

# VALUE-BASED MEMBER MANAGEMENT IN NONPROFIT SPORTS CLUBS

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## Aim & research objectives

Our research aims at conceptualizing member lifetime value (MLV) for membership-based nonprofit sports clubs. MLV represents the value which members contribute to their organization. It helps to identify and segment members, thus fostering purposive member management. This is crucial when members are organizations' primary resource, which is the case in German nonprofit sports clubs (Breuer & Wicker, 2010). Against the organizational background of the German nonprofit sports sector with its predominance of registered associations and corresponding emphasis on membership, we (1) conceptualize the long-term value of members and (2) derive implications for member management.

## Theoretical background

Managing members means managing relationships, because membership exceeds transactions in time and scope. The functional background is therefore relationship management. It is an established paradigm in forprofit marketing but only evolving in the nonprofit context. Due to strong stakeholder plurality (Padanyi & Gainer, 2004) and different types of customers (Helmig & Thaler, 2010), relationship management is important for nonprofit organizations. Membership organizations in particular must manage relationships carefully, because members can take on different stakeholder roles – consumer, donor, volunteer – interchangeably or simultaneously.

To allocate resources efficiently, managers must decide how members should be serviced. One approach is value-based segmentation, researched in the forprofit context (customer lifetime value (CLV), e.g. Berger & Nasr, 1998) and the nonprofit context (donor lifetime value (DLV), e.g. Sargeant, 1998). CLV and DLV measure the monetary value which customers/donors contribute to organizations. The monetary impact of relationships as assets is quantified to allocate resources in promising customer/donor segments. For application in the mission-driven nonprofit membership context, particularly the sports club context, lifetime valuation must be broadened because member inputs to organizations are twofold. There is monetary impact as in CLV/DLV; but moreover, members are essential constituents of membership organizations and participate directly in fulfilling the mission. We therefore split MLV into finance-based MLV (fMLV) and mission-based MLV (mMLV).

## Methodology & results

To assess all monetary contributions of sports club members, fMLV must integrate the multiple roles of members. The customer and donor roles only represent a portion of the entire relationship. Therefore, we normatively combine, adapt and augment CLV and DLV. As a result, fMLV comprises membership fees, user fees, event aspects and recommendations (from CLV), donations (from DLV), and publicity spillover, volunteering and board membership as contextual extensions.

We apply the fMLV-formula to a sports club with 400 members for a first validation. 39.5% of the members are unprofitable. Notably, 71.3% of the remaining profitable members do not actively play the sport, but are passive supporters. From a strictly economic perspective, this latter, profitable group of members is most desirable. In the light of the nonprofit mission (offering/disseminating sport), however, clubs need active members participating in competitions, but their demand for training, coaches and facilities makes them unprofitable (low membership fees, rooting in social tradition, cannot cover costs). We take this financial unprofitability of obviously valuable members as confirmation for the two-tier approach of fMLV and mMLV.

The conceptualization of mMLV is a two-step approach. Qualitative interviews are currently conducted to detect contribution categories; we expect, e.g., participation, identification and commitment to be relevant. Based on the resulting categories, sports club board members and managers will be surveyed quantitatively to obtain assessments of the importance of different member contributions depending on, e.g., types of sports, size/age of clubs etc. A tool for the comprehensive assessment of the overall value of a member, i.e. a combination of fMLV and mMLV, will be developed. We guarantee the completion of these steps by September.

## Discussion & implications

Our research is the first to explicitly deal with value-based member management in nonprofit sports clubs. It newly introduces lifetime valuation to this context, thus closing a research gap and providing starting points for further studies. MLV is significantly distinct from existing measures like CLV and DLV by combining finance-based and mission-based contributions.

Adding to this theoretical advance, the practical application is twofold. MLV is (1) a target measure for the optimization of an organization's overall member value and (2) a control measure for the customization of advertising, incentives, information etc. to different value-based member segments. In the nonprofit sports sector in Germany, such management advances are necessary not only because sports clubs dominate the field as the main provider of sports and sports-related services, but also because sports clubs report existential problems pertaining to the recruitment/retention of volunteers,

athletes, coaches and officials (Breuer & Wicker, 2010). Purposive member management can tackle those problems.

## References

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