Association Affinity Programs in the Pandemic Era

The Haney Company

RICOCHET

Foreword

The COVID-19 pandemic created global upheaval and unexpected change for companies and organizations, as well as individuals. It transformed lifestyles and shaped human behavior in remarkable ways, and experts believe its impact will continue to be felt for years to come.

Associations were especially hard hit. As the industries they support scrambled to adjust and pivoted to move forward, associations were similarly forced to examine their own operations. Now, more than two years since the COVID-19 pandemic began, associations are looking deeper into their organizations, beyond membership and conference offerings.

While much research has been done on the pandemic's impact on events, travel, membership, and staffing, there has been little examination of its effect on affinity programs.

We conducted interviews with affinity program managers and partners to understand COVID-19's impact on association affinity programs.

The pandemic has affected all parts of the association business model. This paper reflects on the immediate impact to affinity programs still wrestling with the ravages of COVID-19.

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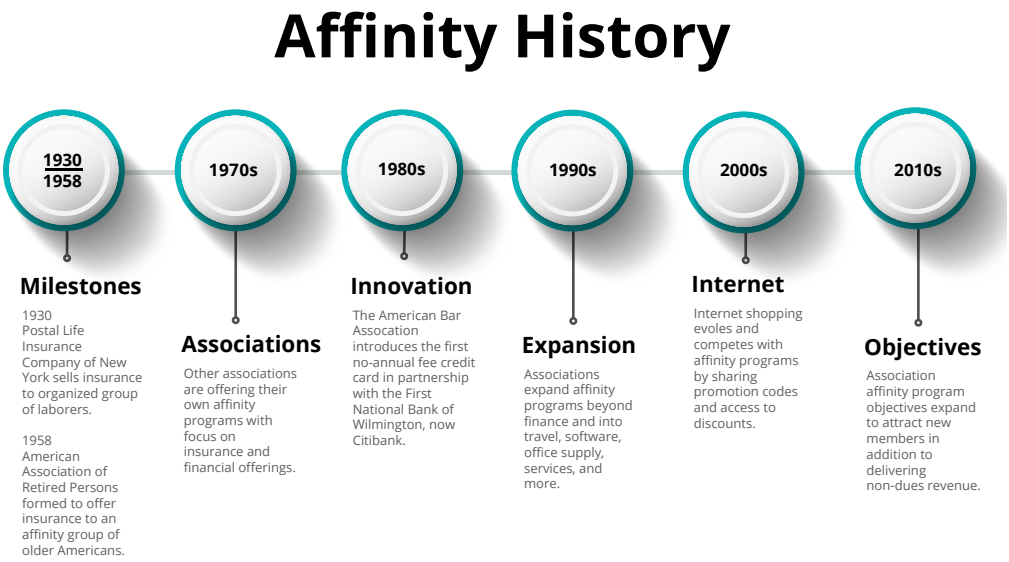
The insurance industry pioneered affinity marketing practices in 1930, when the Postal Life Insurance Company of New York began selling insurance coverage to an organized group of laborers – an "affinity group" of people with similar interests, but not necessarily the same employers. In the 1940s, affinity groups were expanded to encompass groups of employers.



The insurance industry began marketing to employees of loosely coordinated companies,thereby creating larger pools of prospective customers.

1930 / 1958 In 1958, the American Association of Retired Persons (AARP) was formed primarily to offer insurance to an affinity group of older Americans. Over the next decade, AARP led the development of affinity programs by expanding beyond insurance into health-related benefits, and later into areas such as travel.

1970s By the 1970s, other associations were offering their own affinity programs, giving partners national reach for cost-effective promotion of their products and services. Despite AARP's expanded product list, however, most affinity programs continued to focus primarily on insurance and financial offerings.

1980s In the 1980s, association affinity programs began to innovate in ways that would set new program standards. One of the most notable advances was the introduction of the first no-annual-fee credit card from the American Bar Association in partnership with the First National Bank of Wilmington, now part of Citibank.

1990s By the 1990s, associations seeking non-dues revenue growth opportunities had expanded their affinity programs into categories well beyond finance programs, with partners in the travel, software, and office supply and services categories that are familiar today.

2000s The 2000s and the internet brought expanded interest in affinity marketing, notably through early dot.com darling Groupon, which pioneered new ways to aggregate prospects into nearly instant affinity groups for specific goods and services. As the internet continued to evolve, so did sharing of promotion codes and access to discounts previously closely held by affinity marketers.

2010s

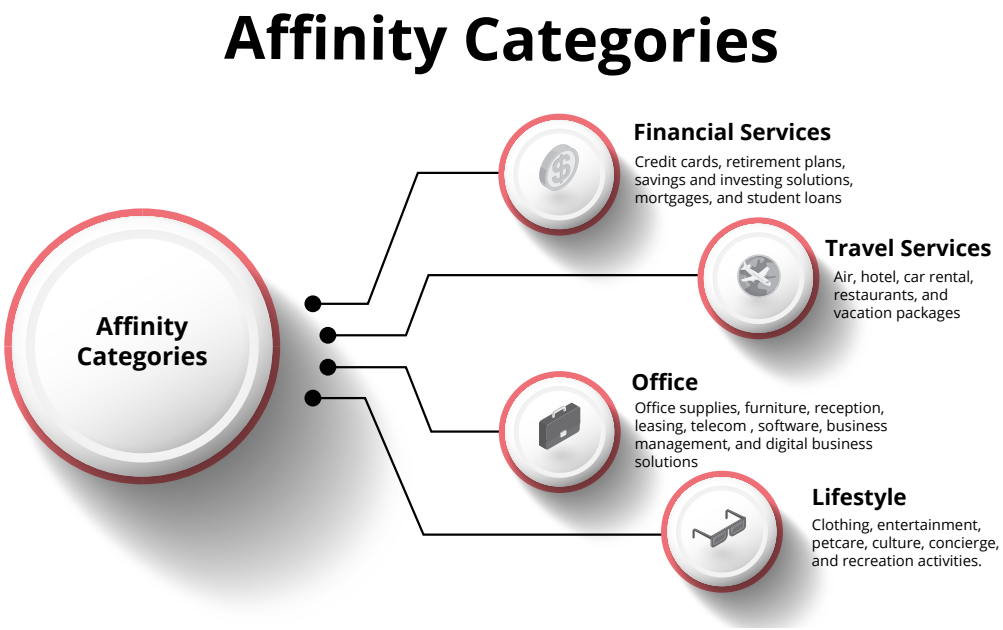
By the 2010s, faced with lower membership counts and new alternatives afforded by the Internet, many association affinity program returns had begun to wane. Simultaneously, however, association objectives for affinity programs were expanded, as the programs were now expected to help attract new members through a more prominent role in the benefits of membership.

The COVID-19 pandemic has exacerbated that paradox. It has created new challenges for affinity programs, to be sure, but there are also new opportunities for savvy affinity managers to explore.

Understanding Association Affinity Program Design

Affinity program partners offer their products and services to associations' members at a discount, thereby helping associations strengthen the value of membership. Great affinity programs are proven to increase membership retention. The partnerships also generate non-dues revenue for associations through partner fees, commissions, or performance incentives.

Association affinity programs commonly include partnerships in four foundational categories: financial, travel, office equipment and services, and lifestyle. However, although the categories tend to be standard across associations, the mix of partners in these categories varies widely.



Financial Services

Historically dominated by insurance providers, this core affinity category has expanded to include credit cards, retirement plans, savings and investing solutions, mortgages, and student loans. Common providers in this category include Aon, SOFI, New York Life, and Fidelity.

Travel Services

Often representing the "big three" air, hotel, and car rental services, this category now includes restaurants and vacation packaging. Common providers in this category include Hertz, Marriott, United Airlines, and American Airlines.

Office Equipment and Services

Encompassing office supplies, furniture, reception services, leasing support, and more, this category also features telecom services, software subscriptions, business management solutions, and the rapidly expanding suite of digital business solutions. Common providers in this category include Office Depot, T-Mobile, Lenovo, UPS, and HP.

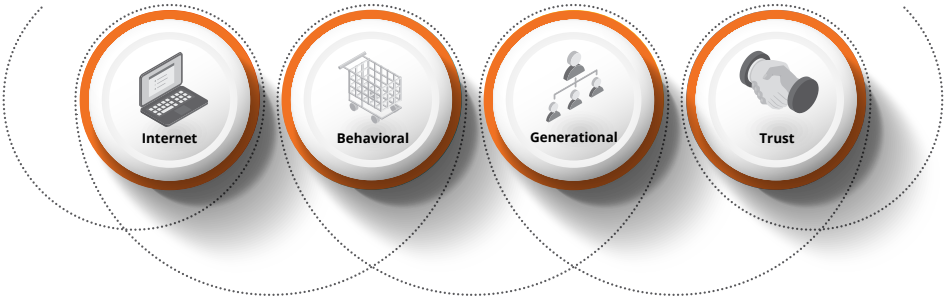
Lifestyle Services

This broad category includes discounts on clothing, entertainment, pet care, culture, concierge, and recreation activities, and even fields such as tax prep and legal services. Common providers in this category include Brooks Brothers and Quickbooks.

Disruptions Changing Affinity Program Value

Even before the pandemic, association affinity programs faced threats to their value. As association members changed their shopping behaviors, affinity programs lost some value from the unique characteristics crucial to their success. Faced with ongoing pressures in all areas, some associations began to assign affinity program staff additional, unrelated duties, effectively relegating affinity activities to part-time status. COVID-19 further changed member needs and buying habits, especially in the travel, office, and lifestyle offerings.

Affinity Program Disruptions



Internet Disruption

With the rise of internet-coordinated collective consumer bargaining developed by Groupon around 2009 and the follow-on popularity of GiltCity, Woot, and others came simple access to bulk rates from business services. Later, coupon code services such as RetailMeNot and CouponCabin further eased discount redemption and grew in popularity. Soon, affinity discounts were not unique or superior to discounts easily discovered online.

Behavioral Disruption

Shopping behaviors changed dramatically in recent decades, with more online shopping and increased price transparency among competitors. Simpler and more-straightforward pricing reduced retailer reliance on third-party promotional partnerships, including affinity partnerships.

Generational Disruption

Millennial and Gen Z workers are not prone to joining their professions' associations and thus less likely to take advantage of association affinity programs. As these generations mature into professional decision-makers, associations and affinity programs alike face challenges connecting with younger segments.

Trust Disruption

Consumer confidence in news, research, and institutional knowledge sources has declined while access to and volume of peer reviews and social media comments has increased. The rise of relatable social influencers has diminished the value of trained professional evaluations and raised general awareness and skepticism of commissioned recommendations and promotions.

COVID Brought New Affinity Program Pressures

WIth constantly changing member needs and new opportunities for government advocacy during the pandemic, most associations did not view affinity program performance as a board-level priority. As a result, many affinity programs suffered from distraction and neglect. Our research shows these views are changing as associations emerge from the pandemic seeking to strengthen fiscal solidarity.

Affinity Pressures

Relationships
Sponsors turnover affinity staffing driving a loss of partnership knowledge, skills, and performance.

Regulation
The pandemic spurred new laws and regulations that affect financial affinity offerings, especially insurance.

Reprioritization
Associations move staff allocations with fewer hours for affinity program promotion and partner compliance.

Revenue
Associations increase executive interest during strategic change efforts to develop multiple income streams.

Relationships

While affinity sponsor companies downsized and realigned employees to meet fast-changing business needs during the pandemic, affinity responsibilities often became part-time or diffused. This made affinity oversight especially susceptible to neglect during the pandemic. Additionally, ongoing changes created significant turnover in affinity staffing, with accompanying loss of partnership knowledge and skills.Taken together, the changes meant an erosion in performance.

Reprioritization

At the same time corporations were reviewing their practices, associations were examining their own organizational strategies and immediate needs. Affinity staff were frequently redirected to assist in areas such as conferences, advocacy, or education, leaving too few staff hours devoted to the general management of program promotion and partner compliance.

Regulation

For most affinity programs, financial services partnerships provide the greatest benefit to members and the greatest revenue to the association. The pandemic spurred numerous laws and regulations that immediately affected financial affinity offerings, especially in the insurance market. The New York Life Director of Affinity Markets shared, “state regulators started telling us you can’t cancel coverage...we immediately had to ensure that our partners were in compliance with all the fresh regulations.” Associations were stretched thin trying to ensure compliance and communicating to members on new regulations affecting their financial partnerships.

Revenue

During the depths of the pandemic, associations faced solvency issues related to conference cancellations and decreased memberships – the traditional areas of fiscal security. Now, as associations stabilize their ledgers, they are searching for opportunities to diversify their revenue streams. Working to develop multiple sources of significant association income, association executives are showing renewed interest in affinity programs and the non-dues revenue they generate.

Different Outlooks for Different Program Categories

While the COVID-19 pandemic shows signs of abating, the temporary changes it forced upon association affinity program designs are now evolving to more considered, lasting alterations. COVID-19 elevated the value of some affinity program categories while diminishing the need for others. We see positive changes in the financial services category but a clear degradation of travel service offerings. Office equipment and services remain in statis, facing uncertain commercial office space needs. Lifestyle services are typically the smallest portion of an affinity program and in this space we see untapped development opportunities.

Financial Services

Programs that include life insurance are seeing new relevance as families recognize greater mortality risks and bear the financial consequences of the death of a bread-winner. Similarly, associations offering business continuity and professional liability services find these programs increasingly relevant and helpful for their members. Premium prices are expected to increase, however, and associations will need to carefully manage the balance between their commissions and the savings they pass to members.

Travel Services

Few industries were as devastated by COVID-19 as the events, air, lodging, and auto industries. Throughout the pandemic, the affinity travel services category was essentially dormant. While Hertz and other auto renters pivoted to car sales (fleet dissolution) marketed through affinity partnership, the new revenue opportunities are less compared to past category performance. This category is expected to under-perform for the immediate future.

Office Equipment and Services

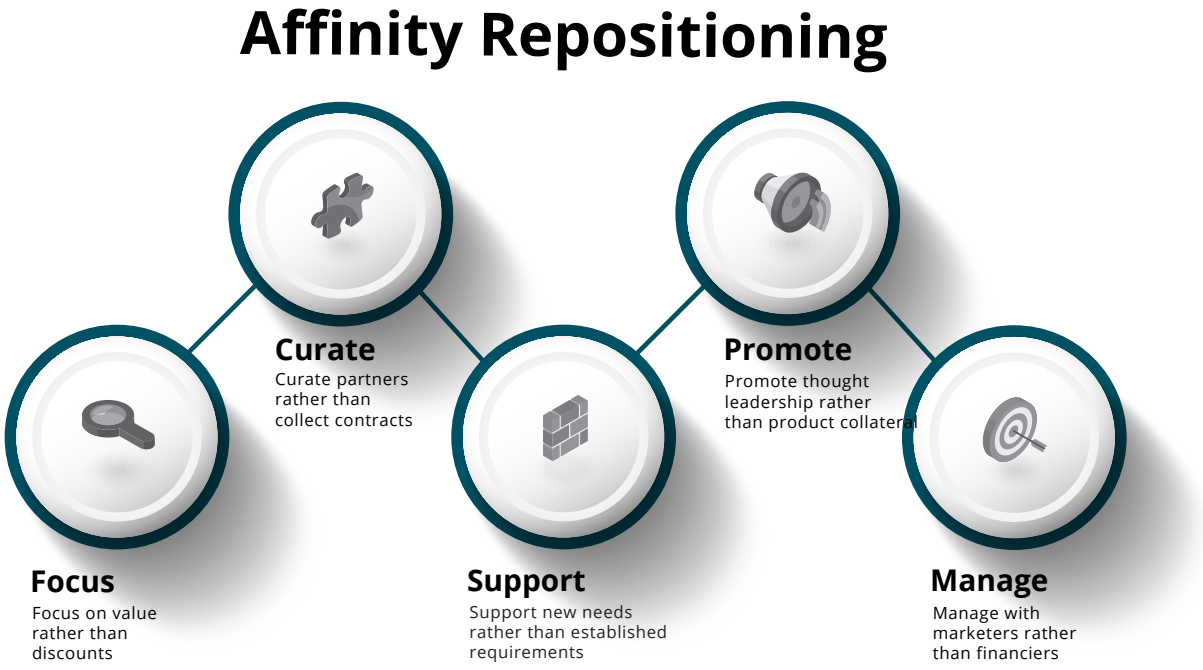
The pandemic forced the largest remote work mobilization in American history. Traditional partnerships related to office supplies and copy services will require years to rebound and will likely have a very different makeup when we exit the pandemic. Conversely, remote work partnerships providing cloud services and video conferencing should continue to grow. We were unable to find associations that leveraged existing affinity remote work partnerships to help members during the initial days of COVID-19. Going forward, affinity programs would be wise to support these relationships and help offset other partner underperformance.

Lifestyle Services

Commonly the smallest affinity program category, lifestyle services remain a small portion of most programs but may experience the biggest pandemic-related change. Already, job boards are rebounding and new needs such as telehealth and wellness services are likely to grow member interest. New service providers in these areas can create new opportunities for associations ready to experiment with affinity offerings in this space.

Repositioning for Affinity Program Success

Associations that were hesitant to change their affinity program practices must now recognize the unbearable pressures on traditional offerings and reposition to preserve value and revenue. Four important changes can help reset programs for continued affinity success in this complex and changing environment.



Focus on Value Rather than Discounts

Recognizing the impact of internet discounts and price competition, associations should update partner offers with enhanced services, free upgrades, and other bundles. Creating exclusive offers that do not attempt to compete on price alone will help deter direct comparisons to generally available internet offers.

Curate Partners Rather than Collect Contracts

As many partners are increasingly required to demonstrate quantitative performance for their affinity relationships, associations should limit the number of partners they market and improve the quality of the offerings. Curating a smaller pool of partners with highly relevant, quality products and services should create more member interest and greater partner loyalty.

Support New Needs Rather than Established Requirements

Leveraging their original industry research and keen insights, associations can identify evolving member needs before the broader market can respond. In particular, changing business risks can lead to unique association industry insurance offerings for areas such as business continuity, event management, home office equipment damage or theft, cybersecurity, and more.

Promote Thought Leadership Rather than Product Collateral

Just as associations responded to COVID-19 with increased virtual content, so did partners, who now often hold libraries of video and digital information. Associations can help elevate their affinity partners exposure by integrating partner thought leadership content into association social media and education efforts.

Manage With Marketers Rather than Financiers

Many associations manage affinity partnerships through finance or other internal support areas. Today's demands on affinity programs require leadership from the marketing function, with expertise in communications, performance tracking, and digital production. Moving affinity ownership to marketers will help associations deftly integrate program promotion into all member communications, thereby raising program profiles, increasing member awareness and acceptance, and improving non-dues revenue streams.

Thank You

Now is the ideal time for associations to refine affinity offerings to transform the quality of member experience. Heightened consumer awareness of the vital necessity for insurance, a growing appetite for solutions that can enhance both professional and personal life balance and well-being, and continued revisioning of how business will be conducted in future have created a market ripe with opportunity. The key to unlocking affinity success hangs on each association's post-pandemic member experience strategy. If the member wins, the association will win also.

Thank you to the affinity program executives and association staff that supported this initiative and provided valuable observations and perspectives to our research.

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Chris is the Chief Consultant for Ricochet Advice, a consultancy serving professional associations. Chris helps associations leverage modern marketing technologies and strategies to build stronger connections to prospects, clients, and members. Previously, Chris was the first Chief Marketing Officer of the American Bar Association, where he created a culture of innovation. At the ABA, he pioneered large-scale virtual events and developed the world's largest free virtual continuing legal education series, regularly attracting over 4,000 simultaneous virtual attendees from around the world.

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Brian Haney is a Certified Association Executive, specializing in insurance and financial solutions for associations and privately owned businesses. Founder of his firm The Haney Company, he is passionate about educating and empowering people to achieve financial success. Brian is a national speaker, author, podcast host and mentor, operating an independent family-owned practice with his father Allen and brother Scott outside Washington DC. Brian spearheads affinity market opportunities for the firm, helping association professionals design, build, and launch successful member benefit programs and provide education series that drive significant value and support long-term member retention. Their motto is, "Affinity starts here!"

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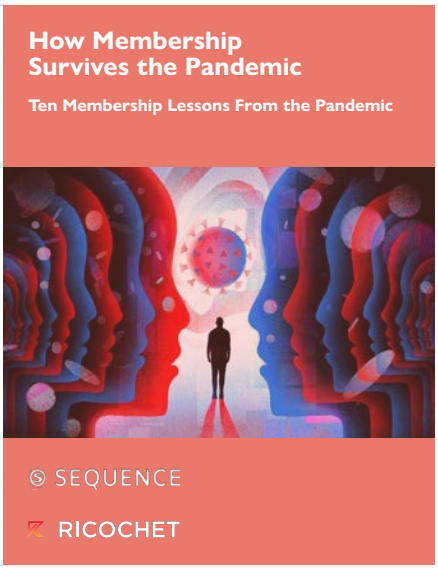

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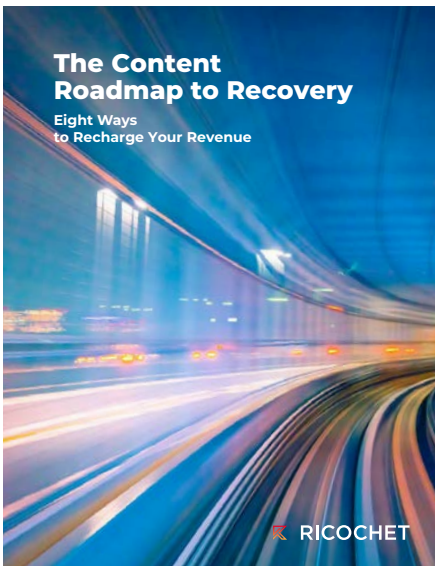

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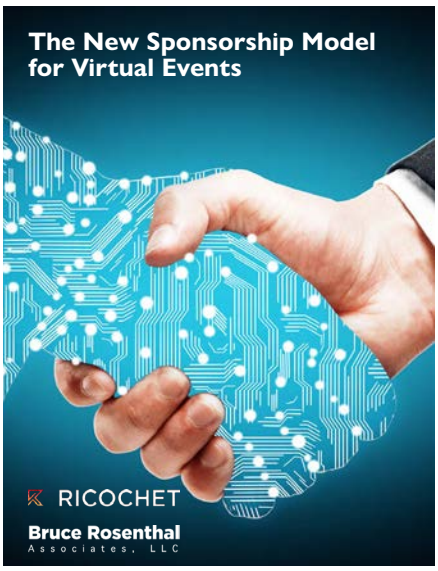

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