

EASY MEMBERSHIP CALCULATIONS

FOR CHAMBERS OF COMMERCE

aka

MATH FOR CHAMBER PROS WHO

HATE MATH.



GrowthZone

chamber edition



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Does the thought of having to calculate retention, churn, or the cost of acquiring a new member make your head hurt? For many chamber pros, crunching numbers is (unfortunately) a part of their daily grind.

You don't have to be a math person to use these 7 easy-to-understand calculations to determine everything from renewal rates to average length of membership.

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IMPORTANT CONSIDERATIONS:

- ✔ The # of members should be calculated using # of billing accounts.
- ✔ The formulas below are based on annual renewals but can be adjusted to use for any time period (monthly, quarterly, etc.).
- ✔ Formulas using dues values are based on a traditional dues structure. Tiered dues should be calculated by levels and then plugged into formulas.

It's critical to measure and benchmark regularly. Once a year is a recipe for disaster!

1. RETENTION RATE | *The percentage of members retained over a given period of time*

CALCULATION:

$$(\text{End Count} - \text{New Members}) \div \text{Start Count} = \text{Retention Rate}$$

Example: *At the end of 2017 there were 3,000 members (start count). At the end of 2018 there were 2,750 members (end count), which included 75 new members and 175 members who did not renew.*

1. $2,750 - 75 = 2,675$ (end count – new members)
2. $2,675 \div 3,000 = .89$ (end count \div start count)

RETENTION RATE = 89%

2. LAPSE RATE (CHURN) | *The percentage of members that discontinue their membership over a given period of time*

CALCULATION: Dropped Members ÷ Start Count

Example: *In 2018, 175 out of 3,000 members did not renew.*

1. $175 \div 3000 = .06$ (dropped members ÷ # of members end of 2017)

LAPSE RATE = 6%

3. RENEWAL RATE | *The percentage of members that renew their membership over a given time period*

CALCULATION: # of Renewals ÷ Eligible Members

Example: *In 2018, 3,000 members were up for renewal and 2,825 renewed.*

$$1. 2,825 \div 3,000 = .94$$

RENEWAL RATE = 94%

4. AVERAGE MEMBERSHIP TENURE (AMT) | *The average length of time a member stays with the organization*

CALCULATION: $1 \div \text{Lapse Rate}$

Example: At the end of 2017, the overall annual renewal rate was 94%, so the lapse rate was 6%.

1. $1.00 - .94 = .06$ (1 year minus renewal rate as a decimal)
2. $1.00 \div .06 = 17$ (1.00 divided by decimal result to convert to whole number)

AVERAGE MEMBERSHIP TENURE = 17 YEARS



ALL NON-RENEWALS SHOULD BE INCLUDED IN EQUATION REGARDLESS OF REASON (E.G., BUSINESSES CLOSED, MEMBER LEFT INDUSTRY, ETC.).

5. MEMBER LIFETIME VALUE (MLV) | *The measure of monetary value of member based on projected length of membership*

CALCULATION: Net member-paid revenue ÷ # of members x AMT

Example: In 2017, there were 3,000 total members who collectively invested \$550,000 in dues and contributed \$325,000 in non-dues revenue. The operating costs were \$650,000 and the organization's AMT (average membership tenure) was 17 years.

1. $\$550,000 + \$325,000 = \$875,000$ (dues revenue plus member-generated non-dues revenue)
2. $\$875,000 - \$650,000 = \$225,000$ (total member-generated revenue minus total operating costs)
3. $\$225,000 \div 3,000 = \75 (net member-generated revenue divided by number of members)
4. $\$75 \times 17 = \$1,275$ (average member contributed revenue x AMT)

MEMBER LIFETIME VALUE = \$1,275



IT'S CRITICAL TO SUBTRACT OPERATING COSTS FROM REVENUE TO ESTABLISH NET MEMBER-GENERATED REVENUE WHEN CALCULATING MLV.

6. MEMBER ACQUISITION COST (MAC) | *The total monetary cost associated with recruiting a new member*

CALCULATION: Total recruitment cost ÷ # of new members

Example: At the end of 2017, 75 new members had joined and \$28,875 was spent on new member recruitment.

1. $\$28,875 \div 75 = \385

(spent on acquisition ÷ number of new members)

MEMBER ACQUISITION COST = \$385



TO EFFECTIVELY MAINTAIN AND/OR GROW AN ORGANIZATION, IT IS NECESSARY TO ASSIGN AN AVERAGE MONETARY VALUE TO POTENTIAL MEMBERSHIP SALES.

7. MLV TO MAC RATIO | *The measurement of the relationship between the lifetime value of a member and the cost of acquiring that member*

CALCULATION: MLV : MAC

Aim for 3:1 as the target ratio.

<1 : 1 Yikes, better make some changes...fast.

1 : 1 You're losing money.

3 : 1 Perfect!

4 : 1 Grow even faster by investing more in member acquisitions.

Example: *In 2017, the average lifetime value per member was \$1,275. \$32,000 was budgeted for member recruitment and \$28,875 was spent. Breaking down those numbers further means the budgeted recruitment cost was \$425/ new member and the actual recruitment spend was \$385/ new member.*

Goal ratio = 3 : 1 (\$1,275 : \$425)

Actual ratio = 3.3 : 1 (\$1,275 : \$385)

The organization spent \$28,875 (\$385 per new member) on recruitment. This resulted in an MLV:MAC ratio of \$1275 : \$385 (3.3 : 1). If the organization had instead spent \$425 per new member they would have:

- ✓ met the MLV:MAC goal ratio of \$1275 : \$425 (3:1).
- ✓ spent \$31,875, staying within the budget of \$32,000.
- ✓ helped the organization to grow faster.



YOU'RE LOSING MONEY WHEN SPENDING MORE THAN WHAT IS BUDGETED. AND IF YOU'RE COMING IN UNDER BUDGET, IT'S SLOWING GROWTH.



GrowthZone chamber edition

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