes to membership pricing or offerings would not jeopardize the revenue made through continuing education.



Building a Solution That Fits

As is common with associations, there were too many benefits being offered with membership. Also, the association's all-or-nothing approach gave members no way to customize the benefits they wanted. By moving up or down a tiered pricing system, members could choose a membership level (and associated price) based on the number of benefits they received from the association.

Our research team took a methodical approach to gather relevant data that would be used to build this tiered, value-based pricing strategy.

First, the team started with **interviews, focus groups, and a profile development** that looked closely at the two main types of members and their needs throughout their career. The team uncovered through this research **two important findings**. First, that the association was indeed correct in their hypothesis that one group of members was more price sensitive. With this knowledge, one of the goals was to meet these member's needs and close the pricing gap by providing a value-based offering that would address this group's price sensitivity.

The other finding was that members had different needs at different times in their career. For example, early on in their career members wanted more access to offerings like digital publications, continuing education, annual conferences, and other events. Experienced members

required fewer of these offerings, which is one of the reasons that they did not renew their membership – the perceived value wasn't there. However, these experienced members *would* consider a lower-priced membership option if it aligned with value.

In other words, if price were linked to the different needs of members as they progressed through their careers, they'd be more likely to trade-down on their membership rather than leaving the association entirely.

With these insights in hand, our research team then conducted a **Max Diff Driver Analysis** which tested 16 member benefits to rank the benefits from most to least valuable and to determine which one offering had the biggest influence on the two types of members.

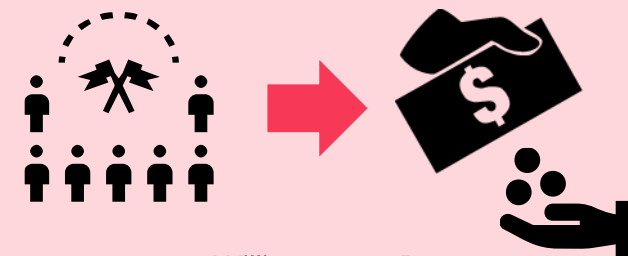
The team then used an **Adaptive Conjoint Analysis** to test eight of the most valuable membership benefits, determining what price members would be willing to pay for each offering. In this way, we tested a wide range of member benefits to determine which features of membership were most in demand, which could be dropped, and which were really driving true value for each type of member.



Interviews & Focus Groups



Data Analysis



Willingness to Pay



Following the Data

One **hypothesis** that the research team tested was this: if a certain number of hours of continuing education were offered as part of the membership, would the offering have a negative impact on revenue for the continuing education vertical? This was indeed found to be the case.

Another **hypothesis**, which is a common (and usually unfounded) fear for organizations considering a tiered pricing strategy was that with three tiers of pricing (basic, standard, and premium packages) all members would trade down to the lowest priced membership. Our team found that if the lowest-priced membership was too low then that would indeed be the case however, data revealed that if the pricing was closely linked to value for each type of member, then the lowest tiered price could increase membership and revenue.

Results

Based on the results of this research, the Pricing Solutions **team recommended a three-tiered pricing structure** for this organization that would not affect their continuing education vertical and would meet the needs of price-sensitive members while reducing churn from members who required less from the association based on the stage of their career. In this way, the **project was able to drive membership, revenues, and margin dollars** (that could be reinvested in new offerings).

What's the Pricing Solutions Difference?

Pricing Solutions has worked with several professional associations across different industries and takes the unique challenges of each into account. Using a **focused and customized approach** to research, our team tests existing assumptions and develops data-driven strategies to leverage pricing to achieve goals like reducing membership churn and increasing membership numbers. Our team helps these associations evolve their offerings while also **increasing membership** and **growing revenue**.



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