TIERED MEMBERSHIP STRUCTURES

Frequently Asked Questions

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WHAT ARE TIERS?

First, let's define several different membership organizational terms.

Fair-Share Dues Structures are based on the number of employees, the value of assets, or the annual revenues of a business. These scaled amounts match to a schedule of dues to determine how much a business pays to be a member of an association or a chamber of commerce.

- Benefits the same regardless of investment
- Punishes businesses for growing
- Does not segment or differentiate members
- A la carte purchasing requires multiple "asks" each year
- Unclear reason for buying

Investor Levels are frequently named Chairman's Circles, President's Clubs, Platinum Roundtables, etc. They are a pay-to-play program which may function as an additional membership with a specific set of benefits.

- Flat rate fee
- Specific benefit
- Funds frequently dedicated to cause or program

Membership Tiers are packages of benefits which entice larger investments in dues organizations. Tiers are also known to use a Mission Appeal and/or a Recognition Appeal to attract buyers to a higher level of investment.

- Based on choice
- Benefits increase with investment
- Grows with business-member
- Segments and differentiates members
- Simplified annual planning and purchasing
- Specific reason for buying

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EXAMPLES

Traditional Dues
- 1-5 Employees: $250
- 6-10 Employees: $300
- 11-15 Employees: $350
- 16-25 Employees: $450
- 26-50 Employees: $700
- 51-75 Employees: $950
- 76-100 Employees: $1200
- 100+ Employees: $25/5

Investor Levels
- Chairman's Circle: $2,500
- Platinum Club: $5,000

Membership Tiers
- Basic Tier: $350
- Marketing Tier: $625
- Growth Tier: $1250
- Aspire Tier: $2500
- Stakeholder Tier: $5000

WE'RE CONCERNED THAT TOO MANY OF OUR MEMBERS ARE SMALL BUSINESSES FOR THIS TO WORK. IS THIS TRUE?

Tiers work because of small business, not despite them. Too many organizations underprice their membership for small business because they don't have enough relevant value to *any* business. Allowing them to buy at a level *that they choose* is capitalism at its finest.

CAN A CHAMBER BE TOO SMALL FOR TIERS?

I don't believe so, although the smallest organization I've seen consider it had about 200 members. This concept transcends size, or scope or territory.

WHY SHOULD WE SWITCH TO TIERS?

Well for one, if you use a fair-share model now, you are punishing your members for growing, and rewarding them for lying to you. Neither of these are a good premise for a long-lasting relationship.

Plus, your members are already doing business this way, just not with your chamber. Fast food restaurants, cable and satellite TV companies, health clubs... They all use tiered packaging in some way. This isn't new, it's just new to chambers.

DO TIERS STILL FEATURE A FAIR-SHARE COMPONENT?

To the chamber? Possibly. To the member? No. It's really important to get buy-in from your members in free-market fashion. The safety net is used in a purchase transaction, not in the needs analysis and selection process.

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CAN TIERS BE CUSTOMIZED?

Most packages are a starting point from which we create a customized plan for serving a member. Through some very simple marketing and sales techniques, your marketing materials can reflect the customizable nature of tiers, encouraging members to make each package their own.

Each member will have a customized experience based on their use of the benefits available to them, but only on rare occasions are benefits interchangeable. At a restaurant, you can substitute fries with salad, but there are many considerations to take in before your organization attempts an interchangeable structure. Start with a minimum viable product and learn how you can tailor it to your members' needs.

WHERE DO WE BEGIN?

First, review the Map to Remembership at www.kylesexton.com/go/map. Learn about the four different profiles in your membership. The membership benefits you offer today are likely in the bottom-right quadrant.

Next, determine your pricing formula for your new levels. What works best is to simplify your current price-floor, then *approximately* double the lower rate as you move up for the number of levels you want. For example, $300, $700, $1500, $3000 and $7000.

Then determine how much value you need in each level with this formula: Double the difference in price with value. $700 – 300 = 400. $400 x 2 = $800. The $700 level requires $800 in additional value.

Finally, add 3 to 7 distinctly different, valuable and desirable benefits at each of 2 to 4 additional membership levels within your target business profiles. Each of these features should scale, which means they are not limited in quantity.

HOW DO WE SHARE THIS IDEA WITH OUR BOARD?

Remember that your board consists of members, not staff. They want more value, too... yes, from you! Tiers will do two things for you: Raise revenue, and increase value. Which are they more concerned with? Value. Focus on how tiers will improve your value proposition among members and prospects alike. Too many chambers have gone the other way, and have been shot down by their board.

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HOW DO WE PREVENT LARGE INVESTORS FROM REDUCING THEIR INVESTMENT?

First, we build an incredible tier package that keeps their interest and rewards a higher level of monetary investment. Then we use what we call a *safety-net* clause whereby large employers are not eligible for lower membership. This is a great transition from fair-share models.

SHOULD WE BE SELLING FROM LOW-TO-HIGH OR HIGH-TO-LOW?

I learned this lesson the hard way one day when I realized I was selling the high-priced membership tier from the back of the brochure to a member who was a legitimate prospect for the highest tier.

There is a reason grocery stores put the milk in the back of the store; it's so you must walk through the other stuff to get there, tempted along the way there, and on the way back. Simple staple item... milk. It's just like simple staple item... basic business membership. To get there, we're going to tempt you along the way.

If grocery stores didn't operate this way, they would be thought of as milk stores, right? Think about it. We get liquor from the liquor store, and everything else from a grocery store (in most states, at least). The lesson here is that we shouldn't be surprised that people can't readily explain what we do because we're grocery stores acting like liquor stores.

So, sell high-to-low. Make the prospect see and consider all the things that they will me passing up by selecting a lower tier. At the very least, they will have a better understanding of what your organization does.

HOW DO WE TRACK THE DELIVERY OF BENEFITS?

The problem is that many organizations haven't been accounting for service delivery in the past. As you move forward, you should plan to track the benefits which are essential to the value of each level.

In all my research, I haven't found any reproduce-able system for tracking, so I created one. My clients have access to the tools and video training to get your entire staff involved in tracking these items, because it's your entire staff who are delivering them.

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SHOULD WE UPGRADE MEMBERS THROUGHOUT THE YEAR, OR UPON RENEWAL?

Both are needed for a successful result from your conversion to tiers. If you're on an anniversary renewal program, pull out members you'd like to visit about 2 or 3 months prior to their renewal date and hand-deliver the renewal invoice with the new tier options listed... but only the higher tiers should be displayed. They've demonstrated that you're worth what they have been investing so don't give them the option to downgrade their investment.

WHAT WILL THIS DO TO SALES AND RETENTION?

Converting to tiers is not a solution to your sales or retention plan problem. However, some organizations report higher new member revenue due to a choice close instead of yes or no decision.

Most organizations see a higher dues-per-member average. My average dues were up 25% after less than 2 years, and new member revenue was up 19% after one year.

One of the subtleties of a successful tiered dues plan is in the pricing. After researching my own membership drops, I found that retention increased dramatically for those members investing more than $500 per year.

It's no accident that our first tier up from the bottom was $650. This move allows us to focus retention efforts in accordance with our priorities.

You might be thinking that it's obvious that you will now focus your retention efforts on those members investing less than $500 per year, but I would suggest to you that, given Member A is investing $325 and Member B is investing $650, your efforts to retain Member B will yield twice the results for the same effort.

WHAT WOULD WE DO WITH OUR CHAIRMAN'S CIRCLE PROGRAM?

In most cases, your Chairman's Circle program will become your top or second tier, depending on the number of members, price, value, and market.

HOW DO WE ASSIGN A DOLLAR VALUE TO TIERS?

It may seem that, to quantify the value of tiers, you'll need to "make up" prices or values out of thin air, but this is not the case. I use formulas commonly used by media ad buyers and IEG for accuracy, and pair that with

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conservative numbers of impressions for realistic values you can take to the bank.

OUR STAFF AND BOARD MEMBERS ARE CONCERNED ABOUT TAKING AWAY BENEFITS THAT MEMBERS HAVE BEEN RECEIVING FOR YEARS. CAN YOU ADDRESS THIS?

They should be concerned. I don't endorse taking away any benefits. Your current benefits will be your basic business tier. This obviously puts pressure on your organization to add benefits to complete your marketable packages. That's where a consultant comes in. You and your staff may not have the time or experience to do the necessary research I've done over the last five years.

WILL MEMBERS WHO DON'T UPGRADE FEEL LESS IMPORTANT?

The point here is to put a higher value on your devalued organization. Price is an important component of value. The question, therefore, really is, "Why do you let these businesses devalue your organization by investing less than it costs to serve them?

By investing at the minimum level, a level YOU have set below your cost-per-member benchmark, aren't they telling you that they should be less important to you? That they aren't committed to your cause? That they won't be around long enough for you to take notice?

Don't think for a moment that I'm casting aside the membership model. The business plan of a membership organization requires that many paying members offset the costs incurred by the high needs members.

This does not consider the power of choice. When given a choice, ten percent of your members will choose a higher level. If you price your tiers correctly for your organization and market, that ten percent of members can achieve a twenty percent (more or less) increase in revenue.

Put a new price on the worth of your organization by creating clear levels of service. One effect of having these tiers is, when someone feels they aren't getting their full value in membership, perhaps they aren't in the right membership.

THE ROUND UP:

Make no mistake: this is a new way of thinking for membership organizations. Adding a premium price for status hasn't been talked about since "Chairman's Circles" investor level programs. This was the first step.

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Now build the rest of the rungs for the ladder than can take any business from the bottom to the top.



My answers to these questions may seem exacting at times, but I have the benefit of learning by doing. Through the process of converting, I was the graphic designer who designed the award-winning marketing materials, the salesman who tested the packages, the researcher who sought out the best and worst in the industry, and the marketer who planned and executed the launch and collateral. Since then, I've done the same thing for other chambers, economic development corporations and tourism bureaus.

If you're looking to make a change to packaged service tiers for your membership organization, consider acquiring the knowledge of someone who has seen and worked through these issues for many organizations. I look forward to your call.

All the Best,



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