



## Chapter SOP's

### HOW TO BUDGET MEMBERSHIP ACQUISITION

**CHAPTER TEAM:** MEMBERSHIP

**OBJECTIVE:** Learn to budget for membership drives

Your member acquisition cost is how much you should be willing to pay in advertising expenses to attract and sign up one new member. The max amount most chapters are willing to pay is typically the equivalent of one year's worth of dues, or one-third of the total dues a member gives your chapter over the lifetime of their membership.

This example shows why.

Imagine your annual due is \$100, and your average member stays with your chapter for 3 years.

If your marketing expenses are the equivalent of one-year's worth of dues per member, then the next 2 years are purely profit.

Here's how that looks in figures:

#### **Year 1:**

- Member acquisition cost (marketing and advertising expenses to get one member): \$100
- Member dues: \$100
- Profit: \$0

#### **Year 2:**

- Member acquisition cost: \$0 (they're already a member)
- Member dues: \$100
- Profit: \$100

#### **Year 3:**

- Member acquisition cost: \$0
- Member dues: \$100
- Profit: \$100

**Total Cost:** \$100

**Total Revenue (Dues):** \$300

**Total Profit:** \$200

Of course, if you spend less than 1-year's worth of dues on marketing expenses, then you end up with a higher return on investment (ROI).

Healthy chapters typically use this model, because it allows them to grow at a steady rate by consistently allocating revenue to attract new members, while still creating programs that serve current members (and cover chapter costs).

To figure out the budget for your membership drive, simply multiple your member acquisition cost by your goal. Take this easy example:

If your member acquisition cost is \$100 and your goal is to get 10 new members, then your total budget for your membership drive is \$1,000 ( $\$100 \times 10$  new members).

If you end up spending more \$1,000, or your \$1,000 doesn't bring in 10 new members, then you've gone over budget. If you're able to spend less than \$1,000 and still get 10 new members, then you've turned a profit (and likely could have done more to attract even more members).

This is also a great way to evaluate the effectiveness of your promotional tactics — cut out activities that cost your chapter too much to attract new members, and scale activities that are inexpensive, yet effective.