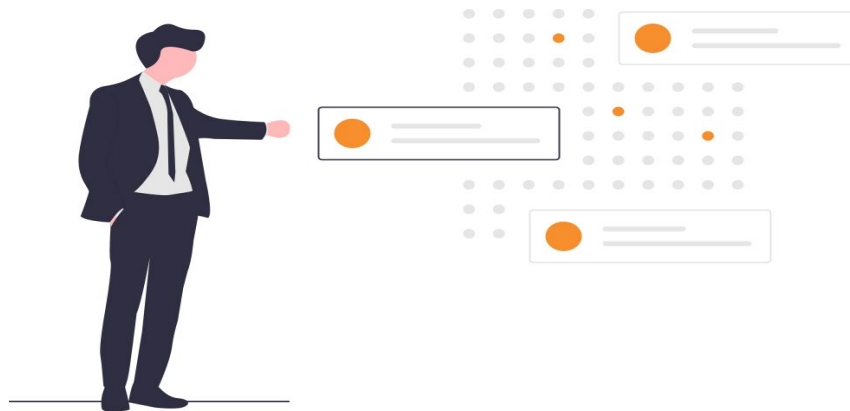


TPG Pulse For Associations

In Partnership with The Canadian Society of Association Executives

VOLUME 8, October 1, 2020

COVID 19 Impact Update: Revenue and Staff



By **Geoffrey Thacker** and **Carol-Anne Moutinho**
The Portage Group

“Several provinces are seeing a resurgence of COVID 19, leading politicians and public health leaders to confirm that a second wave of COVID 19 has arrived. Restrictions are being reintroduced in some municipalities where the virus is most prevalent. It is still uncertain what the coming weeks will bring and what this troubling trend could mean for associations, their staff and volunteers, and for the members and industries they serve.”

The TPG Pulse for Associations provides information, insight and tracking of the impact of COVID 19 on the association sector. The Pulse has been developed in partnership with The Canadian Society of Association Executives.

This edition delves into the drivers behind the financial impact of COVID 19 on Canadian Associations. Analysis is based on an online survey completed by 279 Canadian associations and other nonprofits between July 22 and July 30, 2020.

Building Resilience for The New Normal

“We are heavily dependent on tradeshows. We do not foresee getting through the tough times until well into 2022 at the earliest.”

National Trade Association Finance Director

At the time of writing, schools have recently reopened for in-class instruction and more organizations are starting to bring staff back to the office.

Led by Quebec and Ontario, several provinces are seeing a resurgence of COVID 19, leading politicians and public health leaders to confirm that a second wave of COVID 19 has arrived. Restrictions are being reintroduced in some municipalities where the virus is most prevalent. It is still uncertain what the coming weeks will bring and what this troubling trend could mean for associations, their staff and volunteers, and for the members and industries they serve.

Despite recent signs of life in some areas of industry and society, there is no way around the fact that the fiscal picture at this point in time does not look good: 2020 is set to go down in history as the worst year economically for Canada since the great depression. Government supports like CEWS have kept many associations afloat, but the fallout from COVID 19 has taken a huge toll, with many concerned about their viability into 2021 and 2022.

Notwithstanding the associations that have been in the unfortunate position of ceasing operations over the last few months, the August TPG Pulse estimated the impact on the sector for this fiscal year to be at 1.6 billion dollars for professional and industry associations alone – This translates to an anticipated average revenue shortfall of \$382,000 per association this year.

Further details on the broad financial impact of COVID 19 may be found in the August 24th edition of the TPG Pulse

<https://www.portagegroup.com/s/TPG-Pulse-For-Associations-Vol7.pdf>.

We know that associations have been hit hard by this pandemic, but which revenue streams have been hit the hardest? Conversely, which revenue streams are more insulated against COVID 19 and the associated socio-economic fallout? This edition of the Pulse takes a deeper dive into what is and will continue to drive fiscal sustainability for associations in and beyond a COVID 19 world.

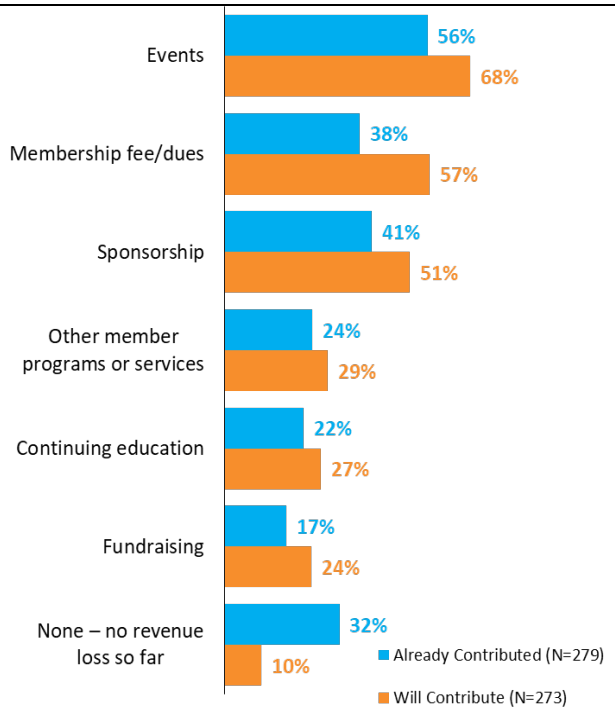
Events and Membership Revenues Hardest Hit by COVID 19

While most traditional association revenue streams are being impacted from COVID 19, some are being hit much harder than others.

Many won't be surprised that events and membership dues are the two areas where associations anticipate the biggest losses for the twelve-month period ending in March 2021. Conversely, continuing education, fundraising and other member programs and services are less affected, according to the survey results.

In terms of sustained impact, the bleeding is expected to continue across several areas, with events continuing to take the brunt of the impact as long as restrictions against physical gatherings remain in place.

Areas That Have or Will Contribute to Revenue Loss



Note: N=279

“We have gone virtual with our AGM and education sessions with tremendously positive results. We have also offered certification examinations via remote proctoring and have not experienced a drop in numbers.”

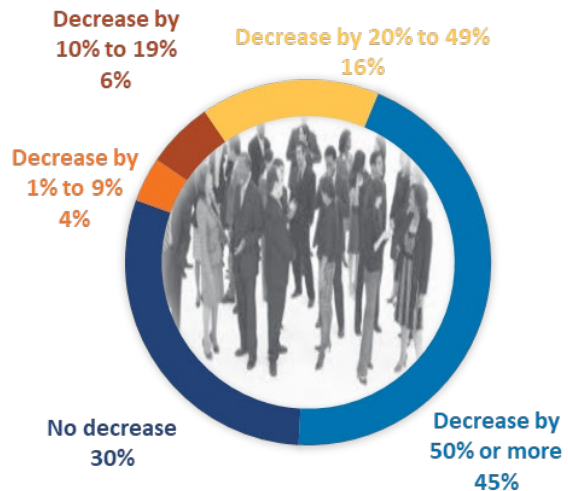
**National Professional Association
Executive Director**

A Closer Look at Events

Data from the **CSAE Canadian Association Financial Operations Report (2020)** indicates that on average, a significant 21% of revenues for professional and trade associations is generated by events.

More than half of survey respondents (56%) have already taken a revenue hit from cancelled, postponed or other changes to events and nearly seven in ten (68%) are expecting further revenue losses from events in the coming months.

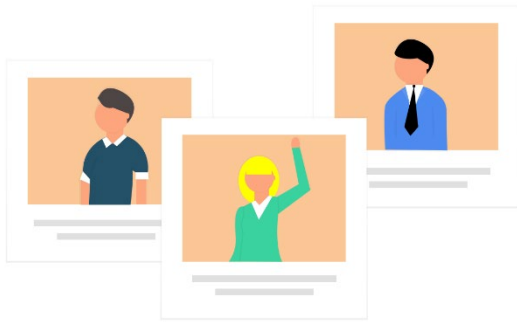
Anticipated Change in Event Revenue From April 2020 to March 2021



Notes: Percentages sum to more than 100% due to rounding. N=260

In dollar amounts, losses from events is making a significant dent in the bottom line for associations. Just under half (45%) are anticipating event revenues to decrease by 50% or more compared to pre-pandemic expectations for the twelve months ending

in March 2021. A further 16% are anticipating a decrease of 20% to 49%.



As previously noted, the impact on events is expected to continue into the coming months. Forty percent of surveyed associations anticipate they will cancel **all** conferences until at least July 2021. Similarly, 33% have indicated they will not hold any in person trade shows, while 13% will cancel any AGM's planned in this time period. It should be noted that some of these events may be moved to an online format. This was not tested in the survey.

A Closer Look at Membership

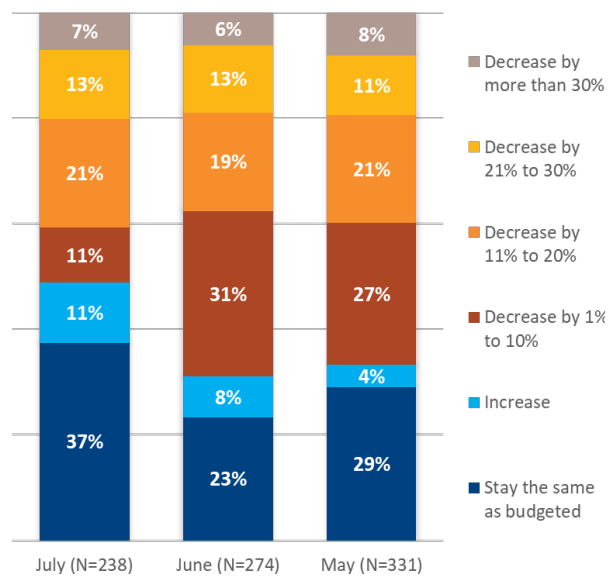
Membership dues are by far the biggest revenue source for many associations. The **CSAE Canadian Association Financial Operations Report** indicates that membership dues make up between 40 and 50 percent of revenues for the average professional or trade association. Accordingly, even a small decline in membership can have a big impact on an association's bottom line.

Associations Anticipating an Average Decline in Membership of 8% by March 2021

Compared to planned membership levels before COVID 19, just over half (52%) of participating associations are anticipating a decline in membership by the end of March 2021 (twelve months since the

start of the pandemic) because of COVID 19. This is an improvement from results presented in May when two-thirds (67%) indicated they expected losses by the end of the year. While this improved outlook is good news, it is important to note that a significant 14% of surveyed organizations in early May reported at that time to have six months' or less before they would have to cease operations. Those organizations that have shuttered would not have reported in the July survey and therefore are not represented in the results.

Anticipated Change in Membership by March 2021



Note: Mean anticipated change for July is -8%.

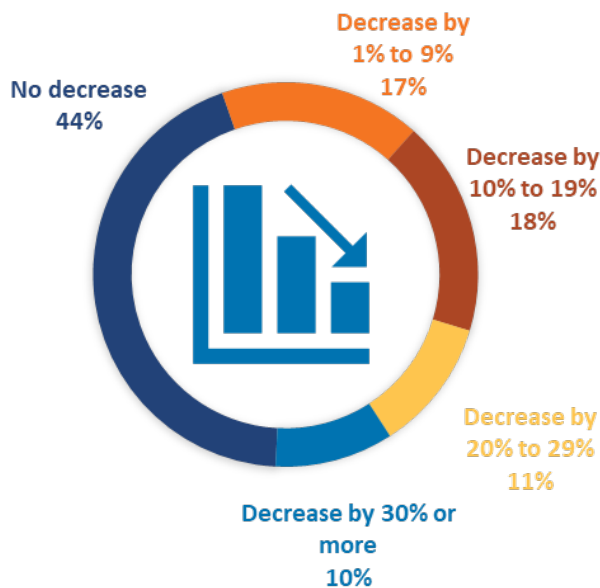
At the time of the survey, one in five associations (20%) was anticipating a decline in membership of more than 20% while a further one in five (21%) anticipated a decline of 11% to 20%. The share of associations predicting these levels of decline has been consistent across all three surveys conducted since May 2020. Where there has been a significant shift is a decline in the number anticipating

decreases of 1% to 10% while the portion anticipating no change has increased.

It is important to note that while some associations renew memberships on the member anniversary date, there is a large contingent that renew all members at the same time every year. For those in this category whose renewal period falls between August and February, the impact on membership dues would not have been felt as of the date of the survey. Nearly four in ten respondents (38%) have already seen negative revenue impacts to membership dues since April. Over half (56%) anticipate membership dues losses to occur in the coming months.

While many are expecting a small level of loss, one in ten (10%) associations is anticipating a significant impact on dues revenue of 30% or more.

Anticipated Change in Member Dues Revenue From April 2020 to March 2021



Note: N=264

Note, these losses have and will continue to come from members that lapse, but will also reflect factors that include:

- Stalled membership growth due to economic challenges.
- The impact of stopgap measures that some associations have put in place, such as waiving, reducing or postponing payment of membership dues for some or all members.

A Closer Look at Sponsorship

Four in ten (41%) participating associations have seen a drop in sponsorship revenues in the first months of the pandemic and even more (51%) anticipate revenue losses from this area in the months to come.

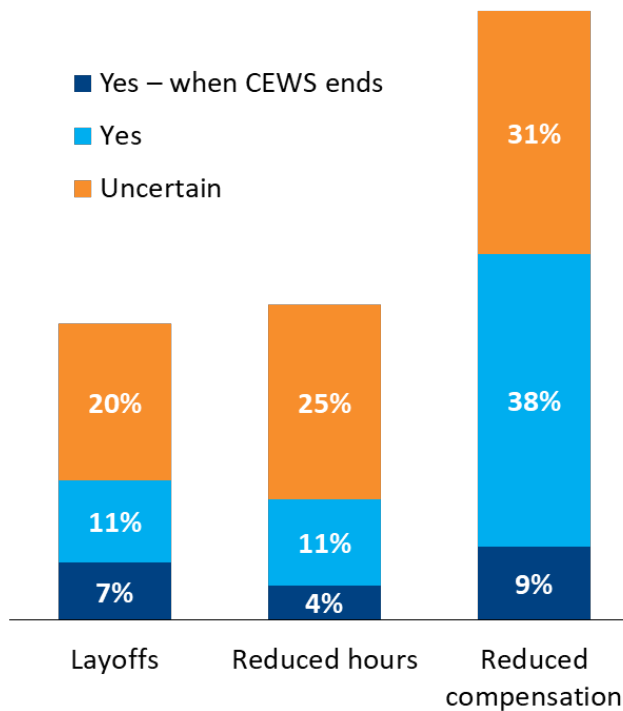
Half of those anticipating losses are expecting to see a decrease in sponsorship revenues of 50% or more compared to pre-pandemic expectations. Although this is certainly a significant drop for some, the dollar impact of sponsorship is not as great as the other revenue streams examined: Sponsorships, on average, account for 4% of revenue generated by professional and trade associations.

The decline in sponsorship revenues is reflective of the devastating effect the pandemic has had on countless industries and sectors and the increasing 'belt tightening' in areas related to marketing and business development. It also reflects the significant challenge facing associations to replace the core value proposition for sponsors and suppliers which lies in making connections, developing relationships, and having 'face time' with current and prospective clients.

Update on Staffing Impacts

Over four in ten (42%) associations anticipate taking measures as it relates to staff in response to COVID 19. This includes 30% who have already done so and 27% who anticipate taking measures in the coming months. There is overlap of 14% who have already taken action, but that are also anticipating further measures. It is important to note that large portions of survey respondents were unsure about whether future actions will be needed with respect to staff.

Anticipated Staffing Impacts Over Next Twelve Months



Note: N=273

Staff Layoffs: Consistent with results from May, one in five (21%) participating associations indicated that they have had to lay off at least one staff member while almost one in five (18%) indicated that they

anticipate (additional) layoffs in the next twelve months. On average, participating associations have laid off just under one (0.9) staff per association.

Professional and Trade Associations Have Laid Off 3.3% of Staff; It Would Have Been 7.8% Without CEWS

The Canada Emergency Wage Subsidy (CEWS) played a significant role in reducing the number of layoffs in the sector. One-third (36%) of associations indicated that they were receiving CEWS. Among those, 57% indicated that CEWS saved layoffs in their organization. Moreover, 7% of associations were anticipating layoffs when CEWS ended.

It is important to note that the recent proposed extension of CEWS to the Summer of 2021 had not been announced when the survey was in field and may have impacted the findings in this section of the report.



Reduced hours: 15% of surveyed associations have reduced hours for one or more staff. Similarly, 15% anticipate (additional) reductions to staff hours in the next twelve months.

Reduced compensation: While just over one in ten associations (12%) has reduced compensation for one or more staff, this could increase substantially in the coming months. Just under half (47%) of participating associations indicated that they would be reducing compensation in the next twelve

months. Nine percent of respondents indicated this would occur when CEWS ends. The survey did not explore the size of the compensation reduction or who in the organization would be affected.

Retooling to Thrive

“Activity has increased: Advocacy work for members is more important than ever. Events have changed to virtual, but still require significant work and generate sufficient revenue to cover costs (which are also reduced). Members seem willing to continue providing funds (so far).”

National Industry Association CEO

Although no-one will contest that the impact has been severe, the good news is that not all association activities have been ‘canceled’ by COVID 19.

Those organizations able to pivot traditional in-person offerings to a virtual format, and that continue to ensure other offerings (professional development, education, information, tools and resources) are accessible and carefully targeted to help members navigate through and beyond these challenging times are among those best positioned to survive – and thrive.

The TPG Pulse for Associations

Over the last several months, TPG and CSAE have been collecting data to publish a series of free resources that track the impact of COVID 19 on the association sector and that delve into how associations are adapting, retooling, and refocusing not just to survive, but hopefully to thrive, in our new reality. You can find other recent resources and information on upcoming initiatives [here](#).

About The Portage Group Inc.

The Portage Group is a full-service consulting firm serving the association sector. TPG is the official research partner for the Canadian Society of Association Executives.

Toronto - Ottawa – Victoria

www.portagegroup.com

1-866-920-3999 ~ contact@portagegroup.com

[Twitter](#) | [LinkedIn](#) | [Facebook](#)

About Canadian Society of Association Executives

CSAE is Canada’s only member-based not-for-profit organization committed to delivering the knowledge, resources and environment to advance association excellence.

www.csaecanada.com ~ info@csae.com

[Twitter](#) | [LinkedIn](#) | [Facebook](#)

© The Portage Group, 2020.