

AssociationPower.com

1. Overview/Problem

AssociationPower.com is an Internet-based service company that successfully navigated the rough market after the tech bubble burst early in the development of the commercial-use Internet. It wasn't until the past year that the company showed a profit. This success came 5 years after its founding, and after analysis of the state of the business, it has been determined that there are several areas of development that are understaffed, and components of business that do not make an impact as far as revenues.

Roland Lawrie was hired on as CEO in January 2006, and demanded a close look at company financials, to determine the best way to develop the company in the future that will maximize profit and reduce lagging sectors of business to enhance efficacy in customer service, as well as improve the efficiency with which AssociationPower.com succeeds against its competitors. Of particular interest is a way to challenge the current threat of standardization among national organizations to maintain more control over local chapters and branches of an organization, a threat that may be countered with an offer to provide and even manage chapter sites.

2. Company Product & Services

The company's current product and service offerings include a template-driven Web site that can be customized to the look and feel of various associations, including a back-end that could be modified to include customer databases specific to that association, mailing list functions and administration tools that can be accessed by the client to update or modify content.

This service is provided at an annual targeted fee averaging about \$3,000. This included migration of content from a current Web site to the template format at an additional fee, as of 2004. Graphic design services are provided at a billable rate of \$50/hour.

In addition to the basic Web-based service the collective bargaining power of the company's many associations allows for a discounted rate on services such as long distance conference calling, car rental, and software packages. AssociationPower.com makes a small commission every time someone makes a purchase through the company's vendor-partner program.

3. Marketing Approach/Segments

AssociationPower.com markets to professional and trade associations and formal associations, of which there are an estimated excess of 200,000 in the United States. These include charities, industry associations, fraternities, and occupational associations for professions such as teachers, lawyers, etc. Of these an estimated 155,000 are local, or state associations, and 33,000 are national associations, and 1,300 are international associations; as many as 1,000 new associations form each year.

The largest association (AAA) has a membership of 43million members, followed by the AARP with 33 million members. However, actual size of association varies and therefore budgets can range anywhere from a few hundred dollars to several hundred million dollars annually.

The largest markets for associations are major metropolitan areas. Washington, New York and Chicago are the three largest markets, with 2500, 1900, and 1500 association headquarters, respectively. However, smaller associations, with an average of

less than 1,000 members, are the primary target market of AssociationPower.com, with a median number of memberships in each association at 730 people or firms.

The association market has strong purchasing power, and figures indicate that trade associations spend 4 billion annually on technology and communications, 3 billion on publication of newsletters and industry materials, and \$80 billion on traveling, attending and paying for hospitality within the convention/meetings sector.

The core segment that AssociationPower.com has historically targeted consists of smaller professional or trade associations at the local, state or regional level that may be overlooked by possible competitors. This includes local chapters of larger, national organizations.

4. Choices

At a meeting to discuss possible opportunities to develop future business several suggestions were posed by members of the Executive Team.

a. Micro-associations

Lawrie's suggestion is to target associations with memberships of less than 100 members, and sell a stripped down site product with less features offers a convenient solution to open up a segment for small, low-budget associations with relatively little new product development cost. The pros are it is cheap and easy to do. This would be offered at a cost of \$500 per year. This option requires the least modification to current business operations. However, with a current average yearly operations cost per client of \$1862 it will be very difficult to make a profit unless this \$500/year option does not require significant customer service. In addition it may take a significant marketing effort to

reach micro-associations, and their budget is significantly less than the current client base.

b. Selling to individual members of current associations

Matheson's suggestion is to significantly strip down the product offering and market it directly to the end-user, traveling the channels of the current associations to market to a captive audience. This product offering would be sold at \$250 per client. The benefits of this decision are that it will take very little new product development cost to modify current product offerings for an individual client. However, the time it takes to service individual customers is significantly greater than the time it takes to service an association representing numerous end-users. This option succeeds only when the product is so diluted as to remove the customer service component, unless there is a definite desire in the end-user market that justifies an individual paying \$250. However, marketing to this sector may be easier because of established relationships with current client-users, thus reducing marketing cost, which has been steadily increasing per client year over year. To service these customers with part-time customer service would reduce the cost of benefits paid to employees, saving additional operations costs.

c. Expansion to a new country

Matheson's second idea is much more significant in terms of resources required to undertake such a large-scale operations development. This concept appears significantly premature, as 35% of the current association user-base has been developed in the Northwest region. As opposed to expansion out of the country, which requires extensive

market research and associated legal and regulatory barriers, it might be more sensible to expand into other metropolitan markets, capitalizing on the lessons learned in the first five years of business growth. Costs such as rent and utilities are fixed and relatively low compared to salaries paid. This option appears very attractive when considering the cheaper cost of part-time and commissioned labor. In addition, many associations may have leads and networks that extend into these markets, whereas the International segment within the US is relatively small in number of organizations. This option would face increased competition from other web-servicing firms and an evaluation of other markets would be necessary.

d. More features to present product such as a job bank and help securing corporate sponsors for Web sites

Forrester's suggestion promotes the idea of developing internally to provide more services to the same client base, and provide these services at a premium that will increase the base price of product 5 to 10 percent. This option relies on more extensive customer service, currently the largest operating cost being salaries at 70% of operating cost; however this cost was down 7% from 2004, signifying a viability here. However, greater customer service and product offerings means increased salaries and benefits.