



2011

Lehman Reports™ Annual Industry Study:
Association Management Software
Use and Satisfaction



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Lehman Reports™ AMS Use and Satisfaction Study, 2011

The **Lehman Reports™ Annual Survey of AMS Use and Satisfaction** is the most comprehensive study of associations' use of and satisfaction with AMS products. First launched in the fall of 2005, findings from the study have been cited in articles in the ASAE magazine *Associations Now*, industry conference presentations, webinars, and newsletter and blog posts. Selection of an AMS solution is a critical decision with major strategic and financial implications. The AMS Study is based on an online survey distributed to nearly all US-based associations with an annual budget of at least \$1M.

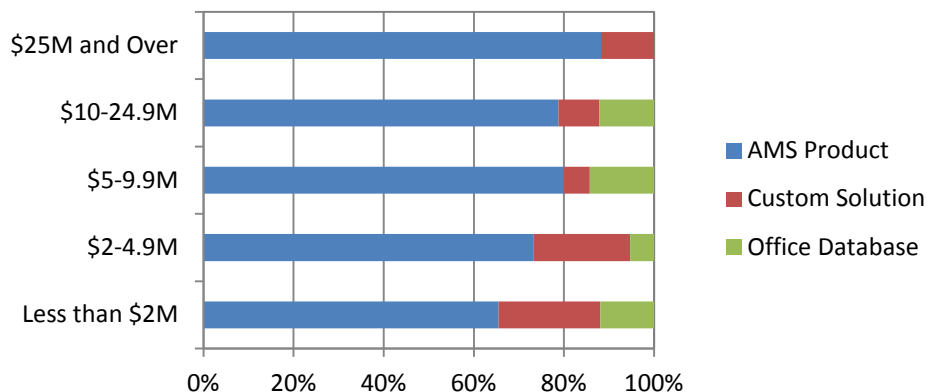
Lehman Reports™

The **Lehman Reports™** is a series of industry studies focused on the use of technology by associations and other non-profits. In 2010, we expanded the AMS study with parallel studies of associations in Canada, Australia, and the UK. In 2011, we launched a new association Technology Study to cover other uses of technology by associations, and a new study of the use of fundraising software by associations and other non-profits. Findings from the new Technology Study will be published in the first quarter, 2012.

The Marketplace of AMS Products

Nearly all of the associations in this study have some type of AMS solution, and nearly 70% are using a commercial product. Even among the smallest segment of associations with budgets of \$1-2M, nearly two-thirds report using a commercial AMS product. Most of the remaining associations are using an in-house custom system or office database, but that number is slowly shrinking as associations move to commercial products. While there are a few anecdotal reports of associations moving from a commercial product to a custom system, the overwhelming trend is the other direction.

AMS Solution by Association Size



A number of companies offer full-featured AMS products, and many more offer products that include one or more key functions. There is no single best AMS product. The best product for a given association is one that offers required capabilities at an affordable cost.

Within the market of associations with budgets of \$2M or greater, three companies account for nearly 70% of the installed base of AMS products: Advanced Solutions International (iMIS), TMA Resources (Personify, TIMSS), and Avectra (netFORUM). The next tier is shared by Protech Associates (CRM for Members), Aptify (Aptify), and ACGI Software (Association Anywhere). The mix varies by association size. The iMIS product from ASI leads the \$2M and over market. Among largest associations with budgets over \$10M, TMA Resources holds the greatest share followed closely by ASI and Avectra. ASI also is the most frequently used AMS product in three international markets: Canada, Australia and the UK.

Among associations with budgets of \$1-2M, the mix of products is much greater. ASI and Avectra are the market leaders, each with nearly one-quarter of the installed market. However, the remaining half of this segment is shared by a number of providers, none of whom has a dominant position. TMA Resources is not present in this segment, focusing exclusively on larger associations.

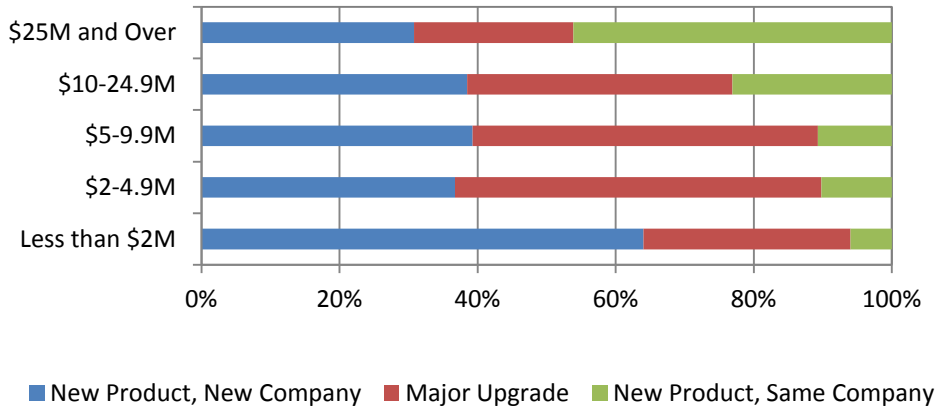
AMS Purchasing – Upgrades and New Products

The 2011 data is consistent with past findings showing associations continuing to upgrade or replace their AMS product every 4-5 years. For mid-to-large associations, the vast majority of AMS products in use today are the result of an upgrade of a previous version of the same product (or migration to a new product from the same company). This is especially true if the association is a customer of one of the three leading AMS providers.

The 4-5 years purchase cycle coupled with high levels of upgrades suggests that an association is making an 8-10 year commitment when they move to a new AMS product. With added dependence on these systems to drive online engagement and commerce, and as the hub for a growing number of third-party applications, the strategic and financial investment in a current product is also like to increase. That in turn may lengthen the commitment period.

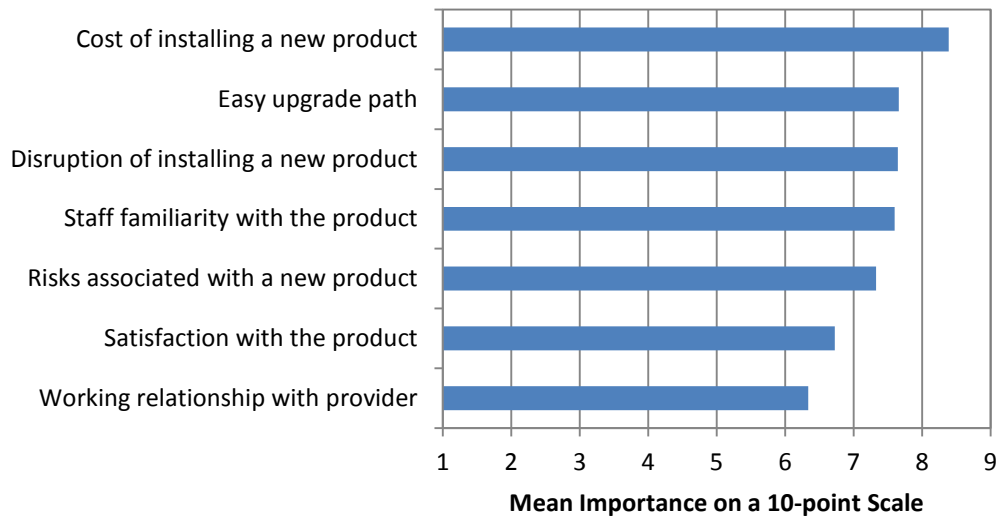
For smaller associations with budgets less than \$2M, the situation is reversed with nearly two-thirds reporting a new product installation as the source of their current system. This reflects two factors. The first is that smaller organizations upgrade AMS products less frequently. The second is that significant numbers of these associations are moving from office databases and in-house custom solutions to one of the newer online services that offer both pay-as-you-go affordability and a rich set of features.

Most Recent Implementation



For those who did choose to upgrade, a reasonable question is whether upgrading was the right decision or simply the easiest. Responses clearly show that decisions to upgrade are driven as much by a desire to avoid the cost, disruption, and training requirements of a new product as by a general satisfaction with an existing product or provider. In fact, one of the reasons commonly cited to purchase an upgrade is a hope that it will fix problems in the current product. Ironically, the type of upgrade that is most likely to address major shortfalls is also likely to be the type of implementation that rivals installing a new product, undercutting some of the cost and disruption avoidance advantages. If a product or provider is falling significantly short of requirements and expectations, associations would be well advised to consider making a move to a new product.

Importance of Upgrade Decision Factors



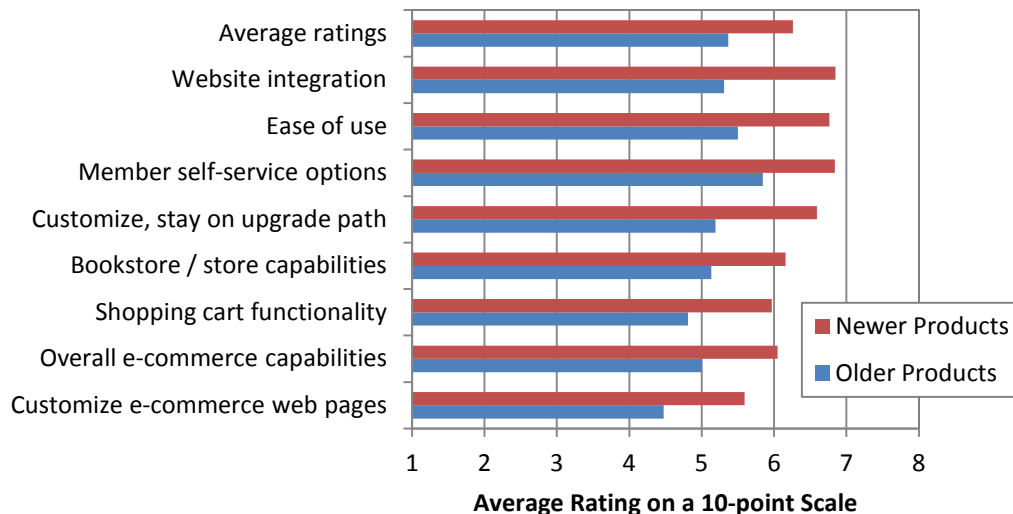
There are, of course, good reasons to upgrade if the current product and vendor are performing reasonably well. Upgrades maintain an existing working relationship with the vendor including account management, customer support, and development services. Staff familiarity with the existing product is likely to result in a less expensive and less disruptive transition as compared to a new product installation.

Looking forward, the pattern of AMS purchases is likely to continue. Nearly half of these associations expect to enter into a new purchase process within 2-3 years and about half of those predict that their next purchase will be an upgrade of their existing product. At the same time, one in five say they will be likely to seriously consider both an upgrade and a move to a new product.

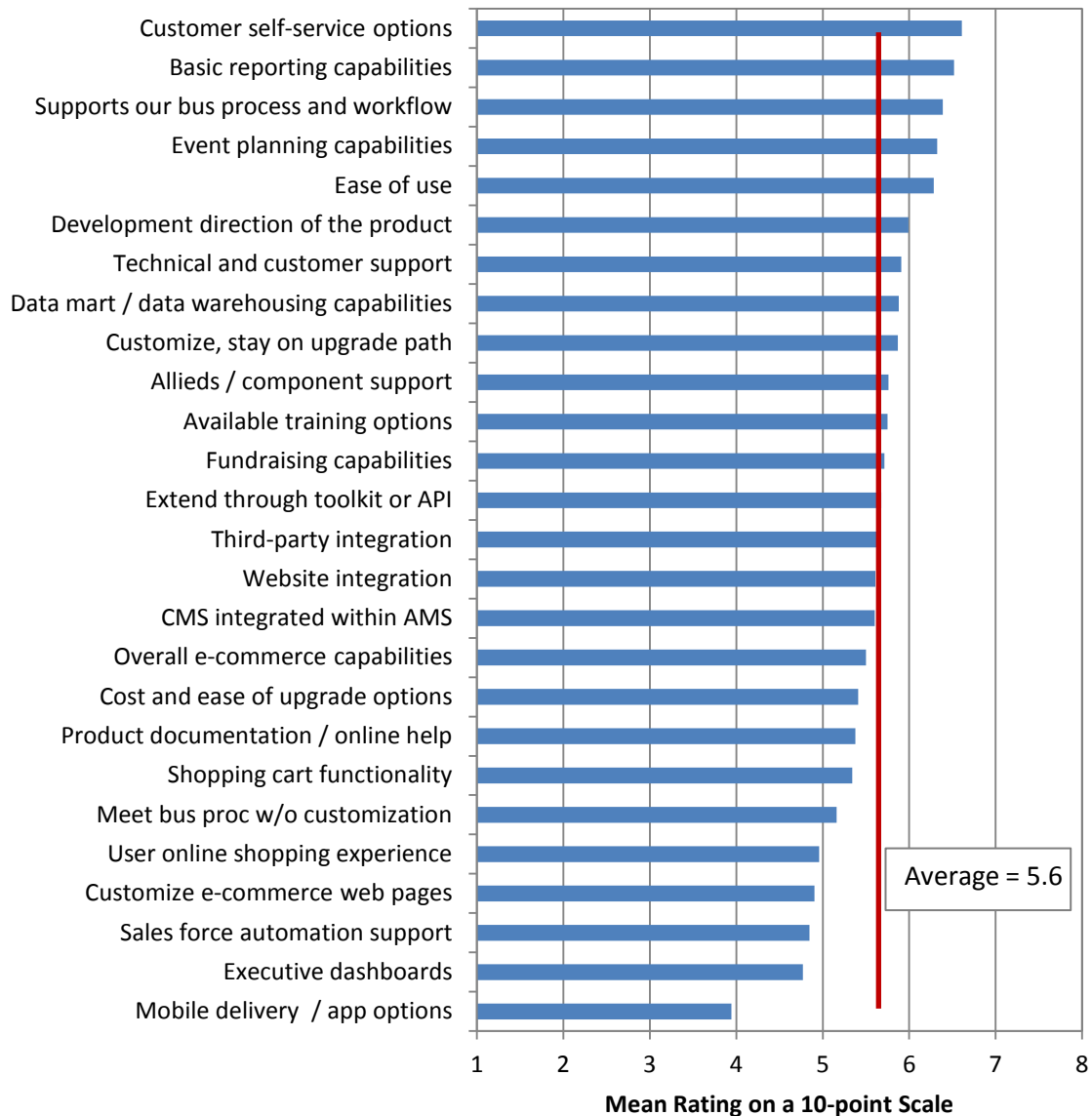
Satisfaction

Associations assign only moderate satisfaction ratings for their current AMS solutions, an average rating of just 5.6 on a 10-point scale. These are similar to but slightly lower than previous findings. Still, as reported in 2010, associations who have implemented a major upgrade or new product in the past several years have higher satisfaction ratings, suggesting that newer software is indeed better. Low satisfaction with aging custom solutions and older AMS products pulls down the overall average. While AMS products, on average, are upgraded or replaced on a 4-5 year cycle, many AMS products currently in use have not been recently upgraded and nearly 40% of custom solutions are at least 10 years old. These older products and custom solutions essentially predate the shift to online content and services delivery, e-commerce, and e-engagement with members, capabilities that all receive high importance ratings in this study. The emergence of social media and mobile access is even more recent. It is not difficult to imagine the challenges facing an association that is trying to take advantage of online opportunities using 2001 software.

Newer Products Are Rated Higher



Product Satisfaction Ratings



Among the specific product functions and capabilities, the highest ratings are assigned to member self-service options (such as updating contact information), basic reporting capabilities, capabilities to support the organization’s business processes and workflow, event planning, and ease of use. These associations are least satisfied with several e-commerce functions including the options to customize e-commerce web page and the overall online shopping experience, the ability to meet business process requirements without vendor customization, more advanced reporting capabilities such as executive dashboards, and a new item, options to enable mobile access. Of the three leading providers, TMA Resources received the highest average product ratings in 2011.

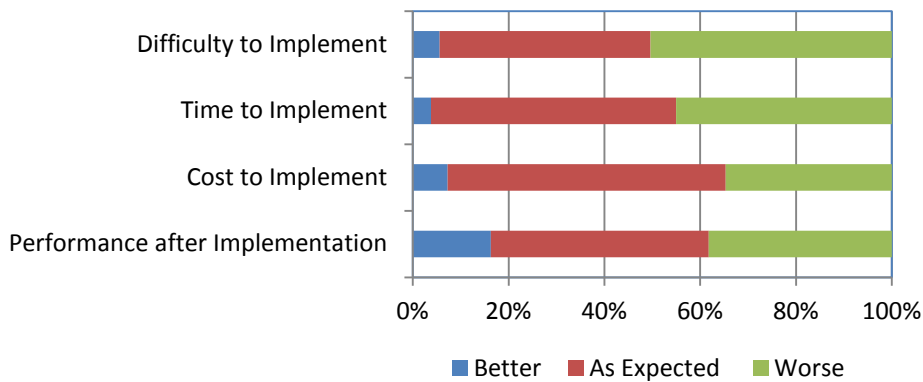
The relatively low satisfaction levels with several e-commerce functions reflect a growing reliance upon those capabilities to do business with members and provide membership value. AMS providers continue to enhance these capabilities, but it would appear that demand and importance is growing even faster. Aging products and custom solutions simply fall further and further behind.

Implementation Experience

Implementing a new AMS product or a major upgrade can be a time consuming, disruptive, and expensive process. These are complex systems that touch every aspect of an association’s operations, often requiring adjustments to match special requirements. Migrating data from an existing AMS or other database can itself be a major undertaking. For many associations, it is the opportune time to weed out information that is no longer needed or valid, and to update and verify the other data before it is entered into the new system.

The common wisdom in the association industry seems to be that an AMS implementation will take longer, be more difficult, and cost more than what a vendor promises. Study data generally supports this view. Nearly half of associations who have implemented either a new product or a major upgrade in the past four years report that it took longer and was more difficult than they expected. One-third say it cost more than expected. That is unfortunate and largely avoidable. Among the three leading AMS providers, ASI receives the highest ratings for meeting implementation expectations and has held that position for the past three years.

Implementation Experience



Installing products in larger organizations can be complex and difficult to estimate. A major element of an implementation is the conversion of data and the degree to which that data requires extensive review and editing to validate information and eliminate duplicates. Larger organizations are also more likely to customize products to fit unique business requirements, adding to both the cost and complexity of the installation. Those factors add to the challenge of setting reasonable expectations around cost, time and

difficulty. The data reflect this with larger associations more likely to report that implementations took longer and were more difficult than expected.

As noted in the 2010 report, it would be easy to blame the vendors, and certainly they bear the major responsibility to provide a realistic estimate of what will be required. At the same time however, customers themselves play a role in this and are responsible for at least a part of the frustration. Resource constraints within the association can slow the process as can slow or delayed decision-making. Customers also may overestimate the accuracy of their existing data leading to greater than expected efforts required to review and update data for the new system. Customers also may push vendors to shorten development timelines and reduce training costs, both of which may have a negative impact on the implementation experience. That said, it is the responsibility of the AMS companies to manage expectations and convey realistic estimates.

Despite the challenges around the implementation, once complete, a majority of these associations report that the system performs as well or better than expected, with larger organization assigning somewhat higher rating levels. Still, more than one-third say their systems fall short of expectations.

There are signs that organizations implementing newer SaaS-based AMS services have expectations of a rapid implementation process. While it is true that setting up one of these systems happens quickly, the challenge of data migration remains the same. That challenge may even be greater when the data is coming from Access databases, Excel spreadsheets or office-based CRM / contact managers. It is sometimes difficult to export data in a way that makes it easy to load into a new system, coding strategies may be inconsistent, and the data may include out-of-date records and inaccurate information. It may be particularly challenging to set realistic expectations in these organizations who have no experience with current AMS products.

As noted in a following section, there are also misunderstandings about SaaS products that may contribute to a more negative view of the whole process from implementation through performance after the fact. A significant portion of those who recently implemented a SaaS product are not convinced that it was a good decision. This is an issue for providers and particularly those who target the smaller end of the market.

Platform, Integration and Flexibility

Associations are adopting third-party applications to take advantage of new engagement models and to tap into specialized capabilities. This is evident in new areas such as social media and mobile services as well as enhanced capabilities for email marketing and communications, meeting management and registration, e-learning, and others. AMS providers build into their products many of these capabilities but may offer fewer options than dedicated third-party applications and are likely to upgrade them less frequently. They do have the advantage of automatic integration with the other functions of the AMS.

The rapid pace of change virtually guarantees that associations will continue to make use of these third-party services to meet at least some of current requirements as well as yet undefined future needs. This poses a challenge to ensure that the applications are seamlessly integrated into existing systems, for both the end user and staff. When choosing an AMS product, a key consideration should be the degree to which the AMS offers the flexibility and integration capabilities required to meet these future needs.

SaaS / Online AMS Service Offerings

SaaS services are not well understood, based on findings in this study. The beauty of a SaaS offering is that it is a standardized application with ongoing updates. It is configurable using tools built into the application, but not customizable. And yet when asked what would increase the likelihood that the association would seriously consider a SaaS AMS solution, the largest single block of responses was “if it offered customization.” Some providers may contribute to the confusion by characterizing their offering as a SaaS-based solution when in fact it is a hosted solution sold on a subscription basis. That type of system is customizable.

Despite these misunderstandings and their impact on implementation and product satisfaction, we expect the growth of SaaS to continue to increase and to steadily move up the market to mid-size and eventually larger associations. There will also be growth in the hosted solutions offered on a subscription basis. Together growth of these continuously upgraded services will change the dynamics of the purchase cycle as they do not present the same upgrade versus new product decision points. That may increase the time an association remains with a provider. At the same time, however, the association has fewer dollars and less staff time invested in the product, reflecting lower initial cost, and little or no customization. Movement from one SaaS / online AMS service to another may not present the same cost, time and disruption considerations shown to be important with licensed products. As these barriers lessen, will associations change products more frequently? These questions will be an area of focus for the 2012 and beyond editions of this study.

2012 Study

The seventh-annual AMS Market Study launches in the first quarter 2012.