

The business model of associations

People are, by nature, sociable, and wish to associate with others who have common interests and aspirations. This sense of belongingness and of community is what drives an individual's motivation to seek a "place to be in" and why many associations worldwide thrive.

From an association executive's standpoint, it is important to know these dynamics and how they affect association membership. To grow and prosper in today's tough environment, an association needs to have a solid business model, one which has these three key elements: (a) a unique value proposition, (b) a sound profit model, and (c) an efficient and effective execution model.

An association's unique value proposition answers the question: "What compelling reason exists for people or institutions to join and pay membership dues, a primary revenue source for an association?" In the case of my organization, the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), our value proposition is to highlight that it is the only regional network for development banks, backed with 40 years of experience and expertise, and with a membership coverage in 40 countries and territories. In detail, ADFIAP provides the development banking community with:

- (1) professional affiliation, status and recognition;
- (2) access to continuing education and professional development programs not available elsewhere;
- (3) access to practical operational tools, standards and knowledge resources;
- (4) a platform for business cooperation and networking; and
- (5) a venue for advocacy on sustainable development.

An association's "profit" model may be a misnomer because, generally, associations are classified as nonprofit organizations. Perhaps, a "revenue surplus" model may be a more appropriate term. But whether it is termed profit, revenue surplus, or whatever, the fact remains that like any other organization, an association has to have ample financial resources to continue providing services to its members, as well as to have a reserve fund for challenging times.

In this regard, an association needs to answer the question: "How does the association manage to charge higher for its offering than what it costs to offer it?" In ADFIAP's experience, there is a need to balance and diversify revenue sources. Annual membership dues are like taxes; raising it is always a contentious issue among members. So the strategy is to be less dependent on membership dues and seek other sources—in our case, conference and seminar fees, consulting fees, publication sale, grants and sponsorships.

On the execution model, an association has to respond to the question: "How will the association make prospective members find out that it exists, what it offers and how to convince members to become customers?" It also has to deal with the question: "How will it organize itself to meet customers' demand effectively and efficiently?"

In ADFIAP, branding and visibility are core components in its execution model. For branding, ADFIAP works hard to appeal to its members' aspirational and emotional needs. For aspirational appeal, ADFIAP positions itself as the premier development banking network in the Asia-Pacific region so members stay for prestige. In terms of emotional appeal, it sets the association as a "community" of development bankers advocating for the financing of sustainable development.

ADFIAP also tries to be visible in many high-profile events internationally, promoting its work and advocacies, and engaging with its networks, such as the United Nations bodies, the Apec process, and other bilateral and multilateral

development organizations. Being in the guest list of these institutions' events provides ADFIAP a venue for being known and visible.

In communicating its services and advocacies, ADFIAP employs many different channels: from face-to-face presentations, published articles and toolkits, web-based resources, and nine microsites apart from its main web site. Doing good is one thing; another important aspect is communicating it.

The ADFIAP structure is also lean, with eight permanent staff. It uses timebound, project-based support, and a lot of assistance from its members. It also maximizes the benefits of partnerships and alliances, as well as maintains its institutional integrity and credibility through good governance and professional management.