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Adjusting Budgets Impacted by Crisis Bill Pawlucy, CAE and Bob Harris, CAE

These are the words of Chamber executives panicked by the pandemic's financial havoc.

"Our conference is canceled, accounting for a 50 percent loss of revenue; what do we do now?"

"We may lose 25 percent of our members and that will put our finances in the red for 2020 and beyond!"

"We won't make it through this."

Hopefully your Chamber's 2020 budget will hold tight and your value proposition is strong enough to survive. If not, convene your finance committee to assess the damage:

- ✓ First, realistically analyze the current budget and financial position of the organization.
- ✓ Second, check on the liquidity of your reserves as you may need them to supplement operations.
- ✓ Third, project what programs will be cancelled or supported less by attendees and sponsors. Also, consider royalties as they may decline for lack of use.
- ✓ Fourth, understand the impact to dues. Membership revenue may depend on how you communicate value at this time of urgency.
- ✓ Fifth, develop a contingency budget covering the worst case, best case, and no change scenarios. No one knows the full impact of the pandemic.
- ✓ Sixth, do business differently and look for opportunities to repackage conferences, deliver information, and allow for virtual collaboration.

Budget Principles

Start with the general principle of budgeting income. The proportion of revenue is usually 40 percent dues 40 percent meetings, and 20 percent other. Of course, every Chamber is unique.

“Other” revenue are the innovative programs and services such as product sales, sponsorships, certification, data management, advertising, royalties, rent and interest. The conclusion of this article offers a dozen ideas to generate non-dues revenue.

Regarding the principle of ratios, one expects a balance of about 50 percent dues income and 50 percent from other sources. The rationale is that if you lost a major revenue source, for example the annual conference, you would have sustainability through other sources.

Another ratio is that of percentage of savings compared to income. Most Chambers maintain an amount equal to half their budget set aside as assets to be drawn upon as needed. For example, a budget of \$1 million would warrant savings of a half million. The rationale being that an organization could survive and pay its bills for at least six months in a period of uncertainty.

If you don't have at least half of your budget in reserves, it is important to have enough reserves to cover your largest revenue source loss (i.e. if your conference is bringing in 40 percent of a million-dollar budget, the Chamber should have at least \$400,000 in reserves).

Many organizations reference reserves as their “rainy day fund.” Do not look at reserve funds as, “we can't touch that.”

Funds may need to be tapped for survival. Assets may need to be liquefied to access cash. Reserves exist to be used to maintain relevance and serve members. Be good stewards.

Resetting the Budget

A budget is a guide. There are times when adjustments should be made, especially impacts by external threats and opportunities. Now is the time to analyze and make prudent decisions.

The finance committee, officers and executive should assess the impact of current conditions. Discuss and project each income line item. Remain positive, there may be new opportunities to serve members that generates new income and enhances the membership experience.

What to Analyze

Dues - Expect hardships to be expressed by members. Some may not be able to pay their dues. You don't want the coronavirus to dismantle years of building a successful membership.

The customer-member relationship is invaluable. Flexibility and adjustments may need to be made. Consider extending current members by a period of months. Waive dues for members who simply cannot renew now. Allow for making smaller payments.

Position 2020 – 2021 programs as indispensable to member success. Clearly express ROI and communicate value.

In the *Danger Report* commissioned by the National Association of REALTORS®, they suggest that the loss of a primary income source will threaten Chambers reliant too much on a single program. The counsel is to diversify beyond dues by creating valued programs for members.

Sponsors and Advertisers - The Chamber partners with corporate or affiliate members. These companies provide sponsorships, advertisements and scholarships in order to build their brands and sell services or products.

Corporations are cutting back all but essential costs. Position the Chamber as a partner in their recovery. Understand and respond to their needs.

For example, a summer golf sponsorship they bought may no longer have worth. Transition their sponsorships into what adds value to them. Maybe instead of a lunch sponsor they may prefer a year of website banners or the back page of the magazine.

If they seek refunds, ask about issuing a credit or offering a better package for them, so you don't lose the income. Move their contributions to programs later in the year.

Reforecast the advertising and sponsorships for 2020.

Create a new "sponsor opportunity menu" that improves value for 2020-2021. In an article published by Associations Now, [How to Nurture Sponsor Relationships Amid Virus Cancellations](#), there is an important quote,

"One key lesson learned—for strategic planning, emergency planning—is for many years, most have put our sponsorship eggs in the conference basket...While this is an extreme instance, it's really risky because of the presence of disease, weather, and other calamities. We have to ask what can we do differently in the future."

Royalties - Endorsed programs generate royalties. If the membership doesn't use the programs the revenue will decline.

Work with endorsed partners to help them make their programs stronger. Expect changes in royalty revenues, making practical adjustments to save programs and restart for better times.

Education - Many Chambers rely on the conference and expo for more than half their annual income. Ironically, some Chambers don't purchase meeting cancellation insurance.

Conference cancellation policies may not cover a pandemic unless you have a rider on your policy. Check with your insurance company now to see if you are covered. In an [article](#) from Venable LLP, it states,

“Those seeking to recoup the costs of cancelling a convention or conference should look first to their event cancellation insurance policy, if they have one, as it is most likely to provide such coverage. However, many of these policies exclude coverage for uncommon and catastrophic events. For example, virtually all such policies have coverage exclusions for losses that are caused by acts of war, and some may also exclude terrorist attacks. Many event cancellation policies also exclude coverage for natural disasters and, most pertinent here, communicable diseases.”

If a conference cancels, repurpose it as a virtual event. Transform seminars to Zoom for an online audience. Consider a virtual awards banquet, find a way to offer virtual fun.

Another idea is to chunk the conference into smaller portions, offered over a period of six-months. This will deliver necessary education while maintaining a connection with members. Include topics on how members can rebuild, revamp and thrive.

Do what you can to save the face-to-face meetings. The hotel and travel partners have been generous to Chambers, this is the moment to help them.

Ask speakers and experts to provide varied forms of education. Build an on-line library of seminars and articles by experts on coping in uncertain times. Be the most credible source of education. Pent up demand for face to face meeting will drive strong 2021 conferences.

Information Packaging - Members need data more than ever. What are the market trends, where do opportunities exist?

Chambers are great aggregators of information. Package the information you glean, let the experts add to it, format it and make it available to members at a discount and non-members at a premium. Be sure to protect your intellectual property.

We asked Heather Schafer, CAE and CEO of the National Volunteer Fire Council around her response strategy and this is what she said,

“The NVFC’s response strategy to the pandemic is to provide the tools and resources our members need so they can safely respond in their communities, take care of themselves and their families. The NVFC developed a dedicated COVID-19 resource page on our site with pertinent information. NVFC has expanded its Support Fund to

provide \$350 stipends to volunteer firefighters who have lost wages as a result of COVID-19. Volunteer firefighters may be temporarily off from work but they continue to work as volunteer firefighters, without pay, to respond to those in need in their community. This is a stressful time for many given the health concerns, financial uncertainties and disruption from daily activities. We held a free webinar on how to handle stress in these uncertain times. It was the highest attended webinar the NVFC has offered. We've opened up complimentary online training during this time while many might be at home and have time to hone their skills. The NVFC is also sending out weekly email updates every Friday to our membership in a concise format.”

The response strategy is critical and collecting real-time data from members and the business sector via surveys and virtual focus groups is important. Consider virtual town halls to answer questions and provide members with a chance to network with other members.

Identify what information can be gleaned and packaged. Reach out to related organizations such as a university to add credibility and crunch the data. Make it available through the Chamber.

Generating New Revenues

The board, committees and staff should brainstorm ideas to generate new income. Review this list to identify what might be adapted for your membership. Be innovative and strategic in developing programs and services.

- ❑ **Speaker/Lecture Series** - Just like *TED Talks*, your Chamber can feature noted speakers on a variety of issues virtually. Each event can be sponsored and led by a company or group of companies. Right now, your members are hungry for information that is either impacting their professions or companies. Bringing experts from the field that are innovating during this time is critical. Everyone loves best practices.
- ❑ **Conference Chunking** - Take the pieces of your conference and chunk them out over a period of 6 months. Engage your speakers and have them provide great materials before and after their presentations. Offer content that can be taken away and put into action. Ask your speakers to do follow-up webinars to continue the conversations and takeaways.
- ❑ **Virtual Town Halls** - Work with your members to identify their hot questions or topics. Assemble a panel of experts to provide answers and helpful advice. Hold these town halls once per month and charge the panelists with providing tangible takeaways after each town hall.
- ❑ **Translate Government Regulations** – Translate the latest work of legislation and its impact on members. Regulation is often hundreds of pages. Decipher the information to

develop a workshop or printed guide making compliance easier. There will be interest for this as it will be applicable to the sector and delivered by their Chamber.

- ❑ **Economic Updates, White Papers, Salary Studies** – There will be a major need in your sectors to provide information that members will use to rebuild. The strength of your Chamber is your membership. Leverage them to understand the economic impact and what is changing, write white papers on best practices, and provide salary studies and compensation analyses that will benefit companies hiring after this pandemic.
- ❑ **Online Auctions** – Host an online auction to fund a major program in your Chamber and to donate to an organization such as the Red Cross or others. Partnering with another not profit in this way will make a connection to a great cause while also raising funds for the Chamber.
- ❑ **Travel, Entertainment, and other Partnerships** – Right now, every industry is hurting. Work with your hotel chains, airlines, car rental companies, theatres, and other companies to negotiate rates and discounts for your members.
- ❑ **Online Meetings and Collaboration** – Reach out to Zoom.com, Uberconference.com, Discourse.com, and other online meeting and collaboration companies and negotiate licensing deals with them in exchange for great rates for your members. Going virtual will translate, in many ways, to staying virtual after this pandemic. Reach out now to establish licensing deals with these companies that will pay a fee to your Chamber for every one of your members that signs on with their platform.
- ❑ **Access to Legal and Professional Services** – More than ever, companies and individuals may need access to legal services. This may be an opportunity to contract with a law firm to provide your members with legal services in their sector. Negotiate a pre-determined rate and the revenue that will flow to the Chamber.
- ❑ **Consulting Services** – Since your Chamber is comprised of company members, there may be a significant need for business development consulting. This may take the form of financial consulting, sales training, marketing assistance, or customer service support. Don't be afraid to go outside the box and identify value added partners that might be able to provide these services to your members as an extension of your Chamber.
- ❑ **Podcasts** – Develop focused podcasts that would of interest to members on a specific topic. The Urban Institute uploaded a [podcast](#) on “How can we alleviate economic insecurity during the pandemic?” They identified speakers in the Institute from the Institute and the Tax Policy Center to provide this information. Partner with other organizations to deliver joint podcasts to make them more robust and valuable given other perspectives and insights.

- ❑ **Toolkits** – Toolkits are great and have an immediate takeaway effect. What are those essential and timely toolkits that can be created today? Also, as it relates to all of these potential revenue streams, let's remember not to overengineer and over process everything. This is the time to act swiftly and get information out quickly without red tape and being stuck in committees. Getting something out in 6 months is not effective. Getting something out in 6 days or less will be invaluable.

- ❑ **Sponsors** – Everything in this article has sponsorship opportunity. Remember, your sponsors may lose their exposure if your event is canceled but imagine how many more impressions they can receive by sponsoring a white paper, a town hall, a toolkit, serving as an expert, etc. Reach out to your sponsors and see what else they would be willing to do to get their name recognition while being a major supporter when their Chamber needs them the most.

- ❑ **Foundation** – If the Chamber has a 501c3 foundation, consider repurposing its mission. If it has always addressed scholarship and education, consider redirecting funds for business survival, employee needs and microloans.

- ❑ **Certification and Certificate Programs** – Consider developing either a certification or certificate program. *Certification programs* are in almost every profession and every field. It helps to test to certain competencies and allows individuals to enhance their skills and knowledge base. It allows employers to find candidates that have tested to a level of competency in their fields. Given the potential employment impact a crisis has on the economy, the ability to provide a certification will provide an applicant with an advantage over other applicants.

Certificate programs are less intense to manage than a certification program and it allows someone to complete several courses and earn a certificate without the need for continuing education.

- ❑ **Drop** – Finally, rather than creating new programs, consider what no longer has value to members. Revamp or drop the programs that are exhausting resources.

Enhance the Value Proposition

Expectations and satisfaction of members will be shaped by what happened in 2020 and how the Chamber responded. This is the chance to do business differently. Transform the budget to be less dependent on membership dues or an annual conference. Create programs that better engage members.

Touching members every day, in different ways, creates value and relevance. It positions the Chamber as an indispensable partner.

We hope your budget will hold as the board adopted it for 2020. If not, adjust. If so, save these ideas for future consideration.

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Note: Bill Pawlucy, CAE, is President at www.associationoptions.com. Bob Harris, CAE, provides free governance tips and templates at www.nonprofitcenter.com.