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# The State of Perpetual Membership

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How associations and nonprofits are using new payment models to build membership, donations, and satisfaction.



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One

# What are Perpetual Memberships?

Amazon is the de facto model for all things web today. Whether we are talking about e-commerce or about the user experience, we all strive to be “like Amazon.” One successful program they run now is Amazon Prime. For a low membership fee, you get all kinds of amazing benefits. And they *are* amazing benefits, and people want them. Brilliant!

That's exactly how we'd like to run our organizations, isn't it? And, honestly, we can, if we just rethink our membership models a bit.

Netflix, like Amazon, is a leader in adapting the membership model in for-profit world. They have what we will call recurring billing. You give Netflix your credit card and every month they bill a small amount to that card. You hardly notice. And we wouldn't live without it.

Wouldn't it be nice to bring that same philosophy to your organization, giving members the convenience of never having to think about paying their membership fee again and never really questioning whether they will maintain that membership?

These companies also bring a second layer to the payment model and that's installment billing. They allow members to pay a smaller amount on a more frequent basis. They're operating on the philosophy that it's a little bit of money that hardly hurts at all. iCloud, Apple's storage system, has even eliminated their larger annual payment in favor of a smaller \$.99 charge that goes on your credit card every month. They figure who would quibble over that?

What Netflix and Amazon and Apple are doing in marrying the concept of recurring billing with installment plans is creating what we now call perpetual memberships. While recurring billing and installment plans each on their own can be considered, and are, a kind of perpetual membership, a truly awesome perpetual membership model combines the benefits of both. A recurring billing (allowing members to pay with a credit card on file) and installment plan (taking a small portion of the dues amount and spreading it out over the year) are a great 1 - 2 punch.

Now you're giving members what they want. You're allowing them to pay as they go. Allowing them to pay when they want. It's the way of the world today and, like it or not, that's the way people are used to transacting business in 2016.

Of course there are all kinds of hurdles along the way. How do you maintain PCI compliance? How do you make your AMS system cooperate? How do you collect from members when their bank accounts are closed and credit cards are out-of-date? And the fundamental question is: Will your members accept and adopt this way of paying their dues?

There are answers to all those questions and a way to handle all of those issues. You can start learning by reading through this report. Here, we catalog how associations and nonprofits are adapting to these new realities. Perhaps some of the information you glean in this report will help you begin your own perpetual membership and automatic donation programs.

Two

# Methodology

The purpose of this study was to provide some benchmark information for organizations and associations using recurring dues payments and installment plans to collect dues and donations. It was our hope to document how many, and how, organizations are using alternatives to the traditional dues payment models.

While our survey group was small - 84 organizations answered our call - we believe that the information contained herein is of value and serves as a baseline from which we will be able to gauge adoption and effectiveness of perpetual dues models in the future.

We reached out to nonprofit organizations and associations of all types — state and national, trade and individual, member-based and donor-based. What we have collected here, is their policies and procedures and perceptions on the collection of dues and donation dollars.

Type of Organization	% Respondents
Trade	34.7%
Individual Membership	57.1%
Charitable	8.2%

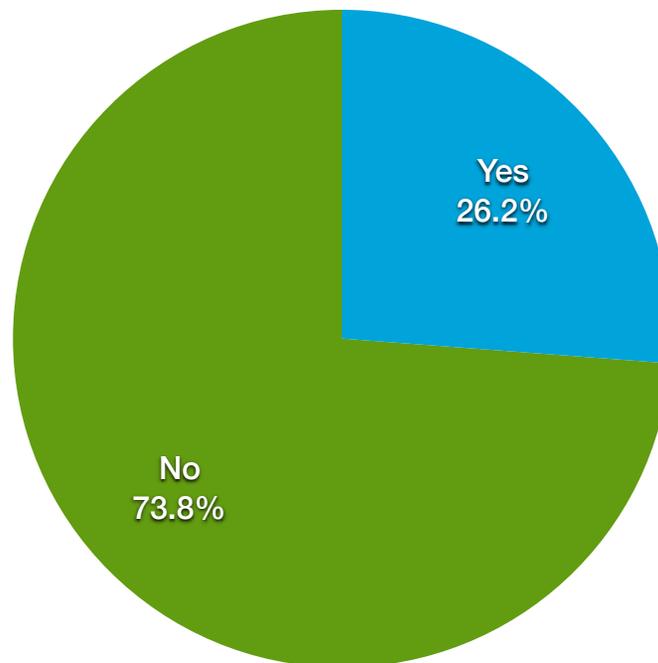
Three

# Recurring Payments

We asked a series of questions regarding policies on retaining credit card or bank draft information and then automatically renewing dues or donations on a recurring basis. In other words, we wanted to know how organizations have set up a recurring billing or automatic payment option for members.

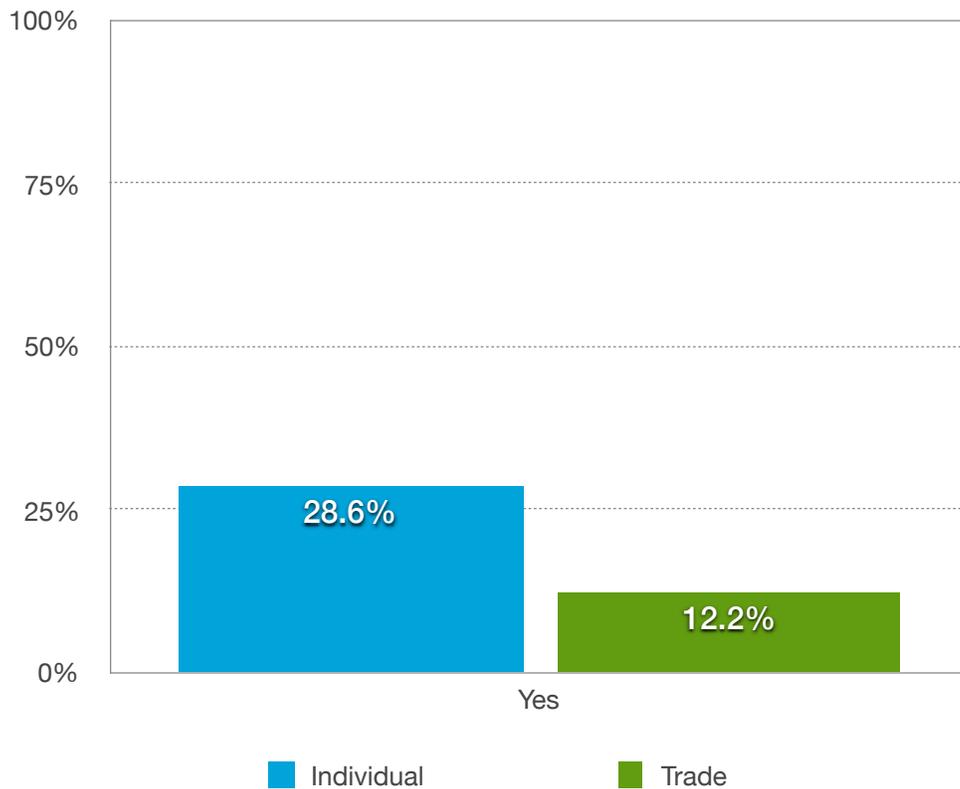
Data show that 26% of associations are currently operating a program of recurring payments for their members.

**Do you offer automatic renewals/  
recurring billing for your members**



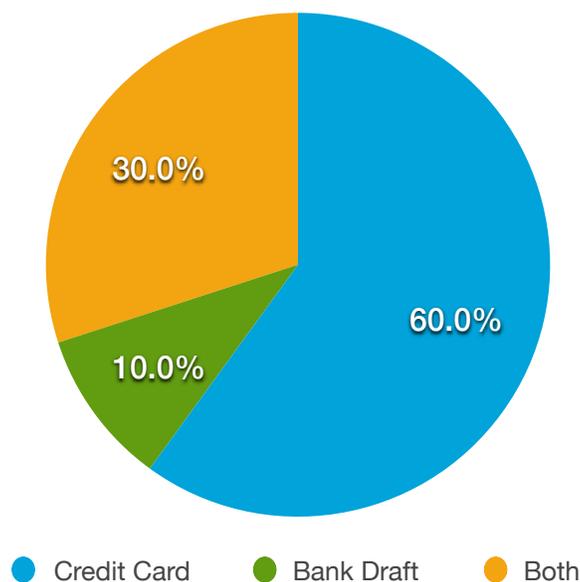
Investigating further, we can see that individual associations are more likely than trade organizations to have created an option for members to automatically renew their dues at the end of a term.

## Do you offer automatic renewal/recurring billing for your members?



There are two primary ways of setting up recurring billing. One is by bank draft (other names are electronic funds transfer or ACH); the other is by credit card. Data show that credit card

## How do members pay their recurring dues?



is the preferred method for these financial transactions, though a fair number of associations do offer bank draft options. 30% give members the choice of either bank draft or credit card.

For the 26% of organizations who do recurring billing, a mean of about 22% or a median of 10% of their members keep their credit cards on file. Those offering bank drafts see that about 33% of their members keep that information on file, with a median of 20%.

	Mean	Median
% of members who keep encrypted credit cards on file	21.9%	10%
% of members who keep bank draft information on file	33.3%	20%

In asking what percentage of their members participate, we find that the average of 23% closely matches the number of members keeping payment information on file, as would be expected.

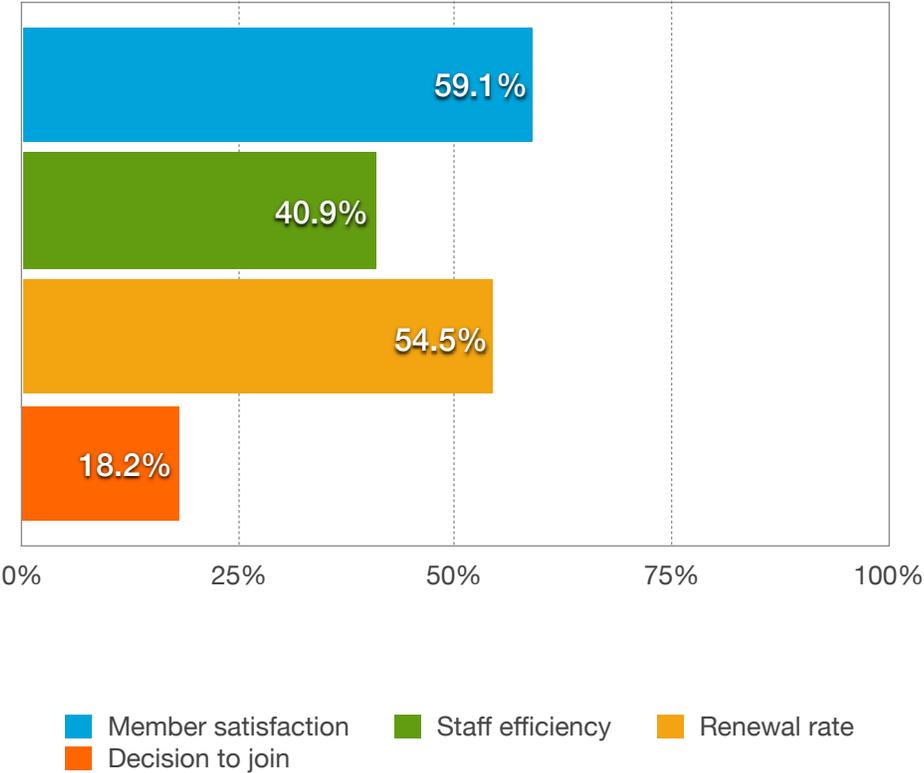


We asked if the organization was using the recurring billing option as a retention tool, promoting it to members in an effort to retain. 68% said yes, that they were advertising an automatic billing option as a retention opportunity.

**68.2%**  
of associations use  
recurring billing as a  
retention tool.

The ultimate reason for offering a recurring billing option, of course, is to provide an advantage to members or to the association. We asked our association respondents how recurring billing had affected four common parameters, which would all be considered good reasons for adopting a recurring billing model. Improved member satisfaction and increased renewal rates were reported by over half of the organizations. The joint proposition was least

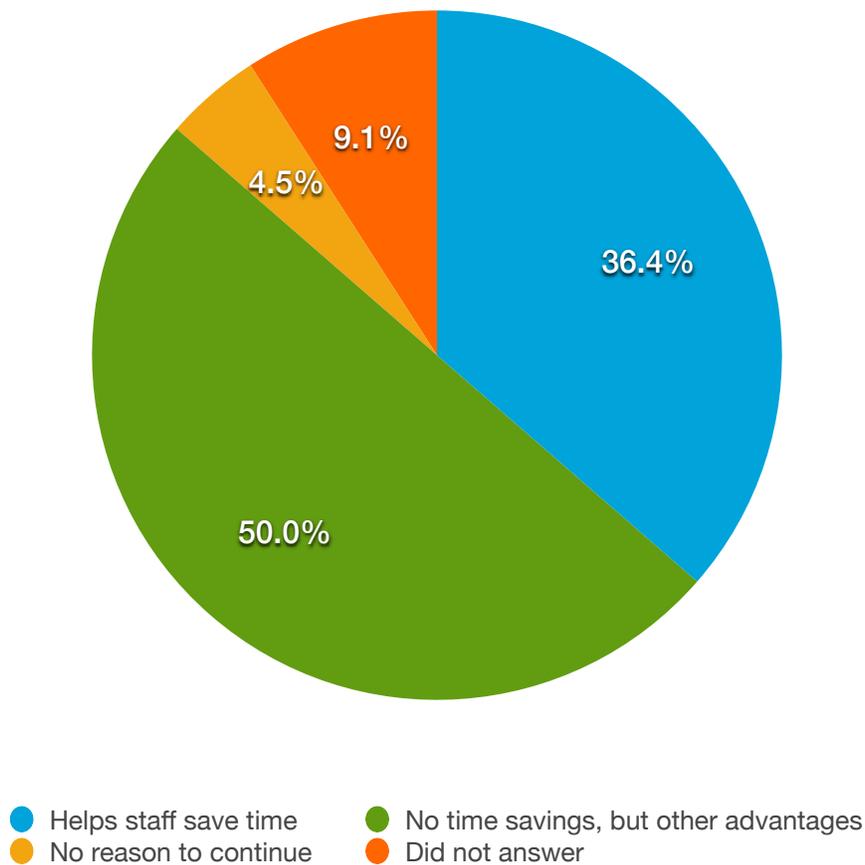
**Has recurring billing increased...**



likely to be affected by the recurring billing offer. 40% felt staff efficiency was improved as a result of these policies.

And we further evaluated perceptions on staff efficiency. While a large number of associations found that it did help their staff save time, at least half of the organizations felt there were not time savings involved with this process, but there were other important reasons for adopting a recurring billing model for their organization. Only 4.5% felt it was a waste of time and there was no reason to continue offering the program.

**Staff advantages of recurring billing...**

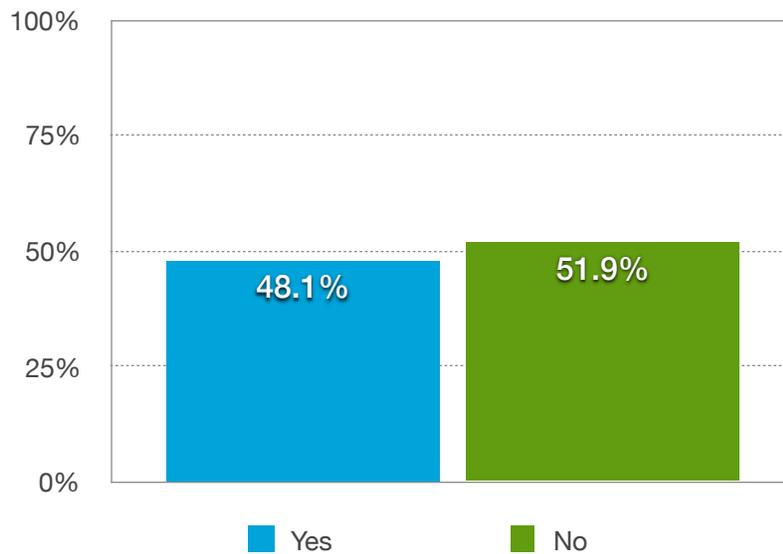


Four

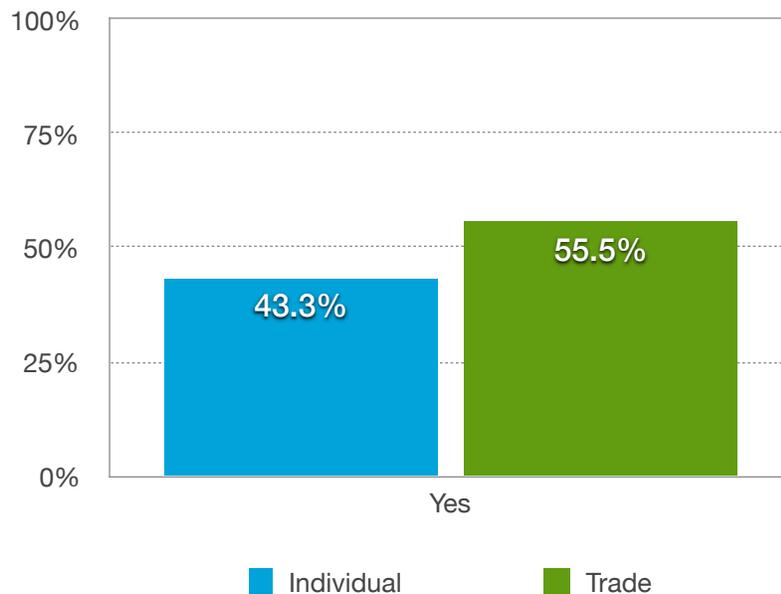
# Installment Plans

Slightly more organizations provide installment plan options for dues and donations than they do for recurring billing. Almost half had some sort of installment payment plan for members.

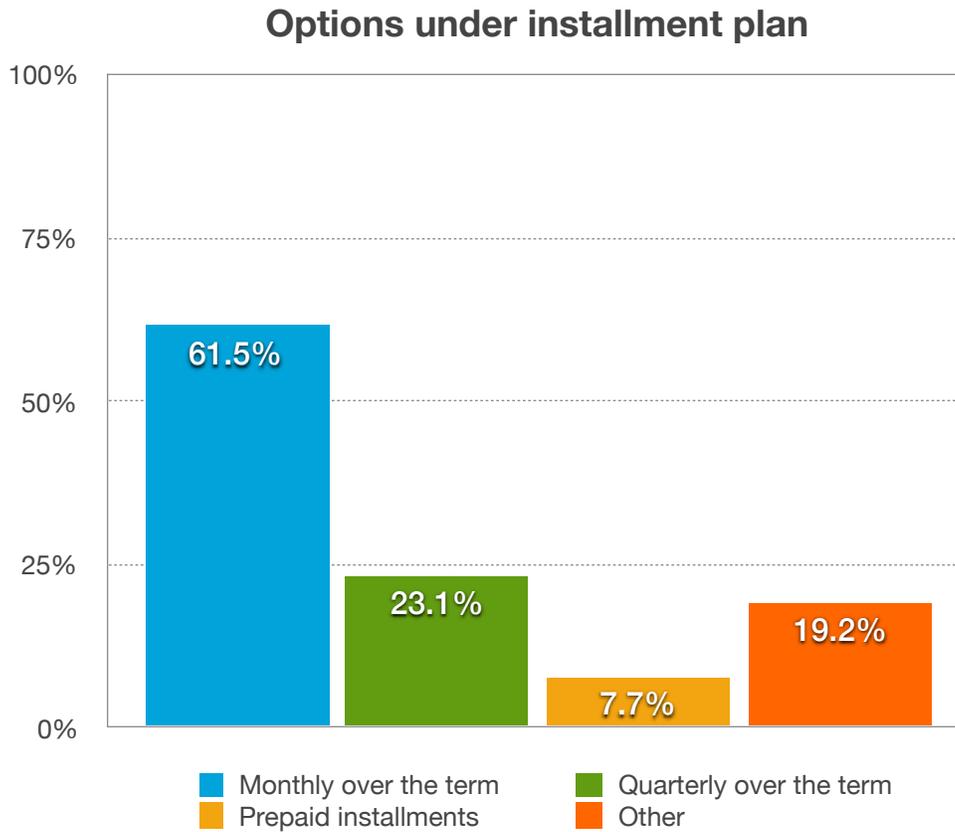
### Offering installment plans



### Offering Installment Plans by Type of Association



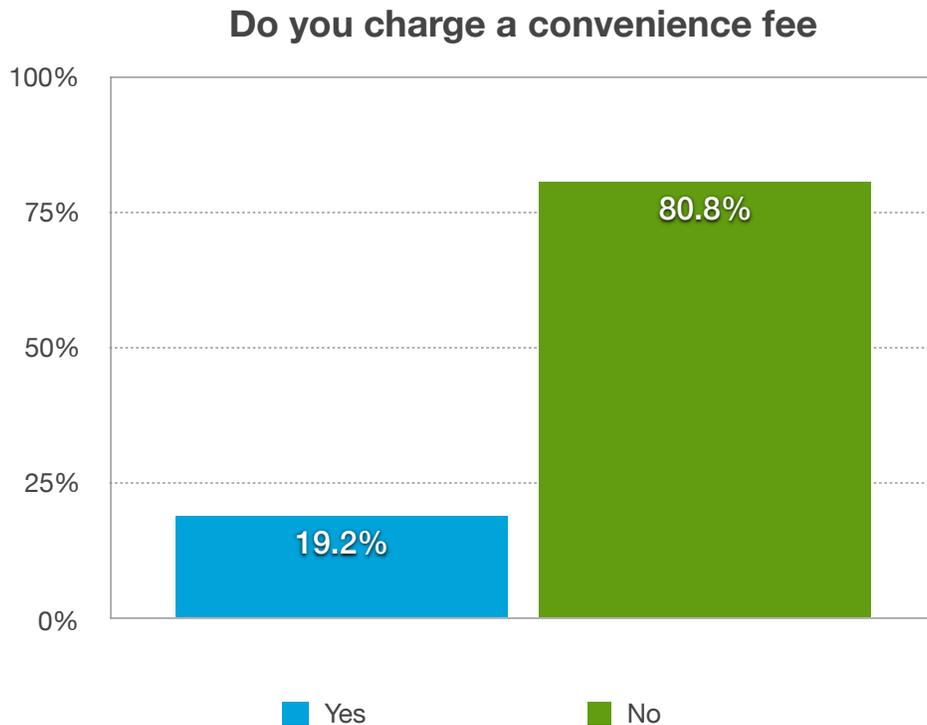
To understand how organizations structured installment terms, we asked in what ways they allow members to pay. Because we allowed respondents to choose more than one answer, they will add up to more than 100.



We asked how many of their members used the installment plan to pay their fees. On average about a quarter of members participate in the the program, with a median percent participation of 10%.

	Mean	Median
% of members participating in installment plan	25.6%	10%

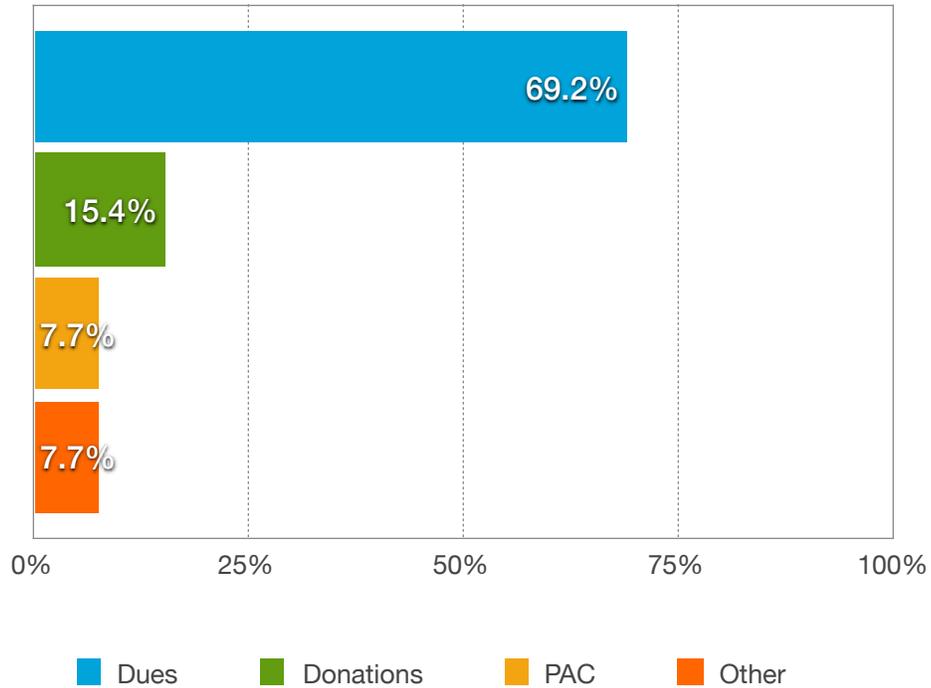
Some associations have begun charging what they call a "convenience fee" for the option of using installment plans. This is an often-used concept in the for-profit world, especially for the purchase of goods over the internet like theater tickets or sporting seats. However less than 20% of associations and nonprofits have adopted the practice of charging such a fee. It



is legitimate to do so, when you think that processing credit cards and bank drafts are really an extra expense to the organization. It takes more staff time, it takes more office resources, and each draft incurs a processing fee of 2-4% for the organization.

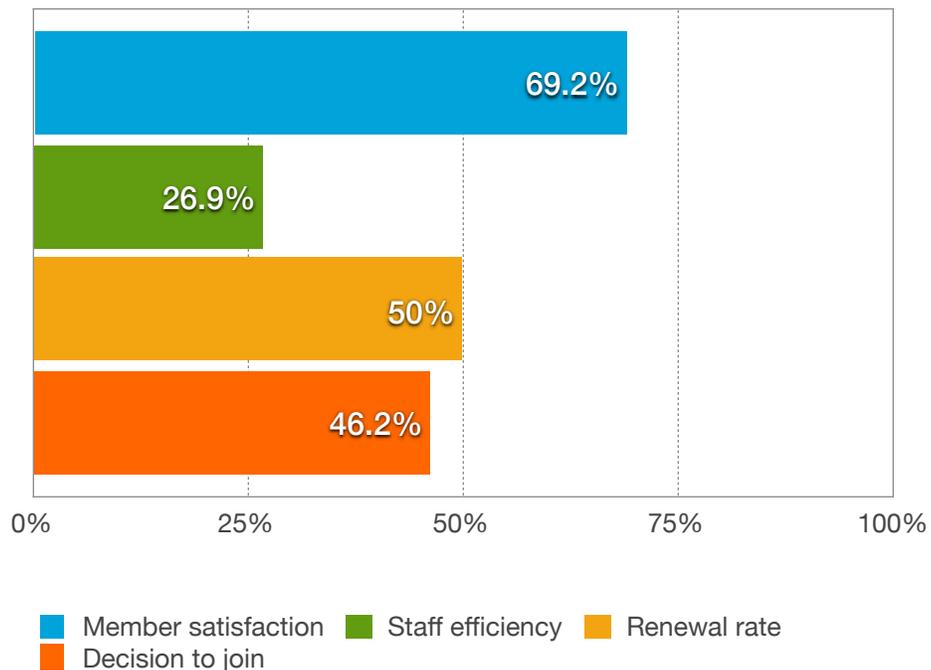
We asked what revenue categories organizations were including in an installment payment plan. Dues, of course, were the most prevalent and foundation donations and PAC were also named. Some organizations have special funds, like legal defense funds, that were also noted in the "other" category.

## Revenue categories with installment plans



Installment plans are typically put into place to increase member satisfaction or to increase renewal or join rates for the organizations. We asked our respondents if the installment plan had increased satisfaction in these areas.

## Has the installment plan increased...



In contrast to recurring billing options, the decision to join was favorably impacted by an association offering an installment plan. Staff efficiency improved in over a quarter of organizations and member satisfaction was highly improved at about 70%.

Five

# Management of the Programs

As with any function within an organization, there are administrative tasks associated with the program. We asked some questions about this to better understand the staff management associated with either the recurring billing or installment plans.

## *Tokenization*

Tokenization is the process whereby an organization masks the actual credit card number and sends a token (or a encrypted message) of the payment to the gateway provider. The organization never actually sees or touches the actual credit card number. Of organizations keeping credit cards on file about 14% use tokenization.

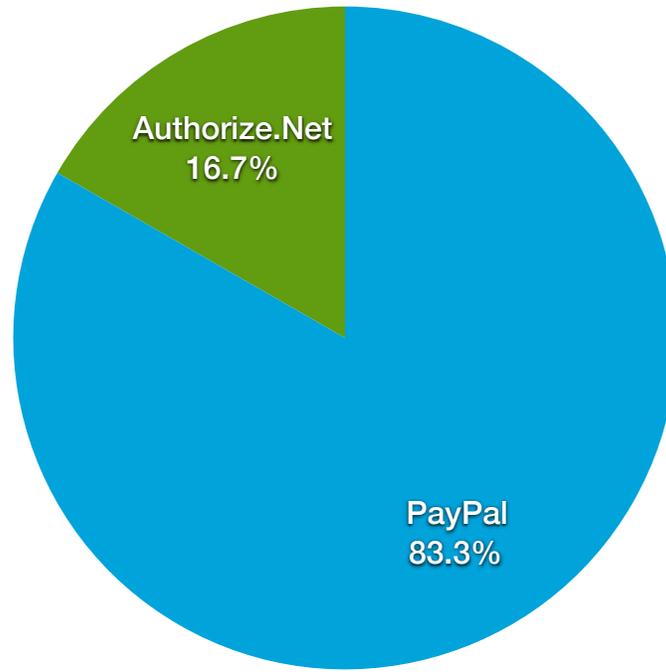


## *Gateway providers*

We asked the respondents about the gateway providers they use for credit card processing. These are the companies that stand between the member and your bank. Any organization

conducting e-commerce must have a gateway provider. The large majority are using PayPal/PayFlow Pro as their provider, with a small percent indicating Authorize.Net.

### Gateway Provider Used

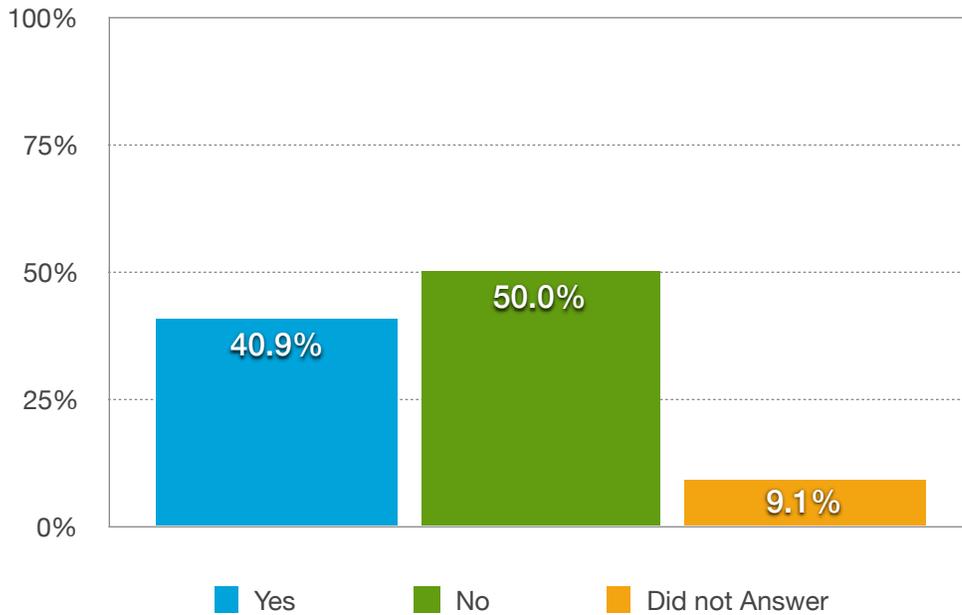


### *Communication*

One of the most important aspects of any billing program is the communication that goes to members about the program. Not only does this remind members they are enrolled in a specialized billing process, but it helps the organization keep the member's billing information up-to-date. We wanted to know how some of this member communication was managed.

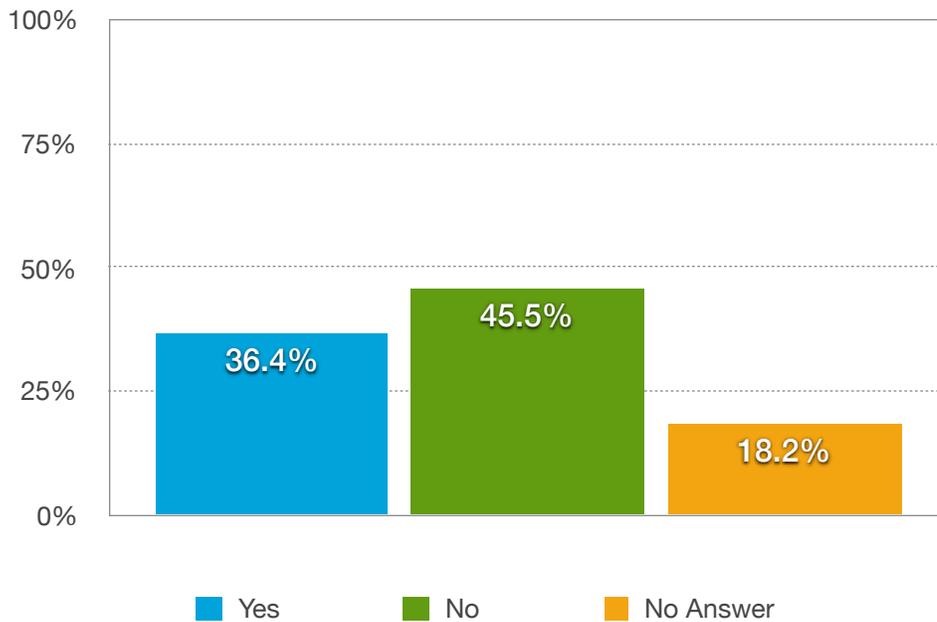
We asked if organizations had members contact them in order to cancel their membership. About 40% make the member contact the organization to cancel, rather than sending them a renewal reminder asking for a member's decision on continuing membership.

### % of Orgs Who Ask Members To Contact Them for Cancellation



One reason that organizations often cite for not offering a recurring billing or installment program is the need to update member credit card or bank information. About 36% of

### % Contacted to Update Credit Card



associations contact their member before the end of the term in order to ask them to update their billing information.

Yet there is always the need to contact a certain percentage of members to get their updated information. Our respondents said that about 12% of their members needed to be contacted each billing cycle in order to make the necessary financial updates.

11.6%

must contact their members to obtain updated payment information.

### *Building a Perpetual Membership Model*

We asked how many of the organizations used both installment plans and a recurring billing model to build a true perpetual membership pathway for their members. Of those using one of those two methodologies, 50% employ them together.

50%

combine installment plans and recurring billing.

Six

# Recap

Sometimes the biggest impediment to change is just knowing where to start. Corporate culture is undergoing great change today. Uber is disrupting the transportation industry. Airbnb is doing the same to travel. Service delivery is changing as never before and our friends in the for-profit sector have latched on to the membership model. Let's latch on to their pricing expertise.

This report is meant to help. If you're already engaging in the use of a perpetual membership model, you can see where you stand in the space. If you were thinking about taking a leap, you can see where other associations and nonprofits have gone before you.

When we next compile this report, we expect the landscape to be much different. We're in an age of disruption. We believe that the nonprofit world is beginning to change its thinking, change its culture, and change the way it does business. We are excited to see where it takes our profession.