



February 14, 2017

Dear Governing Board Members,

## FMCA'S FUTURE

For a while now, the FMCA leadership has been wrestling with some big decisions. We believe we are at a crossroads, and we need to make some significant changes to ensure FMCA's future, and allow us to continue to meet the needs of members.

Following are some facts we believe will help you to make decisions when we meet in Indianapolis, Indiana, in July. We want you to have this information as you talk with your chapters and other FMCA members between now and then. Some of this isn't easy to talk about, but we want you to see the picture as we see it, so that you can make a knowledge-based, business decision.

- FMCA peak active membership level, in the year 2004: 130,000 member families. FMCA membership today: 70,500 member families.
- Motorhome sales today represent a much smaller piece of the RV pie. In 1986, motorhomes represented 37.7% of all RVs shipped to dealers; in 1996, 22.3%; in 2006, 14.3%; and in 2016, motorhomes made up only 12.7%.
- The average age of FMCA members seems to have gone up, even as more young people enter the RV market. 2001 FMCA membership survey: average age of an FMCA member, 65. 2015 survey, average FMCA member, age 71. On the other hand, RV industry statistics show that the average RV owner is age 48.
- As with any business, FMCA has both fixed and variable costs. **Exhibit A: Per Member Analysis** shows current revenue and expenses expressed on a per-member basis. FMCA currently is spending more per member than it is bringing in. Adding members would help with this equation by lowering the per-member costs. With growth to 125,000 members, for instance, revenue per member would exceed the per-member expense.
- The cost of providing FMCA member benefits continues to go up. For the past few years, FMCA has been funding the FMCAssist Medical Emergency and Travel Assistance program from FMCA investments. We've also been funding marketing efforts from investments. In fiscal year 2015, FMCA withdrew \$406,141 from investments to pay for those two expense items. In fiscal year 2016 (with an increase in the FMCAssist premium, plus added marketing activity), FMCA withdrew \$794,712 from investments.



- Premiums for the FMCAssist Medical Emergency and Travel Assistance Program have increased from \$4.32 per year per member family in October 2014 to \$8.52 per year per member family currently. With the loss ratio the program has experienced, as a result of more members than expected using the program, we are projecting that the premium likely will increase to as much as \$11.24 per member per year in fiscal year 2018. See **Exhibit B: FMCAssist Stats**. Adding younger FMCA members would help with the loss ratio, which would help to keep the costs down and help us to retain this as a member benefit. If the current provider cancels, we would be hard-pressed to find another insurer to provide coverage without a substantial premium increase.
- FMCA experienced net membership growth in fiscal year 2016 for the first time since 2003. The net increase was 616 member families. However, we spent \$269,901.76 in marketing dollars to help achieve this relatively small increase. See **Exhibit C: Membership Trend**.
- Financial experts tell us that we are due for a stock market correction. It's not a matter of if; it's a matter of when. **Exhibit D: 100 Year Stock Market Analysis** shows the peaks and valleys the market experiences. So, we can't keep doing what we've been doing and drawing out money to pay for FMCAssist and marketing expenses.
- For many years, *Family Motor Coaching* magazine was referred to as the "cash cow" for the association, generating between \$5 million and \$8 million a year and providing a significant portion of FMCA's revenue. Then the internet came along and caused a major disruption, not just for FMCA but for publishing companies in general. Digital advertising doesn't command the same type of revenue as print. In fact, it's frequently been said that print dollars have become digital dimes. The Great Recession added further insult to injury. Plus, consolidation of companies within the RV industry has impacted advertising revenue. In fiscal year 2016, advertising revenue totaled \$1,824,498, including the magazine and website. Expanding FMCA's scope to welcome all RVers, as is being proposed, would open up possibilities in terms of new advertisers; however, the days of the magazine generating millions of dollars in revenue will not return. So, FMCA now must rely more on membership dues to sustain itself.

At the end of 2016, we asked the membership to approve an addition to the FMCA Articles of Incorporation that would allow us to explore the idea of forming a subsidiary organization that would welcome owners of other types of RVs. Once we gathered facts, opinions, and some good old common sense, we concluded that a better plan would be to simply open FMCA membership to all RV owners. That is the proposal that will come before you during the meeting in Indy. We see this as something that we need to do in order to secure FMCA's future.

Welcoming more members to FMCA would help to spread out the costs of providing benefits. And at the same time, we'd be able to share our sense of community with all RV owners. The world has changed, and it seems that FMCA must change as well.

Gloria and I have put many, many miles on our motorhome since I became FMCA national president. We've met hundreds of FMCA members, plus a bunch of folks traveling in other types of RVs. One thing we've learned is that it doesn't really matter what type of RV you have. RVing is less about the equipment we use and more about the people who enjoy the lifestyle. Many of us – Gloria and me included – started out in a travel trailer. And although the RV industry reports that a sizable number of younger people are jumping into the RV lifestyle, most of them aren't ready yet for motorhome ownership; however, they have a lot of the same needs and interests as we motorhomers do.

The attached presentation explains some of the rationale for welcoming all RV owners into FMCA. Also included are proposals to amend the FMCA Articles of Incorporation, Constitution, and Bylaws to make it possible to move forward with “remodeling” FMCA to meet the needs of current and future members.

Please help us grow FMCA by approving this recommendation when it is presented to you during the Governing Board meeting at FMCA’s 96th International Convention in Indianapolis, Indiana, on July 12.

Remember, “It’s all about having fun!” Let’s keep that going and open the doors for others to have fun with us!

A handwritten signature in cursive script that reads "Charlie Adcock".

Charlie Adcock, F311374  
National President

P.S.: Any questions regarding this letter? Please email me at [cadcock@fmca.com](mailto:cadcock@fmca.com). Include your phone number and question and I will give you a call to discuss.

# Exhibit A

## Per Member Analysis

	Revenue (excludes convention, merchandise and advertising exchange)	Expenses (excludes convention, depreciation, merchandise and advertising exchange)
Current Membership:	\$62.26	\$78.27
125,000 Members:	\$62.26	\$60.54

# Exhibit B

## FMCAssist Stats

<u>Policy Year</u>	<u>Member Cost per Year</u>
10/1/14-9/30/15	\$4.32
10/1/15-9/30/16	\$5.65
10/1/16-9/30/17	\$8.52
10/1/17-9/30/18 (projected based on current loss ratio 10/1/16-1/31/17 and current membership level)	\$11.24

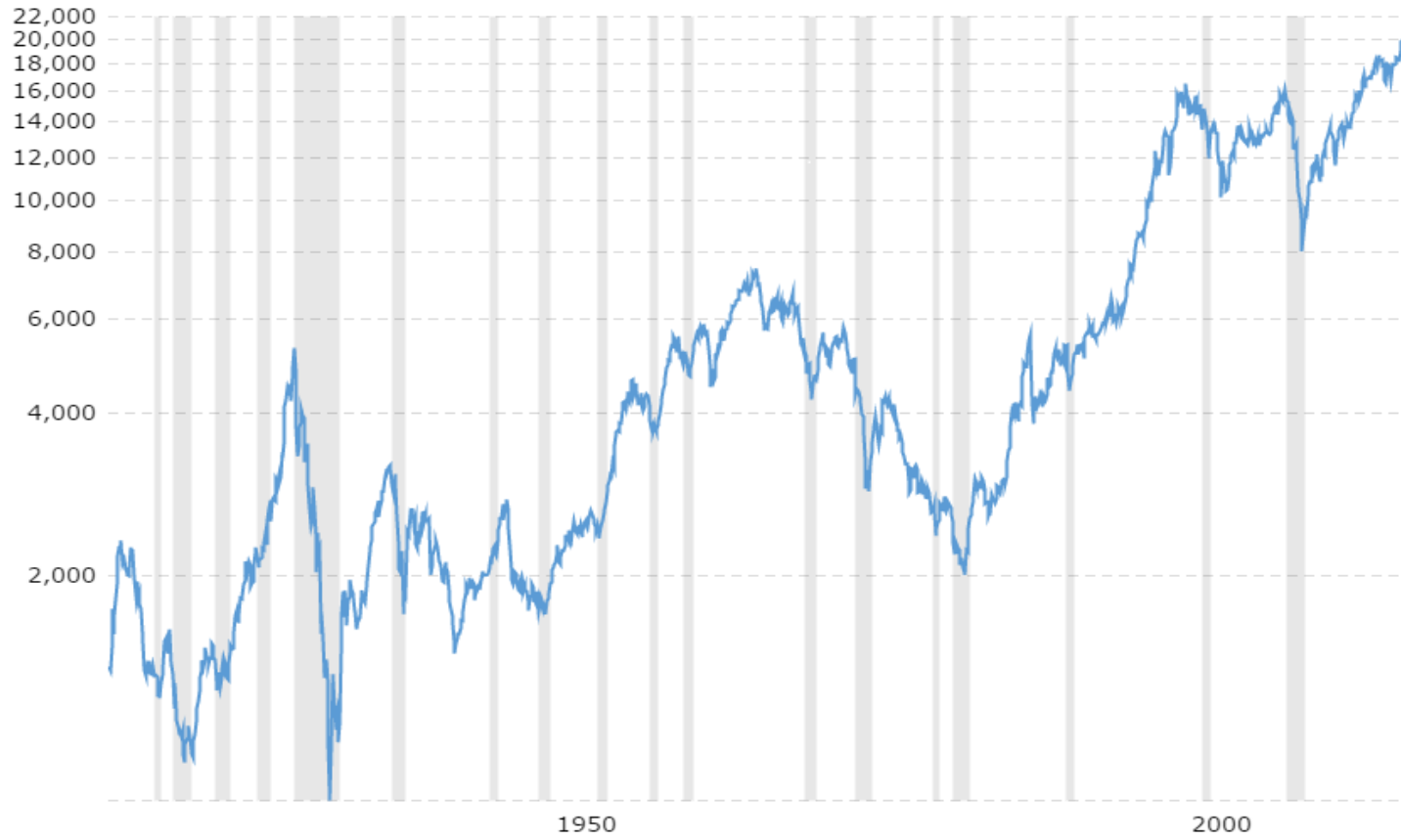
# Exhibit C

## Membership Trend

<u>Date</u>	<u>Membership Count</u>	<u>+/- Previous Period</u>
6/30/2010	97,065	
6/30/2011	89,864	(7,201)
6/30/2012	83,708	(6,156)
6/30/2013	78,790	(4,918)
6/30/2014	75,699	(3,091)
6/30/2015	71,771	(3,928)
Fiscal Year 2016		+ 616
Money Spent on Acquisition and Retention Tactics 2016		\$269,901.76

# Exhibit D

## 100 Year Stock Market Analysis





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FMCA REMODELING PROJECT  
2017 – AND BEYOND



# Background

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Over 54 years, FMCA has built a strong foundation and “brand” on the current Mission Statement:

- The Mission of Family Motor Coach Association (FMCA) is to bring together motor coach owners who share similar interests in congenial traveling, recreation, and social activities in order to preserve and perpetuate the traditional ideals and spirit of friendly and wholesome family fellowship as manifested by the founders of FMCA.

RVIA reports that there are 8.9 million RV-owning households in America

RVIA reports motorhomes represent 12% of new RV sales each year

Assuming that same percentage applies to overall RV ownership, we could conclude there are over 1 million motorhome-owning families in America

With just over 70,000 members today, FMCA membership represents a 6.5% penetration of the motorhome-owner population

**Leadership asks: Is it time to remodel and open membership in our Family to ALL 8.9 million RV-owning households, for the benefit of legacy members and the future of RVing?**

# Competitive Landscape

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Good Sam has been the largest organization for RV owners for decades. Intelligence indicates their appetite for "community" is not what it once was.

Escapees. FMCA and Escapees peacefully co-exist and a "remodel" of FMCA would not change that.

Hundreds of segmented organizations exist. Equipment type, traveler preferences, geography and more. A remodeled FMCA would not threaten nor replace people's interest in affiliating with like-minded individuals.

Online communities exist, but are not competition for a remodeled FMCA that includes but transcends online communications. FMCA's network facilitates and fosters face-to-face connections, and a remodeled organization would only expand that opportunity.

*RVers belong to different organizations for different reasons.*

# Audience demographics

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Average age of today's FMCA member: 71

Overall RV owner demographics, as reported by RVIA:

- 48 years old
- Fastest-growing segment of first-time RV ownership – 35-54

*Today's FMCA has to **wait** for RV-owning families to move through equipment purchases and other demands on their time-talent-treasures until they purchase a motorhome and become eligible for membership.*

# Options: Build new? Or Remodel?

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FMCA leadership and staff explored the possibility of creating an entirely new organization for non-motorhome-owning RVers

But then we realized – that’s just creating the SAME problem on the other side of the equipment “wall!”

Building a new organization also carried much more risk to the organization: higher costs, more effort to build a “brand” from scratch, more resource drain on headquarters to create essentially redundant operations

# Reasons to Remodel

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## **Larger prospect audience: 8.9 million or more**

Ability to develop a relationship when people *begin* their RV-owning journey and influence positive RV experiences; ability to maintain relationships with members who no longer own a motorhome (equipment shift)

Support chapters' ability to recruit and thrive by allowing a broader audience of RV owners

Syndicate benefit and administrative costs across a larger audience; deliver better and less expensive benefits for ALL (legacy members included)

Ability to better collaborate with RV manufacturer partners and make it easier for them to support FMCA events

Capitalize on a perceived opportunity to leverage and expand FMCA's brand as the RV Lifestyle "community" that Good Sam appears to be moving away from

**FMCA's BRAND and core values are not fundamentally limited by the type of equipment. Replace "Motorhome" with "RV" and it doesn't materially change the Core Purpose and Core Values →**

# Core Purpose – Core Values

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## Core Purpose:

- To be the premiere organization for [RV] owners that promotes [RVing] for family, fun, and fellowship

## Core Values:

- Members are the focus
- Family, Fun, & Fellowship
- Integrity
- Sharing common interests
- Volunteerism
- [RV] Safety & Education

And the main reason:

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**More members = More fun**

# What changes?

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Transition to using “FMCA” instead of “Family Motor Coach Association” (precedent: AARP)

Expand content to address needs and interests of PEOPLE, and less about equipment

Perspective. FMCA becomes INCLUSIVE of all RV owners.



# What doesn't change?

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Community emphasis

Family emphasis

Industry leadership position

Celebration of the “RV Lifestyle” – whatever equipment an owner chooses!

Commitment to delivering peace of mind while traveling

Commitment to speaking up for RVers (all equipment)

Commitment to delivering great value in the form of benefits and access to programs all RVers need (FMCAssist, FMCA Roadside Assistance, FMCA insurance and more)

# What's Next

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Approve modification to Bylaws

Engage membership in adoption

Open our (new) doors!

