

# Increasing your revenues

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## **Introduction**

In many developing countries Employers' Organisations (EOs) are struggling with financial problems. The number of members is limited and, worst of all, sometimes a considerable number of them do not pay the full subscription fee, if they pay at all. This obviously limits an EO's activities. The result is that members complain about the invisibility of their EO and non-members have no incentive to become a member: why should they if they are not convinced that the EO has any added value for them? Thus the EO is caught in a vicious circle of low membership and low revenues.

How to break this vicious circle is the main subject of this paper.

## **Instruments**

### 1) Subscription fees

For the great majority of EOs, subscription fees are by far the most important source of revenues. In developed countries revenues from subscriptions account for 60-100% of the total budget; only for a tiny minority does it drop below 60%. However, in developing countries and states in economic transition, like Eastern Europe, it is mostly much lower<sup>1</sup>. The revenues from subscriptions in these countries are then complemented with paid services and the organisation of all kinds of paid activities.

Although it is clear that EOs in developing countries should not imitate unquestioningly the models used in the more developed countries, it is important to be aware of the risks if revenues from other sources than subscriptions dominate the budget of an EO. Revenues from paid services drop faster than revenues from subscriptions in an economic downturn. So revenues become more volatile. And if paid services become more and more important for the very existence of your EO, you should ask yourself if you are still an EO or rather a consultant organised as an association or federation. Besides, subscriptions are not only a source of income, they are also an indication of your representativeness. If your main source of revenues is paid services, people and especially politicians could question your representativeness. So there are many reasons to try and increase your subscriptions.

The best way to optimise your subscription revenues is to increase the number of members. Develop a strategic plan to attract new members. Concentrate on companies or associations with high subscription potential which are not yet members and try to find out why they have not joined. Approach a key person, preferably a board member or someone else who knows the organisation well, and explain why it is worth becoming a member.

But remember that it will cost you much more time and effort to attract a new member than to keep an existing one. Do not neglect the latter while pursuing the former.

There are several ways to increase your attractiveness to members and non-members and to show them the added value of membership:

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<sup>1</sup> Data from "The Effective Employers' Organization. Guide For Revenue Building", Bureau for Employers' Activities, ILO, Geneva 2005. See also, from the same source: "The revenues of European employers' organizations. Short survey on current policies and practices".

a) *publicise your plans and your achievements:*

- publish a yearly priority plan including a paragraph on what has been achieved in the last year (mention government proposals that would have been harmful for business and which have been shelved or amended thanks to your intervention: “this has saved \$...”).
- publish a magazine with opinions, interviews, news about members;
- have regular contact with journalists and publish press releases to secure favourable coverage in newspapers ("we have to be in the press x times a month/week");

b) *regular contact with members:*

- establish committees and/or working groups, made up of interested members, on the issues which are important to your members (social, economic, tax committee);
- organise regular regional information meetings on new developments in regulation and legislation;
- appoint an account manager within your bureau for member associations who serves as a contact point for members, pays regular visits to (his) members, attends annual meetings and seminars/congresses of his members and keeps an eye on important developments for his members;

c) *fast and adequate services:*

- establish a helpdesk for primary service to your members. This service should in principle be free to members;
- establish a news bulletin with information about new government proposals/legislation, important events, etc. At the end of each (short) article, the name of the contact person should be mentioned;
- publish brochures (possibly in combination with information meetings) about new legislation;
- set up a website with a database for members;

d) *improve the quality of the secretariat if that is necessary to meet the needs of your members.*

If staff qualifications do not meet the required standards, improve their skills by sending them on training programmes. Sometimes their skills only have to be improved in particular fields, such as presentation, publicity, etc.

There are also other actions which can be taken to increase your subscription revenues:

- *make your subscription system fair, transparent, practical and sustainable*<sup>2</sup>

A lot of EOs still use a subscription system of fixed tariffs; all members, large or small, pay the same fee. Needless to say, this is not a fair system. However, in the starting up phase of an EO it could be used for practical reasons. The most widely used system in modern EOs is a system based on employment-related data, such as number of employees or size of payroll. A system based on payroll costs is fair and sustainable, because it adapts automatically to economic changes, but sometimes the data are not so easy to collect. In that case 'number of employees' is a good alternative. But do not forget to index the fees to reflect annual inflation.

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<sup>2</sup> See also our publication: “Subscription systems for business organisations”, 2006

- *combat non-payment by your members*

A member which does not pay its subscription is not really a member. The phenomenon of non-payment should be combated under all circumstances and can only be accepted temporarily. Measures to be taken to minimize non-payment include:

- contact the non-payer, preferably by phone or a personal visit;
- write reminders to pay the outstanding fee;
- exclude the non-payer from services and/or voting rights.

If a member refuses to pay its subscription, this should eventually lead to suspension of membership

## 2) Paid Services

If you have decided that paid services is a good way to increase the revenues of your EO, the first question to be answered is: which services should be offered? The easiest way to find out if there is a market for the services you have in mind is to ask your members what their needs are. Paid services should be profitable and there is of course no point in offering services for which there is no market. You should also ask yourself who your competitors are. If you offer services which can also be easily bought in the market, your only competitive advantage is that you probably have a stronger relationship with your customer / member, and your members look upon you as more neutral in the sense that you are less commercially driven compared with a consultant. But if the latter beats you in knowledge and expertise, your member will probably not decide in your favour. However, if there is a link between the services you offer and the nature of your federation or association you will no doubt be the best expert in the market and your members will probably see the service offered as a natural activity of their EO.

The following services will certainly meet this condition:

a) Employee-related advice and consultancy, e.g. occupational safety and health (OSH) and HRM

These kinds of services for OSH (safety legislation, employee health and safety training, injury and illness prevention programme, environmental hazard analysis report, emergency action and evacuation plan, fire prevention plan) and HRM (job descriptions, pre-employment screening, contracts, terms of employment / labour conditions, career management) are typical services which meet the needs of small and medium-sized companies.

b) Collective bargaining

Having relations with both employers and trade unions puts EOs in an excellent position of knowledge and expertise to provide this kind of service.

c) Training activities

Most EOs organise training activities for their members to increase their skills. Programmes range from modern office management, strategic planning, modern HRM, mediation, to technical issues like certification.

d) Information meetings and publications on new legislation

The above-mentioned services are the ones most frequently offered, but sometimes EOs extend their activities to other areas, because they have the expertise available, they wish to offer their members a complete service package or they simply see a profitable opportunity. Such services could be:

- legal representation of members in lawsuits;
- arbitration or mediation in business conflicts. Especially in countries where the judicial system does not work well, there can be a need for such a service;
- information and documentation centre. The following information could be made available to members:
  - statistics, national, regional and international;
  - regulations: laws, decrees, main court decisions, technical regulations related to sector activities;
  - studies, reports, principal handbooks;
  - press-clips, relevant journals.

All the mentioned services require of course a certain level of professional skills, of course. Some are possibly already available within the organisation, others will have to be hired. You should decide whether it is necessary to have all the necessary skills within your own organisation or whether you hire them as and when needed. Sometimes it is wiser to offer only primary advice in the form of a helpdesk and to refer your members to a consultant for more specialized advice. All kinds of mixed models are possible.

Increasing your revenues from paid services has also other beneficial side effects. Offering services, paid or non-paid, gives you the opportunity to tackle the free-rider phenomenon more easily, because a non-member cannot take advantage of the service or pays more for it than a member. Secondly, offering services to your members strengthens relations with your organisation and shows them what they are getting for their money.

A difficult question arises as to whether services should also be provided to non-members. Ideally services of EOs should only be offered to members, because this is the best way to show your members the value of their membership. In western countries, services of EOs are therefore mostly not accessible to non-members, but for most EOs in developing countries this principled attitude would lead to a loss-making service department. The commonly used way out is a higher price for non-members. This gives also the opportunity to attract new members or the to persuade non-paying members to pay their membership fee. Because you won't charge them the same price as a real member, won't you?

### 3) Special projects

Some EOs organise special projects, like fairs, exhibitions, conferences, international missions and technical cooperation projects to raise money. This must clearly not be seen as core funding of an EO, but sometimes the revenues can be significant. For some sectoral organisations, e.g. in the automotive sector, this is even a major source of revenues. In such cases you could put a special person in charge of such events.

### 4) Sponsoring

Also in western EOs sponsoring is used to facilitate the financing of conferences, annual meeting and publications like the annual report, magazines and news bulletins. It is also important to ensure that sponsoring does not affect the credibility of the organisation. The possibility of sponsoring should be open to all members and the sponsors should not be given special favours.

**A final thought**

Almost every EO was established to advocate the interests of its members. Advocacy is the core business of an EO and this should not be substituted by all kinds of activities, no matter how profitable they are for your organisation. That means that when you set up a plan to increase your revenues, you should always keep in mind the original reason for your existence. From this starting point, develop a strategy to increase your attractiveness as an EO to attract more members and to pursue them to pay the full subscription fee. Paid services can be an inviting way to increase your revenues and also to meet the needs of (some of) your members, but if they have a dominant position in your organisation, you should ask yourself whether you are on the right track.

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