

REPORT

In recent years, ABA membership has grown less rapidly than has the population of lawyers. Overall, our market share has inched downward, from 36% to 29% in the last 14 years. While our market share remains very robust in certain segments of the profession, other segments represent significant growth opportunities.

President Carolyn Lamm focused on this issue during her year as President-Elect, convening the Segment Value Membership Initiative Task Forces, made up of lawyers representing different practice settings, different career choices and different stages in the profession. The groups assessed the value of ABA membership and proposed ways to enhance it.

Armed with those segment reports, President Tommy Wells and President-Elect Lamm charged the Standing Committee on Membership (SCOM) with formulating a plan to increase the representative capacity of the ABA to 50% or more of the profession. Importantly, the task did not involve reaching a specific revenue target but instead focused on market share and member value. SCOM was asked to provide for long-term membership and dues revenue stability.

SCOM carefully considered the Segment Value Membership Initiative reports, the advice of a pricing expert and data from two extensive studies, described later in this report. SCOM also conducted a comprehensive review of our actual membership and dues results over time. Based upon all of this information, SCOM determined that long term success involves a combination of attention to price, value and marketing. Although not part of this current proposal, SCOM strongly recommends that to enhance the value of ABA membership, consideration be given to incorporating membership in one section in the base dues/membership package for at least the lower dues classes as soon as it is practicable. SCOM recommends the following dues pricing proposal, to be implemented over the next two years:

Proposal

- Reduce Association dues by approximately 25% for all lawyers in practice more than five years.
- Continue the Association's policy of an additional 25% discount for all lawyers working in government or legal services and for judges, regardless of how long they have been in practice.
- Add an additional 25% discount for all solo practitioners.
- Collapse the number of dues categories from 10 to 4.
- Implement these recommendations in two phases:
 - New dues for government lawyers, legal service practitioners, judges and solos to become effective in FY2010-2011, with initial billing in early May 2010.
 - Implement the remaining recommendations in FY2011-2012, with initial billing in early May 2011.

177B

The following chart provides specific dues amounts, according to the proposal.

| Year Since Bar Admission | Current Dues | Proposed Dues Rate (starting in FY2011-2012) | % change | Current Dues - Solos | Current Dues - Government/Judges/Legal Services | Proposed Dues - Solos/Government/Judges/Legal Services (starting in FY2010-2011) |
|--------------------------|--------------|--|----------|----------------------|---|--|
| New Bar Admittee | \$ - | \$ - | | \$ - | \$ - | \$ - |
| Year 1 | \$125 | \$135 | 8% | \$125 | \$93.75 | \$100 |
| Year 2 | \$135 | \$135 | 0% | \$135 | \$101.25 | \$100 |
| Year 3 | \$145 | \$135 | -7% | \$145 | \$108.75 | \$100 |
| Year 4 | \$155 | \$165 | 6% | \$155 | \$116.25 | \$125 |
| Year 5 | \$175 | \$165 | -6% | \$165 | \$131.25 | \$125 |
| Year 6 | \$210 | \$195 | -7% | \$210 | \$157.50 | \$145 |
| Year 7 | \$250 | \$195 | -22% | \$250 | \$187.50 | \$145 |
| Year 8 | \$275 | \$195 | -29% | \$275 | \$206.25 | \$145 |
| Year 9 | \$299 | \$195 | -35% | \$299 | \$224.25 | \$145 |
| Year 10 | \$399 | \$299 | -25% | \$399 | \$299.25 | \$225 |

In addition, the proposal includes a request to increase the percentage of membership eligible to participate in dues pilot programs from 15% to 30%. All testing of new dues pricing would continue to be under the direction of the Standing Committee on Membership with the specific approval and oversight for each test by the ABA Board of Governors. The request to increase the testing limit will allow for continued flat rate pricing tests among groups/firms and will permit the Association to test introductory offers and engage in multi-year pilots.

The Faculty Group Billing Program is a flat-rate program in which ABA dues are based on the size of the law student body and all faculty at participating schools are members of the ABA. This proposal will not affect the rates charged for the Faculty Group Billing Program, as the average dues paid per participating faculty member currently is \$117.

How This Dues Proposal Was Developed

SCOM began with close review of the task force reports of the Segment Value Membership Initiative and a coordinated effort to begin implementing some of those suggestions.

The specific dues recommendations and underlying data are the result of a year-long pricing review under the direction of Dr. Jean-Pierre Dube, a leading pricing expert at the University of Chicago Booth School of Business. The pricing research findings echo the feedback from lawyers consulted during the Segment Value Membership Initiative.

Dr. Dube's research reinforced what we in the House of Delegates know, that long-term members appreciate the value ABA membership brings to their performance as lawyers. But the story is different among non-members, according to Dr. Dube's findings. His research simulated field testing by examining pricing preferences. The study, deployed in July 2009, produced an extremely high response rate (more than 50 % higher than the predicted sample size) with more than 10,000 respondents. Responses were sufficient for each segment for predictive modeling. Professor Dube built a pricing model based upon the survey results that estimated what members and non-members were willing to pay for ABA membership. As one measure of its validity, the model accurately estimated ABA market share, based on our current dues pricing, to within a couple of percentage points. Overall, the study showed that:

- Willingness to pay for ABA membership increases with the number of years since a lawyer was admitted to the bar.
- Willingness to pay increases with the size of the private firm.
- Solos, judges, government lawyers and legal services lawyers have a lower willingness to pay than other lawyers within the same dues class.
- Non-member respondents, in particular, felt our dues are too high.

It is important to note that Dr. Dube's research explored options to grow membership without sacrificing short-term revenue. However his results showed that none of those options had the potential to produce the significant membership growth necessary for the ABA to approach 50% market share.

In concert with Dr. Dube, SCOM examined all the options, and then selected two that offered varying degrees of risk and reward. After weeks of additional analysis and discussion of those two options, SCOM made the unanimous choice to present this dues proposal.

Membership Results

At the current dues structure, ABA market share is at best stalled at 30 %. SCOM's proposal is designed to significantly increase the Association's membership share – and, over time, increase Association dues revenue as more attorneys join. According to Dr. Dube's pricing model, this pricing should lead to a significant improvement in market share, improving both retention and acquisition. Retention of current members is predicted to improve from 76% to as much as 83% while the likelihood to join among non-members should increase by 10 percentage points to 34%. And over time, the model suggests that the ABA will achieve close to a 50% market share.

Achieving a goal of 50% market share will require a significant investment in marketing to support the efforts to increase membership, including a full-bore membership marketing program designed to aggressively promote our new pricing and value proposition. Already, our Membership and Marketing Division has solicited proposals from major marketing firms and has begun interviewing those who submitted proposals.

177B

By the Midyear Meeting, the chosen firm will have begun work on the initial marketing plan so we can implement the campaign with the coming dues cycle. We have taken our charge seriously, and we have developed this plan to reinvigorate our membership and rebuild our member base.

Consequences

This initiative was launched as the profession began to feel the full impact of the recession. It offers us an opportunity to help our members at a time when lawyers most need the benefits of their association membership -- networking opportunities, legal education discounts, access to substantive legal information and tools to help lawyers better manage their practices and serve their clients. Our research tells us that what lawyers most want from a bar association is help in becoming better lawyers. The ABA is uniquely positioned to provide that.

Until the membership share increase is realized, a dues reduction carries financial implications for the ABA. The association already has implemented cost containment measures, having anticipated the impact of the economic decline. While other steps will be required to absorb the short-term revenue hit, our goal is to continue the high level of service the association provides its members.

But taking a long view, we anticipate long-term increases in revenue through increasing our market share. These measures will provide stability of membership and revenue that will allow the Association to continue its many important services and initiatives, and to remain a valued resource and strong advocate for lawyers, judges and the public in years ahead.

SCOM recommends the two-phased implementation to maximize the positive impact of the dues restructuring. The first phase offers dues reductions to the most price sensitive practice settings who, coincidentally, represent the largest pool of potential new members. It also allows the new marketing firm to focus its initial efforts on a large but manageable number of targets, and it minimizes the impact on revenue during the first year. Implementing the remaining recommendations the following year allows time for a comprehensive financial plan to be developed to address the short-term revenue hit for the Association.

Conclusion

The ABA prides itself on being the voice of the legal profession. We justifiably point to our representational status. As one example, in the House of Delegates, we afford a voice to lawyers and judges in every corner of the profession. And our voice is important—to protect the interests of lawyers and judges, to protect the legal system from attacks on judicial independence and on the independence of the organized bar, and to protect the constitutional values and civic institutions that are so important to preserving our democracy.

Preserving and increasing Association membership share will reinforce the persuasiveness of ABA policies, positions and contributions to national and state decision-making. Additionally, increased membership will add new and diverse thinking to our own perspectives, increasing the pool of talented volunteers and enlisting the energy and intellectual resources that can continue to make this association the great institution that it is. Diminution of that voice would be detrimental to our judiciary, to our system of legal education, and to every substantive and procedural aspect of our legal system.

Respectfully submitted,

Patricia Lee Refo, Chair
On behalf of the
ABA Standing Committee on Membership