

Building stronger trade associations **Strategies for developing trade bodies and markets** Digital Insight Report

The digital economy creates the need for businesses to change the way they work. Internet communications, email, ecommerce and web media have each created huge commercial opportunities, but persuading the market to move is often too big a challenge for individual digital businesses. By acting together through trade bodies the sector can move faster, and can work together to tackle common problems. These notes collate some of the strongest ideas and principles about how you can develop your market.

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Preface

This Digital Insight Report was designed to help the teams behind young digital trade associations around the world. It is based on management consultancy workshops Digital Strategy Consulting ran from 2000 to 2007 for groups that include many of the Interactive Advertising Bureau organisations around the world. Our directors have contributed to more than thirty trade associations in the marketing and media industries and have always believed trade associations to be key is helping unite their industries.

Contents

Introduction

- 1. Getting the structures right**
- 2. Getting the funding right**
- 3. Getting the staffing right**
- 4. Identifying the right tasks; allocating resources**
- 5. Getting the message out the right way**
- 6. Strategy: changing a small market in 3 steps**
- 7. Get your press releases right from the start**

Reflections

Introduction: the catalyst for acceleration

During the late nineties the digital networked economy suddenly arrived. Almost overnight, new models for communication, commerce and content showed alternative ways to talk and trade. They bring with them huge opportunity, but to embrace that opportunity they also demand huge changes in the way firms behave.

For those of us who have helped to drive firms to changes, it's clear that there are often times and topics which will be more productively handled by groups of companies working together, than any one firm in isolation. The standardisation of best practice, the collective marketing of new approaches, the desire for common specifications, the agreement of standard approaches to measurement; they all achieve better results through sharing the collective efforts of many firms. And that's where trade associations can have a powerful role.

Trade associations can bond industries together, providing focus and an independent forum. They can trigger changes in the way a whole market behaves, and can be tools for wider economic acceleration, as well as supporting their own brands.

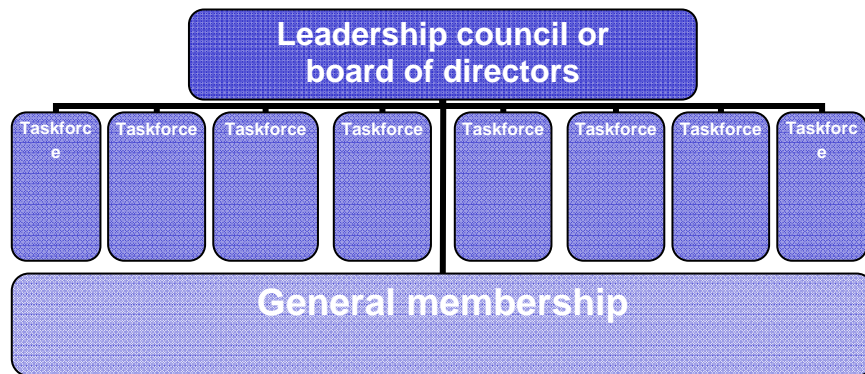
1. Getting the structures right

Trade associations need to have the right structure to operate, balancing democracy with efficiency to let them move at a pace that's fast enough to deliver results, but democratic enough to respond to stakeholder needs.

When you are starting or accelerating your trade association, consider how to structure your organisation to balance out these needs. Look for the models that involve stakeholders as much as possible - for example by giving them working groups that can enjoy ownership of a key task or sector – but still ensure that decisions are not entirely 'committee-led' which so easily can reduce the speed of development.

Look for models that allow those who control an association to focus on giving the top level input for the strategic issues, and those who operate can be empowered to deliver on the business plans and strategies the organisation agrees. In the early days when resources are incredibly weak, it can be difficult to justify separate operational and decision-making structures. But if the captains of industry who lead an association's member companies are also tasked with delivering on the projects of the association, then when the pressures on their time force choices between the association's projects and their company's, it's only understandable that they have to focus on 'the day job'.

This simple illustration shows how some digital associations structured themselves:



Taskforces

Taskforces should be given specific goals and narrow remits. Ensure that their tasks are achievable and invite all stakeholders to take part. Success will encourage them to become more involved with the group's activities, and natural enthusiasts will emerge from the group when they meet. By creating a framework that allows enthusiasts to contribute and develop, the organisation can benefit from bringing in more people without incurring the costs.

Look for candidates from member companies who will be prepared to put in the time and energy to lead and support a taskforce. But you might also have to consider supporting taskforces with resources from the IAB staff team, to ensure its meetings are regular and its actions are recorded.

Hints and tips

Here are some of our simple hints and tips in developing your trade association.

- Create a model for democratic ownership, but with professional management
- Harness the energies of members by creating special taskforces and councils that bring them together around the issues that matter most to them
- Keep the remit narrow and focus on the projects which can enjoy clear deliverables

2. Getting the funding right

Why the money matters

Getting the funding right is critical, because without real resource the organisation will never be able to deliver on its promise. While on the one hand, in young industries you are more likely to find greater enthusiasm from the leaders of stakeholder companies to take part in building the trade association, young industries also exert additional time pressures on those same people as their companies expand and the market grows. This can cap the potential success that the volunteer approach can have.

Trade associations are small companies, and they need significant investment right from the start to get them running smoothly. Like any start-up business, the early days can be particularly challenging because the team will be building the association's structures and brand as well as running day-to-day projects, but the more successful the association is, the more willing its members will be to fund.

Funding sources

The funding options open to trade associations typically include:

- Membership income
- Sponsorship packages
- Event tickets
- Product sales
- Special projects
- Government grants (in some cases)

While the majority of income may typically come from memberships, the other commercial routes – particularly sponsorships and events – can often be a much easier proposition for funders to agree to.

As the organisation grows, it has the opportunity to grow its funding model. In a young trade association these may be several phases the organisation goes through over time and with different models suiting each phase. If the leadership team view the funding models as temporary, then there is an expectation that as the organisation's needs grow, funding can follow.

Seed capital and more

At the start, all the association's funding will typically come from the fees, or dues, paid by the companies which want to set up the group. In every industry a few firms normally emerge to take on the leadership role, as they know they'll benefit from being seen as creators of the association as well as the immediate commercial benefits from being part of a larger market. Their energy is something the trade associations need to harness.

This funding could be accompanied by extra support, perhaps in the form of an accountant, a lawyer, a PR firm, loaned staff on secondment, or even office space. These types of 'in-kind' funding from the founder organisations can make a massive difference to the operation of the young trade association, and they may represent relatively little in real cost to the contributing firm.

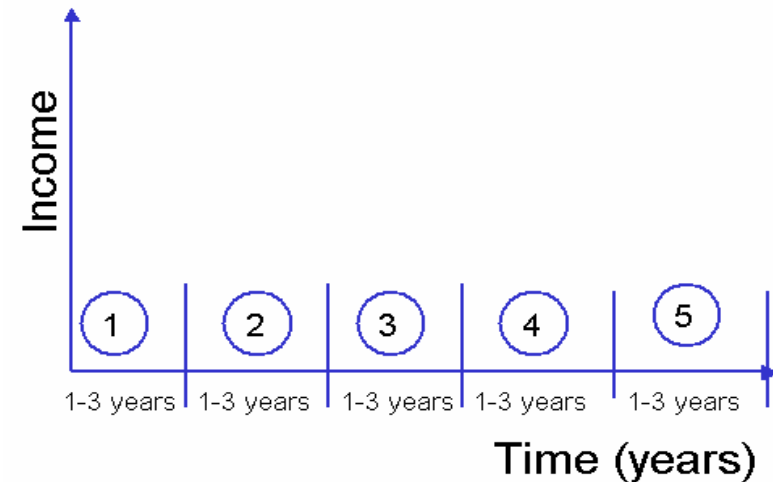
Different stages; different models

The funding model needs to fit with the expectations of the members as well as the forces driving the association. Over time the funding will be able to change as the association proves its value. In our analysis of media and marketing trade associations in Europe, we've identified several potential stages in the evolution of funding, from the initial token fees of founders, to the advanced levy models that some industries agree to. Useful models for discussion include:

- Token founders' fees
- Modest fees for a basic trade association service to deliver just a couple of projects
- Tiered fees (two or three bands of fees)
- Additional special project funding
- Tiered fees (many bands of fees)
- Commission or levy

The levy involves taking a fixed percentage of member organisations' revenues, and in a fast expanding market it guarantees constant and high growth in the revenues of the trade association. It can be accounted for as a 'cost-of-sale' so that it is removed from a firm's revenues before they are reported, a process that can make it easier to accept in terms of growth than annual big rises in the fees for a trade association.

Leadership teams within trade associations should consider building funding models that would work for between one and three years. By being ready to review the funding model regularly, the association can create the expectation of change among its members.



Remember that companies which are asked to pay more than others are likely to want to have extra influence in the running of the association; and companies which are likely to get a greater return on the work of the association can justifiably be asked to pay more than others.

Hints and tips

Here are some of our simple hints and tips in developing your funding.

- Manage expectations from the start so it's clear that the returns from the trade association will be proportional to what members invest
- Look for levels of payment in membership dues that are accessible to the core stakeholders, but still provide enough resource to employ the right staff and run the right projects
- If starting a trade association, find ways to encourage founders to support with 'in-kind' gifts as well as cash
- Always make the funding rules clear to everyone, and resist flexing them for specific members
- Remain open to changing the structure where necessary to support the growth of the association
- Look for ways to top up membership dues funding with sponsorships, events and special projects

“Trade associations can galvanise their industries, pulling together feircely competing companies to provide a single loud voice that champions the sector’s potential. The role of trade associations in our industry is even more vital because the pace of development in the digital economy means it’s particularly hard for outsiders to keep up”

3. Getting the staffing right

It’s all about people

Trade associations are fundamentally ‘people businesses’. Staffing normally accounts for the major cost, and the ability of the association to deliver will be a direct function of the number of people on the team and their calibre. All associations benefit from the fact that some of the members may volunteer time, chairing taskforces and being the ‘industry lead’ on key projects, but if the association is to deliver concrete results to its members, it will almost always need its own central staff as well as the volunteer efforts. A staff team – however small – ensures there are people who have the association’s results as their sole focus.

Deciding on roles

Some of the association’s work is administrative, while some is managerial, so from the start the association should think about the different skills it will need in its team. By being creative in its staffing models, the association may be able to combine senior management with the hands on team to make things happen. For example, by using senior industry consultants and buying ‘slices’ of those people for a few days a week or month, the association may be able to harness the level of skills and networks that it needs. So if the association can’t afford a senior manager full time, then by hiring one part-time to begin with, it might be able to bridge the gap.

The association will almost certainly need a junior manager or administrator to run day-to-day projects and execute the strategies and activities planned by others. There may be people involved in other trade associations who have exactly the right mix of skills for this and it’s worth balancing out the need for administrators to be subject experts with the benefits of experience from other trade associations, or wider office management roles. Using interns to help save costs can also be valuable, but they will expect to gain meaningful experience and skills in return. It’s worth asking the association’s members for their active support as in many cases the founders have shared some of the higher level staffing roles between them.

Typically young associations have two key roles to fill:

Chief executive officer: Developing and executing strategy.

This could initially be a consultant part time, or someone who has proven themselves in a senior role inside a member company. These posts require a senior figure who can recruit members, manage relationships with other trade bodies and represent the association as a public figure.

Junior manager: running the organisation day-to-day

This is the key ‘do-er’ on the team, the person who makes everything happen. They are likely to be writing materials, organising meetings, managing projects, and supporting members.

Case study

IABs are a great example of triggering change

Since 1996 our directors have worked with Interactive Advertising Bureaux organisations to support their growth and development, and they represent a great example of how trade associations can provide the catalyst for market change.

With the web now firmly embedded in the media mix across technologically developed countries, retailers have begun deeply embracing online, and the models of information provision have altered to embrace these new channels. The IABs focus on accelerating the use of interactive marketing, and they have proved instrumental in achieving such a rapid switch into the new channels for many of their target market – advertisers with big budgets wedded to classic media.

In this particular sector, the industry presents many challenges, including the diversity of online marketing formats, the complexity of internet marketing, and how research can prove the case for commercial investment – the all important ROI.

As many client-side marketing teams still need to be convinced of the value of online as a marketing channel, the role for the trade association is clear. By developing solid evidence of the effectiveness of online advertising in general, taking that evidence to the right people in the right way, and producing case studies that show how online could work in a specific sector, they're able to make an argument that can be spread across companies and up the internal hierarchy. Combine this evidence with wider public relations activity, and the culture becomes right for firms to change the way they invest their marketing. This type of behaviour change is a typical goal for trade associations in young industries. That's why IABs typically bring together online media owners, digital agencies, internet services providers, technology vendors and other key digital industry stakeholders, to get them to work as a team to promote the medium to client marketers.

A smart digital trade association should also be forward-looking, and able to identify key trends in consumer consumption of digital channels to anticipate how its members can best exploit those trends. As the industry grows and matures, more sophisticated needs will emerge that include acting as the voice of the sector in its discussions with key stakeholders, including government, sister industries, journalists, key opinion formers and the wider public.

In North America and many European countries, the IABs have already succeeded in achieving this and offer strong models for how digital trade associations in other sectors or other countries can develop their focus and results. The first IAB only began in the US back in 1996 and its sister organisations only formed in Europe the following year. For these young trade associations to have achieved such a great impact in such a short time proves the power of working together.

4. Identifying the right tasks; allocating resources

Understanding the challenge

Creating a trade association which can effectively service its members and its industry involves overcoming a number of challenges. To start with, the needs of the members will almost always be greater than the resources of the association, and the expectations of members need to be managed carefully.

Digital industry trade associations have to tackle the additional challenges of a rapidly changing and unfolding industry, as well as the classic challenges of trade associations such as the need to retain existing members and recruit new ones. Trade associations are well placed to commission solid research that can prove the case for their industry. The design, commissioning, interpretation and distribution of such research demand systems and processes for getting the best result from the industry.

Members have to be kept up to date on the group's activities, and to satisfy external stakeholders, press releases and reports will have to be circulated to the media. Committees and taskforces will want to meet, and all of this will take place on a tiny budget with few staff.

But it must be done if the expectations of stakeholders – consumers, primary members, clients of members, other associations and maybe government departments – are to be met.

Rethinking your resources?

In a young market there will be no shortage of opportunities to become involved in projects that trade association members need. One of the toughest challenges can be to decide which few projects you'll focus on, and to ensure there are enough resources to complete the task.

By deciding how much time and resource you have right at the start, you'll be better placed to set realistic goals. In a new organisation, there may be the added work of building the framework to manage a project as well as managing the project itself: remember that the second time you run a research project or set up a conference it could take as little as half the time of the first edition.

Time is key

Sometimes it can be useful to express this by looking at the amount of time you have for something. For example, if you have half a year to create change, that might mean one person's activities for 25 weeks. In a standard working week that's about 900 hours, and that can help focus the team and the association's members around the idea of what is possible.

For example a taskforce meeting might only take two hours in the room, but may use up more than three times that if you include inviting and confirming the attendees, building the agenda, taking the notes and following up on the actions. Four taskforces, each meeting

monthly, would remove a whole day every week: one fifth of a project manager's time: 900 hours just became 720. This is only a crude way to look at the issue of time, but it can be a useful additional perspective. If your team has less time - perhaps 100 hours - then set a lower goal. When you set a limit on time, it helps focus on the results that can be delivered.

Hints and tips

Here are some of our simple hints and tips in planning your main projects.

- Be cautious about taking on too much; balance the ambitions of the organisation with the confidence in being able to deliver
- Be particularly cautious at the start when much of the organisation's energies will be focussed on building its structure and operations
- Look for the projects you can control
- Look for the projects that are quick to complete
- Look for the projects that stakeholders will value most
- Look for projects that lever other resources the association's members can provide
- Consider the extra time the process will take in involving stakeholders across the industry – some projects may demand consultations and a much wider discussion than simply among the association's core members

5. Getting the message out the right way

The book 'The Tipping Point' discusses how communities can be influenced with relatively little effort: the key is getting the right knowledge, to the right people, in the right way. The key influencers in the digital community in many countries remain relatively small, with most firms concentrated in specific geographical locations. In young markets there may be relatively few major marketers, making the job of reaching out across industry much easier.

For digital marketing associations, our advice has always been to look for the people who are most influential; the opinion formers within the marketing industry. If the aim is to change the wider behaviour of the advertising sector, then by focussing efforts on the marketers who are already using online in a small way, trade associations will be pushing at a door that is half open. Marketers who are already doing something online have their minds open to the possibilities of internet marketing and by working on those people, there is a clear model for encouraging them to do more and publicising what they do.

Whatever sector the association is involved in, if its objectives are to change the way stakeholders behave, then creating the structures to quickly spread news about new and successful techniques will be important. Associations can change the ideas and perceptions in their industries by encouraging the community to recognise these people as trailblazers and pioneers, creating interesting case studies and prompting powerful debate.

6. Strategy: changing a small market in 3 steps

This simple model was developed for some of the Interactive Advertising Bureau organisations we have helped support. It is based on *The Tipping Point* approach to marketing and the adoption of ideas and can be applied to many wider industries. Three key steps emerge in the process of spreading these ideas:

1. Get to the right people
2. Create the right story
3. Spread the message the right way

Getting to the right people

- Build a list of the top 50 advertisers
- Create a database and use email to build an ongoing relationship with these people
- Arrange appointments to see as many of them as possible in their companies

Create the right story

- Learn what story they will be most interested in hearing
- Ask them what the barriers are that stop them advertising online
- Create the right story for your market today
- Look for easy 'quick wins' such as the Universal Advertising Package formats
- Explain just how much time some consumers now spend on the internet
- Look for just two or three case studies; key people who have advertised
- Build materials for a marketing 'roadshow' – a presentation you can take to major advertisers around the country; but remember, focus and keep it simple
- Test this 'roadshow' on some friends and think about the questions they ask
- Build up a bank of answers to these questions, and a web page to store them

Spreading the message the right way

- Take the roadshow to every firm who is interested
- Make the appointment inside the company wherever possible, and encourage people to bring in colleagues if they want; 'more is more'
- Use this to learn more about their ideas, their needs and their fears, as well as to show them what is happening in online advertising and marketing in the country
- Note their comments and opinions, and use them to further refine your roadshow
- Make the firms and advertisers in your case studies famous; portray them as heroes in marketing because they have been brave, because they have tried something new – and because it has worked. Remember that the case studies only need to be very, very simple – just two or three Powerpoint slides to show the idea
- Invest in hiring a good PR agency to help take this message to market
- Invite some of the advertisers together – maybe in small dinner meetings, so they can talk about their experiences and learn from each other

7. Get your press releases right from the start

In order to promote your cause, you have to get the media – TV, radio, newspapers and magazine – to write about it. That means turning your ideas into a meaningful story that journalists will want to report and people will want to read.

Research will help you get coverage in the business media, but to get more widespread coverage you will need more popular stories to tell, that's where your band of new media 'heroes' can come in.

Develop a press release template that can be reused. Always include information about the size of your market, helping journalists with a series of key facts. Look for leading figures who may want to be interviewed and save journalists the time by offering access to them. Update the press release templates every few months and position yourself as a great source of reliable industry statistics and comment.

Why not support your press releases with quotes from members (rotating them to be fair)? And remember to store your releases online, in an easily searchable format. Many journalists will want to cut and paste key facts and quotes from leading industry figures, so avoid using formats like pdf.

Don't forget to send your releases to your industry's partner organisations so they can distribute them as well. For example, if a release features a quote from the marketing director of a leading member company, make sure that company's PR department distribute it to their contacts.

Reflections

The ideas presented here are for discussion. They are just a few of the ideas and approaches we have seen work well. Our Directors and Associates have been involved in media and marketing trade associations for a long time, but every association needs to find the right structure, focus and voice.

Resources will be limited, particularly in the early years, so founding teams should be realistic about what can be achieved with what they have. If a market is small enough to work through face to face with the people the association wants to influence, then this might be the best starting point. A combination of face to face meetings and regular emails is low-cost and simple. Look for the projects where there is alignment among members, and focus on those that can be delivered fastest. Aim for techniques that allow the association's team to scale, and provide resources that all of the members can harness straight away.

“Get the formula right and trade associations have the power to transform their industries, uniting stakeholders and boosting market growth. It's a privilege to play a part in their development.”

Author's profile: Danny Meadows-Klue

Danny has been an international commentator on the digital networked industries since the mid nineties and is recognised as being a leading authority on digital marketing. He managed the UK's first online newspaper (telegraph.co.uk) where he stewarded it to win Newspaper of the Year repeatedly. He has helped run web businesses ranging from mass market portals and consumer magazines, to online stores and search and email services. He has been recognised by the DTI as being one of the 100 founders of the UK internet industry, and acknowledged by trade magazines for many years as being one of the most influential figures in his industry. He is the co-founder and former chairman of the UK and European Internet and Interactive Advertising Bureau trade associations, and has helped launch twenty further digital trade associations and initiatives around the world. He has acted as a government advisor in the DTI and Home Office, and retains roles on advisory boards for digital investment funds and digital firms. He has been lecturing on digital marketing and publishing for more than a decade and was recently awarded fellowships of the Institute of Direct Marketing, and the Royal Society of Arts. He set up Digital Strategy Consulting in 2000 to help firms make sense of the rapid changes brought about by the digital world, and show them how to harness the potential of the digital networked economy. He is an enthusiastic educationalist and continues to teach university Masters courses and management courses



He is the inaugural chair of the examination board for the first Diploma in digital marketing, and a longstanding board member of the journal of Digital Marketing. Danny is a geography graduate of the University of Bristol and lives in London. Details of his current speaking engagements along with a full biography and recent articles are available on DigitalStrategyConsulting.com

About the Digital Insight Report series

In times of huge economic and technical change, knowledge becomes a critical success factor. We created the Digital Insight Reports to bring you insights from a particular part of this fast changing industry. They are independent perspectives on key issues around business or marketing in the digital networked



economy. We also publish similar Digital Thought Leadership interviews and Digital Book Club reviews to share the ideas and thinking of some of the people and companies shaping the digital networked world. These often accompany our keynote talks and training workshops. Making sense of the digital world can be tough, but knowledge and training can unlock the potential of your team.

If your firm wants to harness new marketing and publishing approaches, then why not talk to the team here at Digital? Our senior associates can deliver the hands-on expertise you need to change the way your team behaves, enabling them to understand and implement new publishing strategies. We can work with your board to improve understanding and your operational teams improve execution. We can support the rapid prototyping of new ideas and the building of simple tools to allow you to use these new insights to improve your conversion rates, unlocking more of the value from the digital channel investments you've already made. Our range of training spans all areas of digital publishing, marketing and business strategy.



Our digital sector support programmes includes

- Business model and critical issue analysis
- In-company training and development
- Management clinics for critical issues
- Research briefing services
- Strategic analysis

To find out more about our knowledge development programme, click on to digitalstrategyconsulting.com



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Making sense of a digital world

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