National Community Development Services

America's leader in community and economic development fundraising

Investors vs. Members. What's the Difference?

A member's financial commitment is transactional in nature – placing a "cap" on giving

Investors buy into a vision for the future and fund that vision.

Investors vs. Members. What's the Difference?

For most Chambers of Commerce and Economic Development Organizations, members and membership dues are the lifeblood of the organization. Dues typically fund the majority of operating and overhead costs such as rents and mortgages, salaries and benefits, utilities, equipment, supplies, etc. Sponsorships, total resource campaigns, affinity programs and other non-dues revenue are also important sources of operating funds that help chambers provide more and better services to their members. And many economic development organizations receive real estate income, loan fees, or even dedicated tax apportionments. The key similarity among all these funding sources (and the primary distinction between members and investors) is that they are all ***transactional*** in nature.

In exchange for a prescribed or formulaic fee, the member (or sponsor) receives a defined set of benefits or privileges. These transactions allow for a pretty straightforward "sale" by staff or volunteers and for the member to assess the "value" based on marketing, PR, networking, and other tangible, company-specific interests. **This places a cap or limit on what organizations can "charge" for each transaction.**

Conversely, true investors in these organizations are enabling implementation of strategic growth and community improvement initiatives that will benefit everyone, whether they give money or not.

TRANSACTIONAL INCOME HAS LIMITATIONS

Transactional income has severe limitations, in that once an organization receives that revenue, there is no guarantee that they will receive it again. Since each transaction is tied to the member receiving something in return, basic economics tells us that there will be a cap to what people will be willing to pay, thus restricting an organization's growth potential.

Transactional income may include:

Membership dues

Sponsorships

Affinity programs

Total resource campaigns

Real estate and loan income

Members expect certain benefits and these benefits are assigned a physical or perceived value.

Below is an example of typical ‘member benefits’

Platinum	Gold	Silver	Bronze
Seat on Executive Board	Board of Directors Position		
Table at Annual Meeting	Tickets to Annual Meeting	Tickets to Annual Meeting	
Logo on Website	Logo on Website	Logo on Website	Logo on Website
Log on Printed Material	Logo on Printed Material		
Annual Meeting Sponsor			
Logo in Newsletter	Listing in Newsletter		
Attendance at Events	Attendance at Events	Attendance at Events	Attendance at Events
Event Presenter	Event Presenter	Event Presenter	
Ad in Publication			
Signage at Events	Signage at Events	Signage at Events	
Member-Only Events	Member-Only Events	Member-Only Events	Member-Only Events
Policy and Legislative Updates	Policy and Legislative Updates	Policy and Legislative Updates	Policy and Legislative Updates

As you can see from the sample membership benefits matrix above, members “join” for a variety of benefits in which they see value, including networking opportunities, PR/Marketing/Advertising, access to information & research, cost savings on products and services, and public policy influence.

Investors expect – and deserve – more

So, if a company is paying five or ten thousand dollars a year for “gold” member benefits, what motivates them to ***invest $100,000*** over 4-5 years in a strategic growth initiative? And what do they expect in return for that investment that they’re not already getting as part of their gold membership? Satisfactorily answering these two questions – and securing that $100,000 investment – is almost always rooted in the core fundamentals of the initiative and the campaign to fund it.

Pursue transformation, not transactions

True investors are believers. They are, in effect, investing for **transformational** reasons – not transactional ones. As such, investor campaigns require a very different approach than membership, sponsorship, or total resource sales. NCDS has completed over 700 campaigns that have raised over $1.7 billion. This has helped us to **understand the differences between members and investors**, and how to maximize investments from community stakeholders.

> ***"Many chambers and similar organizations are shifting an increasing part of their focus from business transactions toward improving the community or region as a whole and finding investors to address the cause…Cause-based fundraising won't replace traditional fee-for service and "access pass" investments, but requests for funds to support community, regional, and broader priorities will become a larger percentage of chamber budgets."***
>
> **---ACCE's *Horizon Initiative: Chambers 2025***

Turning members into investors requires a strategic and properly executed campaign.

Alignment with community needs and opportunities

The multi-year strategic initiative should be designed and positioned as a solution to pressing community needs and / or capitalizing on unique assets or opportunities, for the purpose of creating or accelerating economic growth and prosperity. Workforce development, education, entrepreneurial support, infrastructure, cultural / recreational assets, cluster development, community branding / marketing, and business retention / expansion are all typical components of strategic plans that can be funded through investment campaigns. Whatever strategies you adopt, they must be in response to your community's situation and clearly align with your stakeholder's interests. Some ways to achieve that objective:

- Data and other information that documents your community's needs and opportunities, including anecdotal and comparisons with peer / competitor communities

- Connect the dots: show how your strategic plan will solve problems, capitalize on opportunities, and enable economic growth & prosperity

Tactical and budget details

Getting agreement for broad strategies and objectives is easy. But before making a financial commitment, investors will want to know:

#1 What new programs and activities will be implemented as part of the strategic initiative

Investors want their investment to help transform the community. As such, money must go towards new programs and activities, and not general operating expenses. It is also necessary to demonstrate that the strategic initiative cannot be funded with money generated from membership dues or other transactional revenue.

#2 How the money will be spent

Investors expect a detailed breakdown of how the funds will be used. Think of them like an investor in a startup, only instead of a startup company, this is a startup initiative or campaign. As such, they will require more detailed reporting and may want to take an active role, or at least receive regular updates. Be sure to detail how the funds will be spent, when they will be spent, and by whom. Include details on things like new staff members, market research, technology, travel, and marketing expenses. If funds are being spent on physical assets, show visuals as appropriate.

INVESTORS WANT TO EXAMINE BUDGET DETAILS AND MAY PROVIDE FEEDBACK. THEY FEEL CONNECTED TO THE PROJECT OR CAMPAIGN AND HOW THEIR MONEY WILL MAKE AN IMPACT.

Metrics, Outcomes and Impacts

Where a member may want to know how many events he / she can attend and where their logo will be displayed, an investor expects the initiative being funded to achieve **results.** Communicating those results and setting expectations on the front end is key to securing a multi-year investment.

- **Metrics –** How will you "keep score" and measure progress? Metrics should be closely tied to the organization's efforts and things they can reasonably control. Examples include number of existing business visits, trade show attendance, inbound marketing events, loan or venture capital activity, worker training and certification programs, internships, and school / industry partnerships. They should also lead directly to…
- **Outcomes –** How will the community and its economic performance improve because of the strategic initiative? New jobs? Higher incomes? Retention of local graduates? More housing? New industrial sites & buildings? Incubator tenants? "Best place" rankings? Outcomes really amount to the community-wide, macro level benefits of the multi-year initiative and should be perceived as the rationale for its funding by all stakeholders with a vested interest in those outcomes.
- **Impacts –** How do outcomes translate to bottom line returns for public and private sectors, key industries, and individual investor companies? Presenting a compelling return on investment rationale to each prospect is the key to having investors underwrite the cost of the strategic growth plan. For NCDS, it's the essence of what we do and the "secret sauce" to successful campaigns. Economic impact is usually the most important return we can demonstrate, which we accomplish with a comprehensive **Economic Impact Analysis** (using IMPLAN modeling) to convert macro level outcomes to industry and company sales and profits. Other impacts may be more subjective but can be equally important to the investors. These include leadership roles in program implementation and governance, reputation and profile among peers and competitors, community stature / influence, access, etc.

Accountability and Transparency

Presenting a prospect with a compelling return on investment proposal can help justify a large ask – much larger than what they may be paying in membership dues. But getting to "yes" and a signed multi-year pledge also requires that the investor prospect have a high degree of confidence that the plan will be executed, and outcomes delivered as presented. An effective campaign strategy should include assurances of **accountability and transparency**.

- **Peer endorsement and oversight** – Investors want to know *"who else (other than staff) believe in this initiative and want to see it implemented."* Having respected, credible, and influential peers and business leaders endorse the effort as a vital community priority gives "fence sitters" the needed assurance that they are making a wise investment. Ideally, those peers will have made their own capacity level investments to encourage others to follow their lead. We also recommend establishing a governance and oversight structure comprised of top leaders and large investors who will serve as proxy for all the investors and deliver accountability for effective program execution.
- **Dashboards and scorecards** – Transparency to investors is vital – for securing the initial pledge and for retaining their commitment over the 4-5 years of program delivery. Tracking and communicating activity, outcomes, progress, expenditures, and even setbacks are absolute "must do's" to maximize those investments. Develop appropriate tools such as dashboards, scorecards, investor updates, and others and be diligent and consistent in their use.

REMAIN TRANSPARENT THROUGHOUT THE CAMPAIGN

It is critical for organizations to remain transparent throughout the duration of the campaign. Investors often have the capacity to invest over a four to five year period. To ensure they keep their multi-year commitments, it is necessary to provide reporting that is detailed enough to demonstrate complete transparency. This can be done through the use of:

- Dashboards
- Scorecards
- Annual reports
- Investor-only websites
- Newsletters
- Annual meetings

Remain transparent when discussing setbacks as well. Investors will be understanding if they are promptly made aware of the setback and plans to fix it.

Communication and Engagement

Beyond scorecards and dashboards tracking the progress made towards your goals, investors want to receive useful information and "intelligence" about the initiative's implementation. Find things and ways to communicate with them that are different and "above and beyond" regular member communications. We've seen many clients and their communications teams do some really creative and effective things to make investors feel like they are more "in the know" than non-investors. Additionally, engaging your investors in the plan's execution will help ensure multi-year pledge fulfillment and create a cadre of ambassadors for the program and your organization. Because they are literally "invested" in your program, investors want to do more than just write a check. Make them "part of the team" and take advantage of their business acumen, industry expertise, and personal networks.

CONSIDER INVITING INVESTORS TO INVESTOR-ONLY EVENTS, PREVIEWS, AND BRAINSTORMING SESSIONS. BRING THEM INTO THE PROCESS SO THAT THEY ARE PART OF THE TEAM AND RECEIVE INFORMATION LONG BEFORE THE GENERAL PUBLIC AND TRADITIONAL MEMBERS.

Additional considerations when turning members into investors.

- **Investors and members are not mutually exclusive**

  You need not choose between a membership and investor funding model. Attract as many members as you can to fund general operating and overhead costs and offer the appropriate mix of services and benefits to grow and retain your membership. Pursue investors to fund special initiatives and strategic plans that will allow your organization to substantially grow and improve the community by creating capacity that can't be achieved through existing sources of income.

- **Don't limit investments with investor levels and "benefits"**

  Many organizations that pursue investment campaigns will apply membership sales techniques by creating similar matrices of benefits tied to investment levels. We believe this is a mistake and that it sub-optimizes fundraising outcomes. Investments should reflect each prospect's capacity, interest, and potential ROI. "Gold, silver, and platinum" investor levels arbitrarily limit what you can raise, since it is not likely for investors to give more than the minimum amount at each level.

- **Public sector investors**

  The most effective strategic growth initiatives are delivered through strong public -private partnerships. Accordingly, it is both appropriate and necessary to secure fair and proportionate investments from your local governments. The amount you ask for can be determined the same way you determine private sector asks (based on capacity and projected ROI) or through a formula tied to population, retail sales, or other factors.

- **It's okay (perhaps even preferred) to have relatively few investors**

  It is unrealistic (and counterproductive) to expect every member to also consider investing in your multi-year initiative. In fact, a certain degree of "exclusivity" can be a useful campaign approach. Chambers with as many as 1,500 members will often fund their strategic initiative campaigns with as few as 100-120 investors (and usually with a minimum investment of $1,000 or greater per year). These investors understand they are investing for the benefit of all and like being part of a "special" cadre of leaders.

NCDS is a strategic partner who has helped hundreds of organizations raise over $1.7 billion. We know how to turn members into investors and how to maximize opportunities to generate increased investment in your organization. Anyone who is ready to fund their strategic plan, or who would like more information, is encouraged to contact NCDS today.

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