

Business & Professional Associations

8.4.2020

NAICS CODES: 81391, 81392

SIC CODES: 8611, 8621

Industry Overview

Companies in this industry promote the business and professional interests of members. Major associations include the American Medical Association, the American Bar Association, the National Association of Realtors, and the US Chamber of Commerce (all based in the US), as well as the Architects' Council of Europe (Belgium) and the Medical Protection Society (the UK).

Many business associations generally operate within a single country or region of the world, though some have divisions abroad to promote information sharing across borders. The growing importance cross-border growth has led to increased efforts to focus on international issues. Many associations actively advocate for foreign trade policies that benefit their industries.

The US business and professional associations industry includes about 23,000 establishments (single locations and units of multi-location organizations) with combined annual revenue of about \$46 billion.

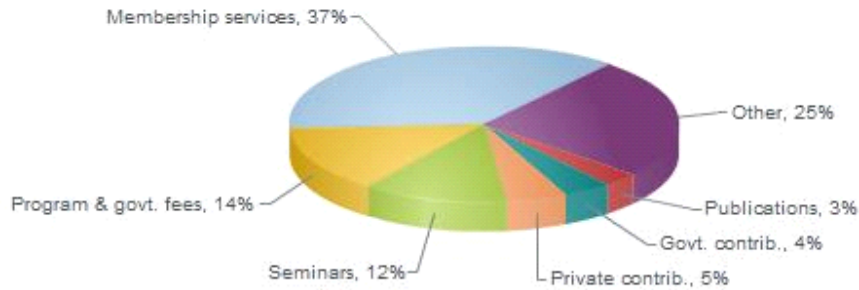
Competitive Landscape

Demand is driven by business expansion and job growth. The profitability of individual associations depends on the ability to expand **dues-paying membership**. Large associations have economies of scale in marketing. Small associations can appeal to businesses or professionals in niche industries or serve local markets. The US industry is fragmented: the top 50 business associations account for about 25% of revenue; the 50 largest professional organizations account for about 33% of revenue.

Products, Operations & Technology

Major sources of revenue include **membership dues**; conferences, meetings, and trade shows; and publications, certification and training materials. Additional revenue sources may include contributions, grants, and investment income. **Business, or trade, associations** represent groups of **businesses** within an industry, whose members are typically individual companies. **Professional associations** represent groups of **individuals** within a specific field, such as law, medicine, or science. By representing large numbers of companies and professionals, both types can collectively promote group interests more effectively than can individual members. Most associations operate at regional, state, or local levels; many are affiliated with national or international groups. Associations at all levels generally hold annual meetings, which may involve **trade shows** with **exhibits** that showcase products and services.

Revenue by Service - US Census Bureau (2012)



Program activity includes publications, conferences, seminars, and other forms of education. An organization may offer members **certification** to ensure proper qualifications or to designate level of expertise. Educational forums include in-person and web- or computer-based **training**. Many associations develop industry and ethical **standards**, which include environmental and safety regulations. The American National Standards Institute encourages and coordinates voluntary industry standard and guideline development.

As advocates for members, associations actively monitor government regulations and lobby for favorable legislation. While political involvement can be controversial, associations often spend a significant portion of their budgets on lobbying; such activity is reported under the Lobbying Disclosure Act. Some associations have **political action committees (PACs)** that raise and donate money to political groups to further industry interests. Associations also conduct industry research and gather statistics to provide information for members, government groups, and the general public.

Technology

Association management software may be used to coordinate membership, event planning, communication, educational programming, dues collection, and financial systems. Database management programs track member information and help monitor retention. **Electronic payment** makes membership renewals easier.

Teleconferencing, webcasts, and virtual meetings allow associations to communicate with members interactively without travel costs. Effective **content management** is critical to delivering timely, relevant information. Professional training programs are offered via online portals. Associations use digital content, including websites, social media, online publications and newsletters, and mobile apps, as an important component of their marketing strategy.

Sales & Marketing

Association membership consists primarily of **businesses** and **individual professionals** and can include multiple categories related to an industry. For example, a manufacturing association may include suppliers, distributors, and retailers. Within an association, membership can vary and include both small and large businesses; members of professional associations may have different job statuses. Some associations may have tiered membership levels and offer discounts to students or to spouses of members.

The internet has become an increasingly important marketing tool by serving as a central location for industry information and distributing important news to members quickly. Association websites may be used to survey members and to gather industry data, and they may have blogs or message boards to foster communication among members. In addition, associations may promote connections among members via social networking sites run by third parties.

Other marketing and promotional vehicles include trade shows, industry publications, direct mail, email, and brochures. **Trade shows** allow members to introduce products and provide a forum for sharing research and discussing relevant issues. An association may publish reports to highlight a particular industry topic or technology.

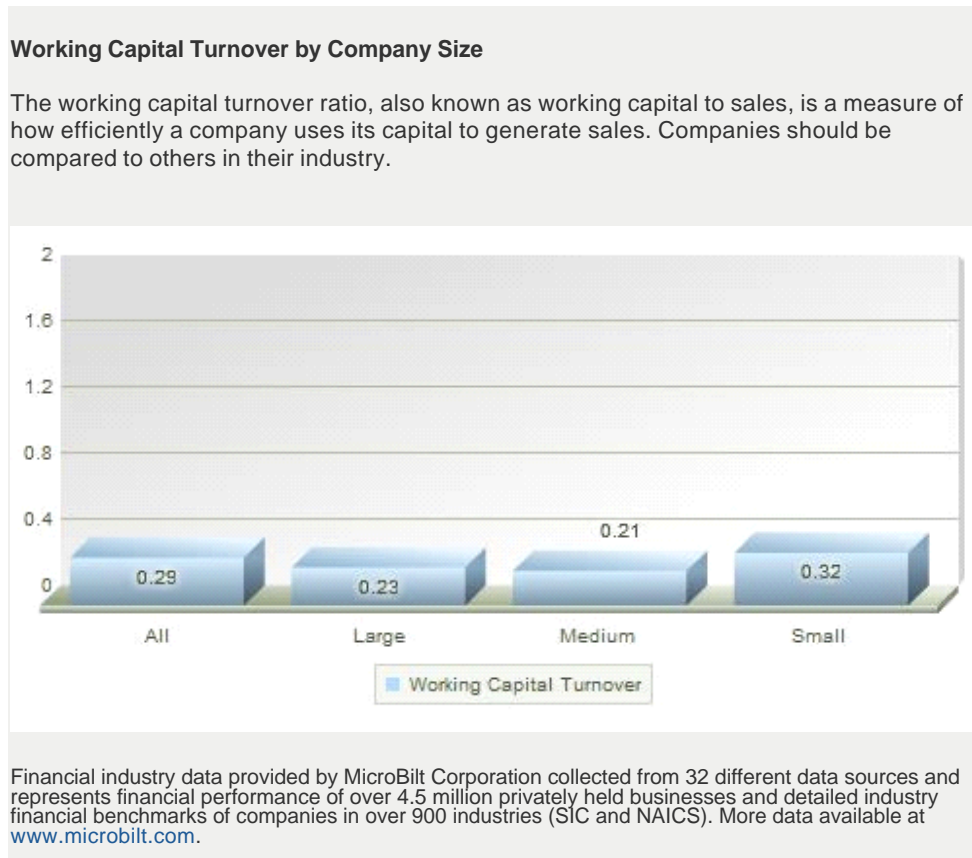
Membership dues vary by the type and size of an association and by categories of membership. The median annual dues for basic association membership are about \$175 for individual member associations, \$645 for trade associations, and \$200 for associations that combine characteristics of both types, according to a 2018 survey from Marketing General Incorporated of about 800 participating associations.

Finance & Regulation

Associations must balance **cash flow** and expenses prior to large events, such as trade shows, since most hosting venues require advance payment and the timing of revenue from attendance fees can be irregular. **Membership fees and renewals** are critical to generate cash flow and fund operations. Grants or contributions are also an important source of revenue.

A business association's performance is directly tied to the health of the industry it represents. During industry downturns, smaller companies can be driven out of business and larger businesses may decrease membership or cut convention and trade show participation. **Industry job growth** is especially critical, as employment drives total participation and cash flow from membership dues. A weak job market in a particular industry can result in hiring freezes and career changes, eventually affecting new memberships and renewals.

Staff salaries represent one of the single largest association expenses. Organizations may set aside permanent reserves to cover long-term expenses (such as pensions or retirement liabilities) or to fund large projects. Most associations are nonprofit and tax-exempt and reinvest earnings into operations.



Regulation

The IRS and state and local governments regulate the tax-exempt status of nonprofit associations. Federal laws regulate association relationships with, and donations to, PACs. In the past, lobbying improprieties have drawn public and government scrutiny and resulted in increased legislation governing lobbying activities. However, recent Supreme Court rulings have increased lobbying power for business and professional associations by allowing these groups to donate unlimited amounts to political interests through super PACs.

International Insights

Many business associations operate within a specific industry, often within a single country or region of the world. Some associations have divisions abroad to promote information-sharing internationally and procure market research. Large business and professional associations based outside the US include the UK's Medical Protection Society and the Architects' Council of Europe, based in Belgium.

The growing importance of the global market has led to increased efforts by associations to focus on international

issues. Many associations actively advocate for foreign trade policies that benefit their industries. Associations are taking member contingents to trade shows abroad to help develop connections across borders. Large association conferences are trying to attract international attendees. Rising adoption of teleconferencing, webcasts, virtual meetings, and social media platforms such as LinkedIn and Facebook makes it easier for associations to increase participation on a global level.

Associations with international membership are likely to grow faster than those with members from a single country, according to GLOBALSTRAT. English-speaking countries with advanced economies, such as Canada, Australia, and the UK, can be good starting points for US-based associations seeking to operate internationally. Other key opportunities for international growth include China and India, as well as various markets in Europe and South America. Common challenges for associations when operating in international markets include defining appropriate business models; accurately estimating a market's potential; legal and registration issues (GDPR); language, regulatory, and cultural barriers, and identifying qualified vendors, suppliers, sponsors, and other partners.

Regional Highlights

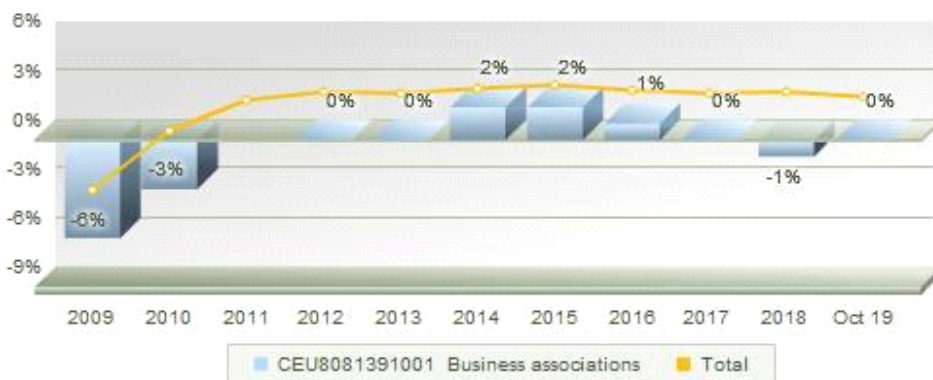
In the US, associations tend to cluster in the [Washington, DC](#), area and in state capitals, because they often serve as advocates for members on public policy issues. Employment, a driver of association membership, has grown at the highest rates recently in [Utah](#), [Idaho](#), [Texas](#), [Washington](#), [Nevada](#), and [Colorado](#).

Human Resources

To provide member services, associations seek out workers with **in-depth industry knowledge** or experience in an industry's for-profit sector. Many association jobs are professional and require legal, public relations, market research, or training experience. Average hourly industry wages for business associations and professional organizations are moderately higher than the average for all US workers. To help manage payroll costs, associations may use volunteers to supplement the paid workforce.

Many associations are overseen by advisory boards consisting of prominent industry executives. Association boards average 13 to 18 members with an executive committee of five to seven. Board positions may have terms of two to three years and many associations have term limits. Executive pay depends on a variety of factors, including location, staff size and budget, industry served, membership structure, duties, and professional experience.

Industry Employment Growth Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase Bureau of Labor Statistics



Industry Growth Rating



Demand: New members want credentials, networking
 Need to expand dues-paying membership
 Risk: Industry health impacts association revenue

Quarterly Industry Update

8.4.2020

Trend: Switch to Virtual Planning and Meetings - Due to the COVID-19 crisis, the associations had to undergo drastic changes to ensure the collective safety of the community. The American Society of Association Executives (ASAE) President reportedly announced that due to the pandemic, they are switching to complete virtual operations. Several associations demanded frequent travel, meetings, in-person programs, and learning operations that were also a cost factor in the past. However, currently, the reliance on technology platforms has grown massively, and the associations are fast-tracking their shift to the digital world. A survey by Association Laboratory confirmed that the respondents from business groups are focused on holding virtual events that will have strategic importance for them in the long run. It also highlighted that canceled/postponed meetings at the time of the lockdown led to financial losses as the majority of events were not insured. Additionally, multiple global associations came forward with G20 to provide solutions and approaches to enhance recovery from COVID-19 and promote stable trade, investment, and facilitate information and communication technology (ICT) infrastructure globally.

Industry Impact - The associations have to not only become digitalized but also analyze, understand, and convey to stakeholders the market conditions and government policies affecting the businesses.

7.26.2020

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10.7.2019

Trend: Meeting Spending on the Rise - Expenditures are rising among corporate meeting planners and association planners, according to Meeting & Conventions magazine's biennial Meeting Spend Survey. The average yearly meeting expenditure among respondents rose 5% between 2017 and 2019, reaching \$1.5 million. The percentage of respondents with annual budgets of \$1 million or more ticked up slightly over the same period, reaching 39%. When asked about meeting budgets for 2019-2020, the majority of respondents said their budgets would increase (50%) or remain the same (40%). Those expecting budgets to increase cited increased costs (68%), more attendees (46%), more meetings (29%), and less negotiating power (12%) as reasons. Food costs remain the highest cost for meeting planning (34%), while lodging ranked second (23%) and A/V ranked third (12%). The average cost per attendee increased by 12% in 2019 to \$1,252 over the \$1,117 per attendee cost reported in 2017.

Industry Impact - Business and professional associations may need to factor higher meeting costs into their upcoming budgets and will want to review factors contributing to the rising costs.

4.8.2019

Trend: Associations Find Success, Challenges in Conference Content Revamps - Conference attendees place high value on good content, and associations are working hard to deliver formats that meet the needs of diverse membership bases. Association professionals are increasing the number of ways that conference materials are delivered to attendees, according to the recent Omnipress 2019 State of the Conference Industry report. The most common formats include session presentations (89%), posters (44%), and worksheets or handouts (37%). Attendees are exhibiting a preference for visual, interactive, and short-form content, leading associations to move away from printed content. One challenge for associations is providing content that appeals to both older and younger generations. According to the report, cited by Associations Now, associations need to better prepare for an influx of millennials and Generation Z conference attendees. Associations are also struggling to repurpose content to increase the conference footprint, such as through reinforced learning programs or ongoing content marketing campaigns.

Industry Impact - Associations can increase conference attendance by providing relevant, high-quality content that speaks to a diverse membership base.

Industry Indicators

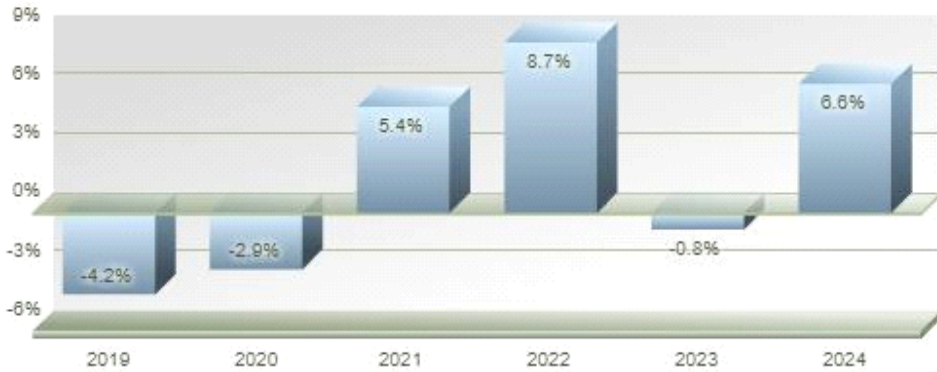
US corporate profits, an indicator of memberships to business and professional associations, fell 20.1 percent in the second quarter of 2020 compared to the same period in 2019.

US personal income, a driver for business and professional association memberships, rose 8.2 percent in July 2020 compared to the same month in 2019.

Total US revenue for religious, grantmaking, civic, professional, and similar organizations rose 6.2 percent in the second quarter of 2020 compared to the same period in 2019.

Industry Forecast

Revenue (in current dollars) for US civic, social, professional, and similar organizations, which include business and professional associations, is forecast to grow at an annual compounded rate of 2% between 2020 and 2024. Data Published: July 2020



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



Technology Innovation Advances in science and technology, including information technology

Critical Issues

Revenue Tied to Industry Health - A business association's performance is directly tied to the health of the industry it represents. The majority of business associations operate regionally or locally and depend on small to mid-sized businesses for funding. During industry downturns, smaller companies can be driven out of business, affecting membership and contributions; larger businesses may decrease contributions or cut convention and trade show participation.

Membership Depends on Job Growth - Job growth is critical to drive total membership and cash flow from membership fees for professional associations. A weak job market in a particular industry can result in hiring freezes and career changes, eventually affecting new memberships and renewals. Manufacturing-based associations may struggle to maintain membership as more US jobs become automated. Meanwhile, a significant share of the nation's associations come from the health care sector, where job growth is surging.

Business Challenges

Competition from Private Sector - Associations face increasing competition for many member services from organizations within the private sector. Industry conferences organized by private companies compete with association meetings and trade shows. For example, law and public relations firms provide advocacy functions, such as lobbying; private training companies and consulting firms offer industry training and education; and syndicated data providers produce and publish industry research and statistics.

Membership Renewal Declines - Any overall association membership increases in recent years are primarily the result of new member acquisition rather than gains in membership renewal rates. The mean renewal rate for individual membership associations is about 80%, according to Marketing General. Association executives believe lack of engagement with an organization is the leading reason for not renewing. Organizations with more baby

boomer members are reporting declines, while associations with increases tend to have higher percentages of millennial members.

Retaining Highly Skilled Workers - Recruiting and retaining highly skilled workers who prioritize job experience over pay can sometimes challenge associations. Like most nonprofits, associations tend to pay workers less than they'd make in the private sector. In addition, associations are unable to offer some corporate perks, such as stock options and profit-sharing. Association professionals develop in-depth industry knowledge that can disappear when a worker leaves.

Business Trends

Association Consolidation - With overlapping goals and objectives, associations are merging to create larger, stronger organizations. By combining with like groups, associations can develop bigger membership bases and realize higher trade show attendance, in addition to more substantial budgets and greater political influence. The Property Casualty Insurers Association of America (PCI) and the American Insurance Association (AIA) merged in 2019 to form the American Property Casualty Insurance Association (APCI). The American Petroleum Institute (API), Alliance for IP Media Solutions (AIMS), Vision Council of America, and North American Meat Institute (NAMI) all were formed in mergers of independent associations.

Rising Wages - To retain professional staff, associations have had to increase wages faster than most businesses. Pay for association workers increased by more than 19% between 2009 and 2018. Many association workers generally enjoy higher than average wages, as because association jobs are professional and require a college degree. Many associations have increased salaries significantly to remain somewhat competitive with private companies.

Trade Shows and Events - Trade shows and exhibitions are important vehicles for associations to hold membership meetings, showcase new products and services, and generate revenue. Trade show attendance may drop during economic slowdowns as businesses and professional organizations re-evaluate budgets and expensive trade shows and conventions are postponed or canceled as a result. Some organizations are replacing face-to-face meetings with virtual meetings and conference calls.

Industry Opportunities

Partnering - By collaborating with other organizations with similar interests and complementary skills, associations can further industry goals more effectively. Joint programs with academic institutions can provide valuable industry research, and can help generate awareness for career opportunities. Joint conferences allow associations to pool resources and share costs.

Targeting Growth Sectors - Associations can reduce reliance on membership dues by offering new services that target industry growth sectors. Some organizations are creating stand-alone, for-profit, subsidiaries for new ventures. Through a separate business, the National Association for Chain Drug Stores launched electronic prescription writing services that link physicians and drugstores. And the American Orthotic & Prosthetic Association (AOPA) recently purchased the for-profit publication O&P News Magazine to make AOPA more visible to a broader audience.

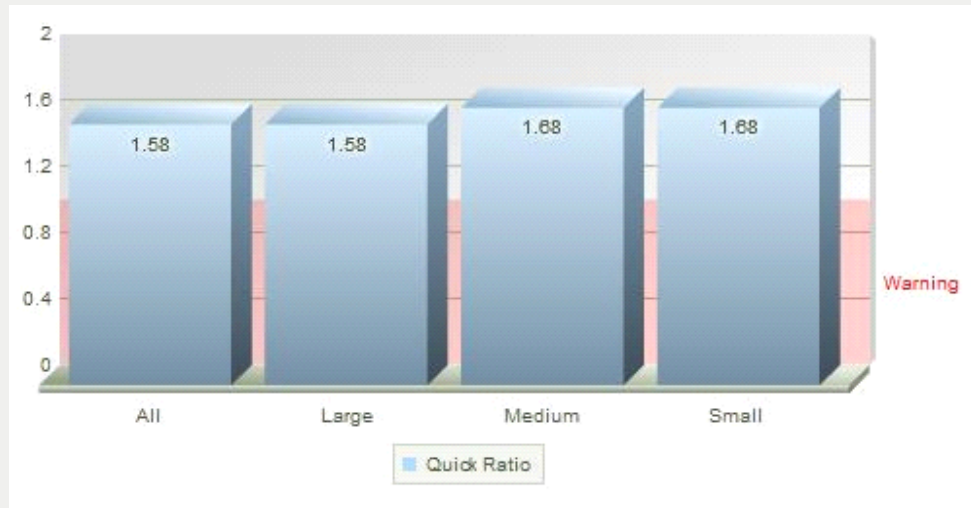
Use of Digital Platforms - Associations can use websites, mobile apps, and social media platforms to recruit and communicate with members more creatively and effectively. Websites linking players within a supply chain can provide valuable connections for smaller companies that may lack the funds to attend trade shows. Associations can increase participation in educational courses and smaller meetings by using webinars or virtual conferencing. When conducting industry research, online surveys can be more cost-effective and result in a higher response rate. Mobile sites and apps and social media also allow associations to communicate urgent information to large memberships quickly and efficiently.

Career Guidance - Associations can add value to individual and corporate members by offering career guidance centers. As industries evolve and job descriptions change, associations can help retrain members. Job banks help link recruiting businesses and job seekers, and continuing education helps members improve skills. Career guidance centers can also become revenue-generators for associations that charge for job listings or to post resumes.

COMPANY BENCHMARK TRENDS

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



COMPANY BENCHMARK INFORMATION

NAICS: 81391, 81392

Data Period: 2018

Last Update February 2020

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	7069	3	107	6959

Income Statement

Net Sales	100%	100%	100%	100%
Gross Margin	100.0%	100.0%	100.0%	100.0%
Officer Compensation	3.9%	2.7%	3.9%	4.2%
Advertising & Sales	0.5%	0.4%	0.6%	0.4%
Other Operating Expenses	90.3%	92.4%	90.1%	90.0%
Operating Expenses	94.7%	95.6%	94.6%	94.6%
Operating Income	5.3%	4.4%	5.4%	5.4%
Net Income	1.1%	1.1%	1.2%	1.1%

Balance Sheet

Cash	25.2%	28.6%	26.8%	24.6%
Accounts Receivable	10.9%	13.6%	11.4%	10.7%
Inventory	2.1%	1.8%	2.0%	2.2%
Total Current Assets	50.4%	61.0%	53.9%	49.0%
Property, Plant & Equipment	34.5%	18.4%	28.0%	37.1%
Other Non-Current Assets	15.1%	20.7%	18.1%	13.9%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	6.7%	8.8%	7.4%	6.4%
Total Current Liabilities	27.5%	31.0%	28.9%	27.0%
Total Long Term Liabilities	22.8%	22.2%	21.1%	23.3%
Net Worth	49.7%	46.9%	50.1%	49.7%

Financial Ratios

(Click on any ratio for comprehensive definitions)

Quick Ratio	1.62	1.74	1.67	1.59
Current Ratio	1.83	1.97	1.87	1.81
Current Liabilities to Net Worth	55.4%	66.1%	57.7%	54.3%
Current Liabilities to Inventory	x13.05	x16.83	x14.17	x12.55
Total Debt to Net Worth	x1.01	x1.13	x1.00	x1.01
Fixed Assets to Net Worth	x0.69	x0.39	x0.56	x0.75
Days Accounts Receivable	44	17	32	55
Inventory Turnover	x0.00	x0.00	x0.00	x0.00
Total Assets to Sales	109.0%	34.0%	75.9%	140.7%
Working Capital to Sales	25.0%	10.2%	19.0%	30.9%
Accounts Payable to Sales	7.4%	3.0%	5.7%	9.1%
Pre-Tax Return on Sales	1.8%	1.7%	2.0%	1.7%
Pre-Tax Return on Assets	1.7%	5.0%	2.6%	1.2%
Pre-Tax Return on Net Worth	3.3%	10.7%	5.2%	2.4%
Interest Coverage	x4.23	x27.69	x13.17	x2.83
EBITDA to Sales	8.2%	7.4%	8.6%	8.2%
Capital Expenditures to Sales	2.3%	2.9%	2.8%	2.0%

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VALUATION MULTIPLES

No valuation multiples available for this industry.

Industry Websites

American Society of Association Executives

News, trends, statistics, operating ratio study from trade association.

Association Conventions and Expos

News, trends and best practices on managing association meetings and conventions.

Association Trends

Industry news, trends, data, advocacy, and training.

Canadian Society of Association Executives

Industry news, trends, and resources for Canada.

Center for Exhibition Industry Research

News, trends, and statistics on conventions, exhibitions, and trade shows.

Events Industry Council

News and trends about association conventions.

Meetings & Conventions

News, trends, statistics, annual surveys on conventions.

Glossary of Acronyms

ANSI - American National Standards Institute

ASAE - American Society of Association Executives

CAE - Certified Association Executive

CEIR - Center for Exhibition Industry Research

PAC - political action committee