

Scott D. Grayson

Subject: FW: Salary Service Business Plan

Importance: High

-----Original Message-----

From: c.currie@ieee.org [mailto:c.currie@ieee.org]

Sent: Thursday, March 02, 2006 5:48 PM

To: s.grayson@ieee.org

Subject: Salary Service Business Plan

Importance: High

MEMORANDUM

TO: Members, Employment and Career Services Committee

FROM: Chris Currie, Product Development and Marketing Manager

DATE: March 2, 2006

RE: SALARY SERVICE BUSINESS PLAN

As we near the completion of one year since the launch of the IEEE-USA Salary Service, the Web-based compensation portal for IEEE Members and employer subscribers, we have generated sufficient experience to raise pertinent questions and develop possible roadmaps for its long-term future.

In brief summary, here is relevant information from the project's history to the present time:

The Salary Survey program operated primarily as an internal research tool for most of its first 30 years as an IEEE-USA enterprise. The biennial survey of 6,000-8,000 members produced a single output: a hard-copy published report with standardized charts and accompanying interpretive narrative. This was sold to members and others, with a substantial member discount. In practice, very few surveys were sold at list price, although as many as an estimated few hundred employers purchased the report through IEEE-member employees. By the late 1990s, with the assistance of a concerted marketing campaign, sales of the published report had grown to the point where revenue from sales equalled and finally exceeded the cost of the Survey program. In 1995, Survey expenses were about \$75,000, while revenue was \$67,000. In 1999, expenses had dropped to about \$60,000, while income reached an all-time high of nearly \$80,000. The Survey program began to be viewed as a potentially important source of non-dues revenue, and not simply a research tool.

In the early 2000s, sales of the published report began to drop -- from \$80,000 in 1999 to only \$56,000 in 2001. Employers were increasingly asking for more up-to-date information, and the first on-line survey tools began to appear -- offering greater functionality and timeliness than traditional printed reports. Meanwhile, member complaints about having to pay for access to survey data they supplied were increasing. In 2001, the survey was conducted online for the first time, and in 2002 IEEE-USA decided to convert the published report to an online subscription service. (The IEEE-USA Salary Calculator for members, had already been converted to a low-cost online service in 2001). The new service would provide employers with access to a full range of analysis

tools, plus the published report in electronic format, at higher cost than the old printed report alone. Meanwhile, members would receive access to the Salary Calculator as a reward for supplying their survey data. In 2003, IEEE-USA contracted with CAMO Inc. to develop the software solution for the IEEE-USA Salary Service; however, the vendor was unable to deliver the full solution (the member version was launched but not the employer version) and the relationship was terminated late that year. In 2004, IEEE-USA contracted with RunTime Technologies to finish the project (expanded to include a new ecommerce solution for all IEEE-USA products), which was launched in the first half of 2005. The total development cost for the software solution plus the costs of conducting the survey in 2003 and 2004 exceeded \$200,000. Since the launch of the member and employer versions of the Salary Service, the member version has performed as intended. With the incentive of access to the online Salary Calculator, responses to the 2004 Salary Survey reached an all-time high of more than 15,000 members. (This is in contrast to the late '90s, when there was concern that dropping response rates would eventually mean the demise of the Salary Survey entirely.) In the 2004 IEEE Member Satisfaction Survey (the first year of the free member Salary Calculator), the satisfaction rate increase for IEEE-USA products and services was among the very highest of any in the IEEE. Some technical professionals even inquired of IEEE membership in order to gain access to the service. However, success on the member side may have contributed to the disappointing sales of the employer version. Revenue was projected, based on a market research study, to be \$150,000 the first year. However, in the first ten months only \$25,000 in sales have been generated. Part of that may be due to a delayed marketing program (pushed back due to delays in contracting a survey consultant with the diminished money available for that purpose last year). However, sales and customer-service interactions have revealed that some -- perhaps many -- employers are foregoing the more expensive subscription version of the service and accessing the free member version with their own or a colleague's IEEE membership number. The availability of the free version is easily discovered because they share the same home page (a decision made during development to save time and money). Response to the electronic, print and direct-mail marketing projects conducted so far has been very disappointing, reflecting some resistance in the HR community to embrace an unfamiliar compensation solution. Initially, we planned to make most of our sales in the first couple of years to IEEE members who were company owners or managers, and then through a long-term educational process break into the HR market (which is accustomed to purchasing only employer-supplied data, not employee-reported data). Relying this year on HR sales, therefore, we fell greatly below projected revenue.

With this history in mind, I offer for your consideration three potential business plans for 2006. The first reflects a continuation of our original strategy using mostly existing resources. The second applies the same strategy but incorporates additional resources for marketing. The third refocuses the Service as primarily a lower-cost member service, with employers having the opportunity to participate at low cost through IEEE membership. The basic outlines of each option are described below:

Option A - Stay the Course

Our vendor has been contracted to make changes and improvements to the Salary Service software, including separating the member and employer versions into two separate portals. Improvements in user-friendliness, presentation of promotional information, e-commerce functionality and in the functionality of some of the tools should help increase sales, retain customers, and stem (to a limited degree) the routing of potential customers to the free member version.

The 2006 Survey will be conducted in March instead of the Fall, enabling us to offer more timely data to potential customers. The 2006 data should be available by early-mid Spring, in line with the traditional

release of our Survey report.

About \$30,000 has been budgeted for promoting the Salary Service, about 50% more than was spent last year for that purpose. The planned campaign for 2006 will include an Internet marketing component (email + Webinar), print ads in HR publications (for the first time), and direct mail. Members will be targeted again through IEEE-USA vehicles as well as ads in Spectrum magazine, although this time additional incentives may be provided to entice members to subscribe as employers.

We will experiment with a direct sales effort, calling HR managers to explain the benefits of the Service and answer questions and concerns.

This will be a very limited pilot program, since we do not have sufficient personnel on hand or budgeted for to expand it.

Public relations will include publicizing the results of the annual survey, resulting in news placements.

Estimated revenue given this level of effort is \$40,000-\$80,000. Costs this year are estimated at \$30,000 for conduct of the survey; \$30,000 for promotion; and \$25,000 for enhancements to the software. Next year, costs are projected to decline slightly, to about \$80,000, while income rises to \$50,000 to \$100,000.

Option B - Stay the Course on Steroids

Software development and survey operations as above, except that we would begin quarterly base-salary surveys. These would be done at the end of the 2nd, 3rd and 4th quarters, and would provide up-to-the-minute data on base salary levels through the year. Some additional software development and increased survey operations will be required to implement this, including potentially increased survey consulting work to enhance and present the data.

Increase promotional budget to \$75,000. With additional funds, we would increase the advertising and direct-mail components of the plan. Also, we would exhibit at one or two large HR trade shows. And we would experiment with additional forms of e-marketing, including banner ads and sponsored email.

Hire a firm to conduct a larger sales program. Sales reps would make cold-calls to lists of compensation officers or to qualified leads generated through other promotions. Payment would be made on a commission basis.

Public relations will include publicizing the quarterly base-salary results as well as the annual survey data.

Estimated revenue for this expanded effort is \$100,000-\$150,000. Costs are estimated for \$50,000 for conduct of surveys; \$75,000 for promotion; and \$35,000 for enhancements to the software. Next year, expenses would dip to about \$150,000, while income would likely rise to \$125,000 to \$175,000.

Option C - Refocus the Product

Offer a member discount for the subscription service and a non-member price for the free member version. Members could continue to gain free access to the basic Salary Calculator version upon completion of the Salary Survey; or they could purchase that version without taking the survey for \$49. They could also choose to purchase the published report for \$49. Or the full suite of online tools for \$199. Meanwhile, non-members could purchase the report alone for \$199; the Salary Calculator alone for \$199; or the full suite for \$399. This price and options schedule aligns better with our experience about the priority order in which tools are sought by members and employers.

If quarterly update surveys would be done, filling them out would become a precondition for extending the subscription to the free member version of the Service.

The effect of providing member pricing for the employer tools would be that some employers would purchase the tools at the member price.

Others would continue to use the free member version.

The employer tools would not be enhanced over time in order to limit costs for the program. (These enhancements include the proposed longitudinal analyzer and international version of the Service.)

Costs for conducting the survey would be limited by using lower-cost freelance survey analysts and limiting the scope of survey analysis.

Marketing would be done exclusively to IEEE members, mostly through channels that don't entail direct expenditures from the survey and marketing budgets.

Public relations would include publicizing survey results to the technical and general media.

Estimated revenue for this program would be \$30,000-40,000 this year, while costs would be \$25,000 for conduct of the survey; \$5,000 for promotion; and \$25,000-\$35,000 for initial enhancements to the software.

Next year, costs would drop to about \$40,000, with income running in the \$40,000-\$50,000 range.

Each of the above approaches has its benefits and drawbacks. If I were to recommend a course, it would depend on what the primary values are deemed to be for the Salary Survey program. If it is intended mostly as a member benefit and research tool, with a view to limiting potential expenditures or risk of net losses, then I think Option C makes the most sense. If the Salary Survey is to be relied upon as a significant source of non-dues revenue in the future, then Option B probably is the best choice, in my opinion. Spending money on product development and marketing increases short-term costs and risk of losses, but it is the only way to build sales of the product to the point where it can be a real money-maker for IEEE-USA in the long-term. On the other hand, given our very limited human and financial resources, it is hard to create and sustain the effort required to make this product successful. It is a very desirable member benefit and can be made even more so at low cost and with a likely rate of return on that investment to sustain it indefinitely.

Whatever course the leadership of IEEE-USA decides to take, I think we have the means in the options above to make that course a success according to the reasonable criteria assigned.

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