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## **A Look at the Declining Membership of Tennessee Association of Plumbing, Heating, Cooling Contractors, Inc.**

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**UNIVERSITY HONORS PROGRAM**

**SENIOR PROJECT - APPROVAL**

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PROJECT TITLE: a Look at the Declining Membership  
of Tennessee Association of Plumbing, Heating,  
Cooling Contractors, Inc

I have reviewed this completed senior honors thesis with this student and certify that it is a project commensurate with honors level undergraduate research in this field.

Signed: Mark A. Moon, Faculty Mentor

Date: 11-28-00

Comments (Optional):

**A LOOK AT THE DECLINING MEMBERSHIP OF  
TENNESSEE ASSOCIATION OF PLUMBING, HEATING,  
COOLING CONTRACTORS, INC.**

**University Honors Senior Project**

**FACULTY MENTOR:  
DR. MARK MOON, DEPT. OF MARKETING**

**Virginia Eckert**

**Fall, 2000**

## **Introduction**

Trade associations have been around since the 1800s. Organized by people in various industries, the mission statements include words such as “promoting the interest of.” There are more than 7500 associations in the U.S., and business owners and presidents of companies are faced with decisions regarding association memberships. The dilemma facing the Tennessee Association of Plumbing, Heating, Cooling Contractors, Inc. (TAPHCC) regarding membership is the focus of this research.

Declining membership can be attributed to two factors: failure to retain old members, failure to obtain new members, or both. This research is focused on attracting new members since the number of current members has varied very little over the past several years, except for the decrease in 1998 because of dues increases. Member retention seems to be rather stable even though not high; however, the ability to obtain new members appears to be the area of concern.

In order to determine ways to market the TAPHCC in the 21<sup>st</sup> century to attract new members, several factors should be considered. Answering the following questions should be helpful:

- What value and benefits are new members looking for
- What kind of organization must exist to interest new members?
- In what ways, if any, has the new generation of potential new members changed?
- What are the implications of these changes for an association with declining membership?

Faced with an aging membership, a changing industry, and declining numbers, a new marketing plan may be necessary in order to create a growing association. A look at the industry

and the environment reveals some recommendations. It is essential to determine the needs of potential members in order to offer benefits to satisfy those needs.

## **Background**

Around 1850 sanitary sewers and plumbing systems were unknown to Americans, but things were changing. Thirty years later in 1883 America was in the midst of industrialism, and the mass production economy was booming. Sanitary sewers and municipal water supplies brought the possibility of modern plumbing. The trade of “master plumber” was threatened by the changes taking place. Technical knowledge and business skills were needed along with the trade skills, and as with many new technologies, new mass-produced products were available before there were sufficient trained people to do the work. Shoddy and unsafe installations resulted from work performed by untrained “plumbers” as dealers sold their products to everybody and anybody, while taking no responsibility for installation or health protection. Master plumbers around the country were angry. In 1883 delegates from state Master Plumber Association assembled in New York for the first national convention of master plumbers, which led to the eventual formation over the years of today’s National Association of Plumbing, Heating, Cooling Contractors, Inc. Their central purpose has remained until today--”the contractor was the professional who alone could assume responsibility for both materials and installation and provide a complete, safe and sanitary plumbing system in the public interest.”

During the period 1883 to 1914 national membership rises to more than 10,000; the importance of trade education of members was recognized; and nationwide codes, licensing, and inspection laws were established. During the early 1900's, the Association dealt with antitrust legislation and legal troubles, and the state associations were prohibited from encouraging

manufacturers or wholesales from selling or shipping goods only to those in the plumbing industry. Apprenticeships training for new plumbing journeymen were developed to relieve a shortage of plumbers. By 1929, association membership was at almost 12,000. The Depression of the 1930's and World War II were times of waiting for problems to get better and planning for the association's role when the war ended. Unfortunately, by the war's end, public relations were identified as the contractor's key problem to overcome. Plumbers were encouraged to focus on the customer, avoid evading codes designed to protect both the industry and the customer, increase production, and discontinue "pricing ourselves out of the market" (Heritage Unique 68).

During the post war days and better economic times, dues' increases from \$5 to \$30 resulted in a decline in membership from 12,000 to 8,000 during the 1950's. A troubled organization entered the scene of the 1960's and 1970's because of direct selling retailing, increasing labor rates, interest rates, cost inflation, energy crisis, union problems, ecology, material shortages, taxes, image problems, and legislation in both the industry and the nation. Another dues increase from \$30 to \$90 occurred in 1974 to fund proposed solutions to industry problems. By the early 1980's a 6% increase membership had been attained as the national economy began to recover and the business climate improved with increased construction and productivity. Before the end of the 90's dues climbed to around \$300. During the 1990's the realization that through decades of difficulties, the plumbing-heating-cooling industry developed from an ancient trade into an industry that is vital to the health, safety, and convenience in every business and home in the nation. The central purpose of those early industry leaders "was to maintain the position of the contractor as the professional who alone could assume responsibility

for both materials and installation and provide a complete, safe and sanitary plumbing system in the public interest.” This purpose remains an association mission today.

During 1998, the national association passed a dues increase to include \$60 a year per field technician, up to a maximum of \$1000 per year. Discord developed throughout the association, and association membership suffered even more. The present national membership as of March 31, 2000, is 3272 paid members and 3321 members pending but not paid.

### **Marketing Research Issues**

As the background information from *Unique Heritage* points out, the Plumbing, Heating, Cooling Contractors--National Association membership has steadily declined since 1929. This report will concentrate on the Tennessee Association of Plumbing, Heating, Cooling Contractors membership which has declined at a comparable rate with the national membership. In November 2000, TAPHCC has approximately 70 members; contractors statewide number in the thousands. This number has remained relatively stable over the past few years with the exception of 1998 when the National Association increased the dues to as much as \$1000. Membership decreased during that time; therefore, it would appear that some connection was made between the amount of dues to be paid and the value received by current members who did not renew their membership.

Reasons for the membership changes that have occurred in the industry are important in determining how to market the association in the future. The main issue of the report is to attempt to discover those reasons and discover possible options to market the association. Primary data includes opinions of nonmembers, customer, and suggestions regarding a market plan. Secondary data includes the 1999 NAPHCC survey.

## Study

The intended plan was to gather information that the Tennessee Association of Plumbing, Heating, Cooling Contractors, Inc. could utilize in improving membership. The original plan was to conduct a focus group of six nonmember plumbing, heating, cooling contractors (phc) in order to determine their underlying needs for membership in a trade association. Because an attractive incentive is usually offered to focus group participants for their involvement, this plan became unacceptable. Providing an incentive from the TAPHCC could possibly appear that the focus group results were biased.

The revised planned study included developing a questionnaire for nonmember phc contractors focusing on the underlying needs contractors may have. Providing benefits to fulfill these needs would possibly assist the association in increasing its membership (Appendix A). Also, since the association has little emphasis on the actual end-user customer, a survey was developed for use with a small sample of users of phc services to determine any possible marketing focus which may have been overlooked in the past.

## Questionnaire

An interview questionnaire was developed on relevant topics of typical interest to association nonmembers: competitors, image, trade education, communication, meetings, industry interests. Answers regarding these issues could assist in determining how nonmembers feel about joining the TAPHCC. Demographic information was also included in the questionnaire (Appendix A). Both a Likert scale and open-ended questions were used in the questionnaire to cover as many issues as possible in the smallest amount of time possible. The plan was to interview five nonmembers. Over the time of the study, it became apparent that



participation by nonmembers would be difficult, if not impossible, until some time after the deadline for the project. Twelve contractors were chosen randomly, and calls were made repeatedly during a two-month period. Due to the nature of the industry and the present positive economic situation, it was extremely difficult to schedule time with the contractors. Low unemployment rates have left contractors with a multitude of jobs and not enough employees to complete the jobs. Over the two-month period, the chosen companies were narrowed to four contractors who were interested and willing to meet to complete the questionnaire. However, they were only willing to do so when work slowed down. Due to the time constraints of this project, the project will concentrate totally on opinions of end-users of contractor service. Suggestions for improving membership will be drawn from end-user responses.

### Surveys

While researching the background information on the association, it appears that an end-user customer survey could give some insight into the image of the association. An end-user customer survey was developed, and 50 homeowners participated (Appendix B). The end-user customers were eager to participate. The survey included closed- and open- ended questions and demographic information. This style was chosen in order to get as many comments as possible. The participants were chosen from more than one event in order to obtain persons from various backgrounds, such as a church music retreat, high school meeting, a college orientation for students and parents, and a neighborhood gathering.

## Results

As stated above, the phc nonmember questionnaire was abandoned because of time constraints. The phc end-user customer survey (random sample size of 50 homeowners) indicated the following:

### Demographic information:

49 Homeowners

20 Males; 27 Females; 3 Not checked

Ages: 25-35 1 36-45 25 46-55 18 56-66 None 67+ 6

### Survey results:

- 100% did not know the meaning nor had ever heard of PHCC
- 58% did not know that a phc trade association exist
- 52% did not perform their own plumbing work
- 88% do not perform their own heating/cooling work
- Referrals:

80% would ask either a friend or relative for a referral

20% would choose a contractor from yellow pages

8% would ask employee at home improvement store

0% would call a trade association for referral

48% would use 1-800 "Ask-for-a-contractor" referral number if available

The open-ended questions revealed some interesting comments and observations. Females were more likely than males to stress the importance of appearance of employees and trucks,

continuing education, and service after the visit. Females were more likely to offer suggestions and comments rather than “yes, no, or check mark” answers.

Suggestions offered by females included:

- Price is not an overriding consideration above all else
- Feelings about company are much better if employees are neat and clean
- Employees should keep up with technology advances
- Have someone to call when service after the visit is required
- Trucks should be neat with names which are easily readable
- Recertification of employees every year or two
- Call back after the service call
- Employees need IDs and uniform with company name
- Leave area clean after service
- Guarantee service

Some general observations were made. Almost 100% would not hire an unlicensed contractor unless they knew the contractor. The majority of those surveyed considered educated employees and continuing education important. Prices were expected to be fair, reasonable, and competitive. Neat employees were important to most, and service-after-the-visit appears to be a must.

### **Limitations**

Obstacles faced during the project resulted from the business schedules of phc contractors. During this year the spring, summer, and fall seasons have been an extremely busy time for contractors due to increased construction, a hot summer, a positive economy, and good weather.

The secondary source, *The 1999 Contractor Survey*, conducted for the NAPHCC Educational Foundation offered little assistance in analyzing declining membership. Results were from both member and nonmember respondents, and two-thirds of the nonmember respondents had been members. Also, the only 16.7% of respondents were less than 40 years old, and on average companies had been in business for 33.5 years. In general, very few of these survey respondents are the business owners targeted for this report, and the survey evaluates satisfaction of PHCC members. The survey did find that 30% or more of the respondents expressed either “neutral” or “no opinion” when asked about satisfaction level with the national association. “This is a significant degree of disassociation and may foretell growing membership retention problems” (Survey 36).

### **Customer Value**

Before deciding on new marketing strategies, the TAPHCC may consider looking and understanding the importance of customer value. “Customer value is the customers’ perception of what they want to have happen (i.e., the consequence) in a specific use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal” (Woodruff 54). Any market-driven organization must create value for customers and must continually improve to increase customer value. Searching for new ways to offer customer value has become critical as customers have become more demanding and selective in their purchase decisions. A clear understanding of how customers perceive benefits and the sacrifices they make to gain value is more important now than ever before. Potential association members do not purchase a membership; instead, they purchase a perceived list of benefits. Both NAPHCC and TAPHCC publish a List of Benefits (Appendix C); however, the closer the fit between the perceived benefits

and their perceived needs the more value is created in the membership. In order to provide benefits, memberships must solve problems for the contractor, provide some desired pleasure, perform needed jobs, or possibly provide some indirect purpose or function. Perceived value of membership might possibly be raised by the value that the end-user places on association membership. If the TAPHCC increased the value of association membership with end-users, the perceived benefits and sacrifices would be viewed differently by contractors.

The customer-value strategy concentrates on how to improve the organization's position in order to attract targeted customers rather than on satisfying existing customers. Focusing on and understanding the changing industry and environment, the TAPHCC can develop a framework to increase customer value to the end-user and the contractor. Tomorrow's customers, both end-user and contractor, will be different from those in the past. They will have a totally different way of doing business through the power of the Internet (Ferguson, 90). Younger people are becoming contractors and end-user customers; their needs and demands will differ from older contractors and homeowners. Also, knowledge is power, and communicating with customers in a variety of ways provides knowledge for customers that creates strong relationships. Power given to the end-user and relationships developed with the end-user creates value for the contractor.

Customer-focused organizations are structured to move closer to the customer. The basic philosophy focuses on what the customer needs, and what changes can be made in services to adapt more quickly to the needs of the customer (Homburg, 459). Placing customers at the center of the organizations strategy develops an organization's performance and responsiveness.

Continuous improvements must be achieved which are directed toward the customer value (Kaye, S594).

Because of obvious constraints of time and small survey size, an extensive end-user analysis cannot be done. However, the surveys attempted to identify enough dimensions to determine if end-user analysis could create value of association membership. It appears that end-user values of contractor services can certainly be used for this purpose.

### **Recommendations**

Suggestions for understanding customer value, delivering customer value, and communicating customer value emerged from the end-user surveys and research. These suggestions are as follows:

#### Understanding Customer Value

- Conduct a comprehensive market opportunity analysis
  - Examine the macro environment
  - Determine market target segments
  - Conduct an internal analysis to determine strengths and weaknesses
  - Conduct an external analysis to determine threats and opportunities
  - Determine attractive market segments, and develop a marketing plan for those
- Review the “sacred cows,” determine their value
- Create competition for members through an active “PHCC image” plan.
- Develop a clear-cut market position, competitive advantage, and strategies to gain that advantage, i.e., image

- Establish plans of a personal informal visitation plan, i.e., one member, associate, and nonmember per week
- Use University of Tennessee College of Business Administration classes as a resource for surveys, questionnaires, and research
- Become fine-tuned to a changing target member segments
- Determine if the benefits presently offered are things are really valuable to nonmembers

#### Delivering Customer Value

- Create out-of-the-box thinking--conduct regular focus groups consisting of nonmembers, members, and consumers to facilitate a complete understanding of the changes occurring in the industry.
- Look at various membership target segments and decide if differentiated segmentation strategy could be beneficial, i.e., 35-40 year old company owners
- Pursue video-seminars and web-based training
- Consider adding audio-books on tape to association library
- Become involved in school-to-work programs to develop new supplies of skilled workers, i.e., job shadowing, mentoring, internships, cooperative education, youth apprenticeships
- Consider association community involvement

#### Communicating Customer Value

- Develop relationships with some local journalists to be used as a personal contact in enhancing public relations through local papers.
- During spring and fall, obtain dates with local morning and early evening TV shows in order to obtain media coverage for the association and members

- Secure billboards at appropriate times of the year to promote consumer issues of heating and cooling opportunities and capitalize on publicity generated
- Implement an advertising campaign using local cable ads
- Expand the association data base to include statewide nonmembers from the Knox County Library database
- Communicate services to the public through public relations campaign
- Develop association services for consumers, i.e., 1-800 referral service, online services and also advertise these services
- Convey to end-user consumers the value of association membership

#### **Other Issues**

Other issues surfaced during the research and conversations with contractors and end-users. Determining the level of aggressiveness that is needed to meet desired membership results can be difficult in the not-for-profit culture. However, an organization facing too few members may need a more aggressive style than one which is fulfilling its objectives (Rados). An extensive analysis of the association's environment is encouraged. Economic factors may play an important role in association membership. With a sound economy of low unemployment, increasing wages and disposable income, and increases in homebuilding, phc business can be quite comfortable for most contractors. Contractors may see little value of a trade association if they are doing fine without it. Also, without urgency from their customers to be a member, the value is diminished again. In addition to economy, lifestyles and culture of 25-40 year old contractors merit some attention. New association members will likely come from this age group, and their attitudes will probably vary from the many present members of 50+.



*In The Five Most Important Questions You Will Ever Ask About Your Nonprofit Organization*, Peter F. Drucker has developed a Self-Assessment Tool for Nonprofit Organizations. Using this tool, an organization can rethink its mission, identify various customers, consider customer value, look at strengths and weaknesses, and develop a plan of action. Basically, the tool is a mini version of a full Market Opportunity Analysis and could be helpful for an organization

There are no silver bullets that guarantee success. Operation of non- and not-for-profit organizations vary from profit-making organizations. With no personal financial stake, individuals involved in association leadership are quite different from shareholders. Association leaders, members, and boards must buy-into the association and its activities to satisfy a personal agenda since finances are not an issue.

Implementation of these recommendations does not guarantee membership increases; the recommendations are obtained from a limited sample size due to the time constraints of the project. They only represent possible benefits that could satisfy the underlying needs of potential association members and focus on increasing recognition by consumers.

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## MEETINGS

Would consider be the value of informational/training meetings?

Not valuable      Valuable      Very valuable

How often should they be held?

Every two months      Quarterly      Semi-annually      Annually

How far would you travel to attend?

Less than 50 miles      100 miles      More than 100 miles

Would you consider the value of employee training seminars?

Not valuable      Valuable      Very valuable

How often should they be held?

Every two months      Quarterly      Semi-annually      Annually

How far would you travel to attend?

Less than 50 miles      100 miles      More than 100 miles

## MAKING CONTACTS:

What is the most effective method in relaying information to you?

<u>Method</u>	<u>Not effective</u>	<u>Effective</u>	<u>Very effective</u>
Phone call			
Letters			
Faxes			
Newsletters			
Emails			

How often would you prefer contact from an association representative if you were a member?

<u>Contact</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-annually</u>	<u>Annually</u>
Phone call					
Personal visit					
Newsletter					
Email					

## CONCERNS:

Would you be interested in high school interns at your business?

Should the TAPHCC provide web presence with industry information for consumers?

Other Comments or Suggestions:

## THE UNIVERSITY OF TENNESSEE

## MARKETING - CUSTOMER SURVEY

## University Honors Seminar

1. Do you know the meaning of "PHCC" or have you ever heard of "PHCC"?  
Yes \_\_\_\_\_ No \_\_\_\_\_
2. Do you know that a trade association for plumbing, heating, cooling contractors exist?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Do you perform your own plumbing work? Yes \_\_\_\_\_ No \_\_\_\_\_
4. Do you perform your own heating/cooling work? Yes \_\_\_\_\_ No \_\_\_\_\_
5. If you hire someone, how do you choose a contractor if you need plumbing work or air conditioner/heating work?

Check one: Ask a friend or relative \_\_\_\_\_ Choose from the yellow pages \_\_\_\_\_  
 Call for referral through a trade association \_\_\_\_\_  
 Ask employee at home improvement store \_\_\_\_\_  
 Other \_\_\_\_\_ Explain \_\_\_\_\_

6. Would you use a toll free 1-800 "Ask-For-A-Contractor" referral number if available?  
Yes \_\_\_\_\_ No \_\_\_\_\_
6. When hiring a plumbing, heating, cooling company to do work for you, how do you feel about these:
  - Hiring an unlicensed Contractor:
  - Educated employees in up to date procedures:
  - Prices:
  - Appearance of employees and trucks who show up at your door:
  - Continuing education for plumbing, heating, cooling employees:
  - Service after the visit to your home for repairs:

Comments:

Home Owner? Yes \_\_\_\_\_ No \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_  
 Age: 25-35 \_\_\_\_\_ 36-45 \_\_\_\_\_ 46-55 \_\_\_\_\_ 56-66 \_\_\_\_\_ 67+ \_\_\_\_\_