

MEASURING SUCCESS

Show Them What You're Working with: How Transparency Leads to Sustainability



By Sacha Litman

What does capitalism and market pricing have to do with synagogue membership retention and growth? In a capitalist system, we know that price should reflect the value a product or service adds to society. Yet time and time again, researchers discover that people are egregious at accurately estimating the price of an item or service.

Several years ago, Panera Bread undertook a social experiment in which menu prices were left up to customers. The idea was that those without financial means could eat and those with means could subsidize the needy. Panera listed suggested prices. The company found that the average amount paid by customers for each item was about 80% of the retail price (60% of customers paid suggested price, 20% paid more, 20% paid much less).

What does this have to do with faith-based institutions' membership retention and growth? Our research based on hundreds of synagogues we have worked with has shown that synagogues do not set prices for programs anywhere close to their cost. For instance, the fee for Hebrew school is typically priced at 50% of its true cost to the synagogue. Adult education programs are typically offered for \$10 or \$20 a ticket, when the actual cost to the synagogue is \$100 per person or more.

Some would say this is not a problem, since synagogues have membership dues and fundraising to subsidize the difference. Therein lies the danger. By charging a low price and not sharing with participants the true cost (as Panera did), synagogues do themselves a grave disservice. Since price in a capitalist system implies value, and people are bad at estimating true cost, a synagogue de-values and cheapens the perceived quality of Hebrew school, adult education, or any service it provides when it prices low. If I tell you that Hebrew school costs \$900 a year, that's the level at which you'll value it. But if I tell you that it costs the synagogue \$3,000 a year, and I am charging you \$900 and the rest is being covered by your membership dues, you will value Hebrew School more highly, and also place greater value on your membership dues.

A second pernicious problem for religious institutions is that using membership dues and fundraising to offset program deficits only works if members value the programs in the same proportion as they are being subsidized. For example, many synagogues we have studied use 30% of their membership dues and fundraising to pay for the deficit in Hebrew school (due to low price and low attendance). Yet when we surveyed members about preferences, they only wanted 3% of their dues and voluntary contributions to go to Hebrew school. That's a huge disconnect. A key reason that synagogue members leave congregations is that their money isn't funding the services they value. Don't get me wrong—we are not arguing against subsidizing Hebrew school or other programs. But if leaders want to keep subsidizing Hebrew school so heavily, they must do a better job of educating members as to the importance of education programs as well as the true cost to educate (well more than the price charged). Leadership must also explain to empty-nesters that just as their children were subsidized, so too they must subsidize the education of the next generation.

Our surveys of 20,000 synagogue members have shown that the key driver of synagogue membership is the perceived value for the dollar of membership. What most strongly correlates to perceived value for the dollar? Budget transparency. When leadership doesn't share the true cost of programs, and uses funds to subsidize programs as it sees fit, not only do recipients undervalue the program, but they also feel a disconnect with the synagogue that ultimately causes them to leave the congregation. Including members in the conversation about budget priorities and explaining the rationale behind expenses is a great step to retaining members and ensuring financial sustainability.