



6 February 2023

To: Chairman of the Board, Marine Corps Association
From: President and CEO, Marine Corps Association

Subject: 2023 MCA BOG & BOD Winter Board Meeting CEO Report

Chairman,

Please accept this report in fulfillment of my update for Winter Board Meeting 2023. I continue to hold fast to my previous assertion that The Marine Corps Association continues to be the preeminent association dedicated to the professional development of Marines--- it's all about our great team of professionals making it happen. As briefed, the Marine Corps Association is, in my opinion and as indicated by criteria used to assess progress (value and growth to include a few), aligned and progressing on all objectives established by the 2025 Strategic Plan.

We've closed the books on 2022. In every sense of the word, this has been another extraordinary period in the history of the association, filled with a tremendous amount of accomplishment and a deep sense of professional satisfaction shared by all members of our team. We have increased our value and reputation by delivering programs, events, and intellectual content that far exceeds Service expectations.

On all fronts, we have made or sustained significant progress. Our magazines, which are the central element of our association's professional development efforts, continued delivering prize winning professional content and articles focused on past, present, and future Marine Corps topics. On the other side of the program, but closely aligned in the professional development space, our events, eighteen in all for the year, delivered some of our most memorable moments.

Whether recognizing professional excellence through our award programs, listening to DoD senior leadership, discuss national military strategy, or the Commandant and other Marine Corps leadership addressing Force Design 2030 vision and intent, our events were recognized by all who attend as some of the years very best. Spanning the globe, this past year we have traveled outside of our normal AOR of northern Virginia, to places where Marines and friends of the Marine Corps needed us most. From East Coast to West Coast force locations, to Chicago, Okinawa, and Germany, our intent and mission have been to assist the Marine Corps in communicating professional development and to show the value of the Marine Corps Association—I feel we accomplished both and much more.

This past year, we also hosted Modern-Day Marine for the first time ever in the Walter E. Washington National Convention Center in Washington D.C. Once again, the team, in partnership with the Marine Corps League and Emerald Inc., met or exceeded the Commandants

intent and vision of having a professional or “varsity level” event which assists the Marine Corps in telling its’ story (concepts, capabilities, and requirements) to industry partners, Congress, allies, and all who attended. We moved from the parade deck on Quantico to a world class venue worthy of the Marine Corps.

Looking towards 2023, my outlook remains optimistic and full of promise for increased revenue from our major lines of business. Our Affinity Partnership with USAA is stronger than ever and continues without issue. This partnership provides us with a major revenue stream which allows us to stabilize association operations and program delivery. Having said that, we are working to determine/forecast our affinity relationship once the current agreement expires in 2025. USAA is re-thinking their approach to military affinity programs and thus I am concerned that they will not renew on the same terms as we currently have. I will engage USAA later in the year to request a business meeting to explore what the future has in store for us.

We will continue to build upon our relationship with the Marine Corps League having laid the seeds of a true partnership over the past year. I strongly believe that our relationship the MCL is a strategic one for the association, which in the long run provides significant value and benefit to both sides. In the near term, we are actively working with MCB Quantico to gain approval for MCA to lease MCL office space in our Headquarters building.

We have and will continue to forge relationships with all service associations (AFA, AUSA, and NL). These are best in the class service associations and provide us with potential cross leveling of support, professional connections, and in some regards, legitimacy. We are working on reciprocal arrangements for membership, events, and other value-based items (i.e. discounts for our members) offered by these associations.

We concluded our analysis of retail operations as task in *The Marine Corps Association Strategic Campaign Plan 2025*. MCA hired Excelerator Inc. to conduct an objective assessment of all current MCA retail-related lines of effort including Brick and Mortar and E-commerce operations. In their assessment, Excelerator was specifically tasked to:

1. Understand the current retail operations of The Marine Shop, both brick-and-mortar and e-commerce.
2. Gain insights into the operational and overall business challenges.
3. Review the organizational structure to include the employee roles in the stores.
4. Develop recommendations and a business plan to address opportunities.

Resulting from the findings of this effort, we have calibrated our retail revenue outlook for 2023-2025 timeframe. Described in our business plan, proper implementation of retail industry practices, active marketing campaigns, Search Engine Optimization (SEO), and other supply chain refinements, can potentially increase our net profit to 18% over a three-year period. We currently yield a 3% net profit. Retail industry average hovers between 2.5% brick-and-mortar and 4% for E-commerce operations. Once approved, the business plan can be made available to all board members.

Coming off our 12th consecutive clean audit in as many years, we find ourselves in a favorable position to complete this year’s audit sooner than in previous years. Thus far, for 2023 we’ve completed the physical inventory portion of the audit during the second week of January. We have requested that CLA initiate the administrative bookkeeping portion during February. However, due to CLA’s internal commitments, they were unable to do so. At this point, we’ve agreed to an end of March start date.

Business office initiatives undertaken in 2022 are proceeding as planned. Thus far, we have transitioned or are in the process of transitioning all banking from United Bank to Bank of America. Employee health insurance benefits and our new insurer are in place without issue. The 401K plan will transition to a new plan provider in the coming months. Initiatives were undertaken as cost saving measures to increase the value of the benefit for both the association as well as our employees.

Membership remains an area of increasing risk to the association and is my focus area. Declining membership has a direct impact on revenue. As importantly, declining membership signals a direct indicator of the value that the association provides its members and perhaps spells a greater problem of relevance to our Marine Corps. At last report, provided during our Winter Board Meeting, the Association had ~41,000 members. Today we count roughly ~40,900. This is a moving number, but generally we have ranged from a low of 40K to 51K during 2022. To sustain revenue at its current levels, we need a minimum of ~47,000 members.

The Professional Development Membership Awards Program (“PDMAP”) has been used with mixed results. We are exploring different marketing opportunities with our affiliate partners to push membership as an incentive for joining their organization. We have hired Telepros, a telemarketing company to help boost recruitment. Additionally, we have onboarded CWO5 Chris Mayfield from the Skill Bridge Program to assume the leadership role for membership. He is a career recruiter having just come to us from Marine Corps Recruiting Command. I will establish a Director of Membership with associated support staff to ensure that membership is the weighted main effort.

	Oct 2017	Jan 2018	Oct 2019	Oct 2020	Oct 2021	Jun 2022	July 2022	Jan 2023
Active Members	70,565	69,656	65,616	54,794	46,252	40,471	41,253	40,950
Cancelled Members		1,000	4,040	10,822	8,542	5,781	303	

On the corporate sponsorship and advertising front for 2022, led by LeeAnn and her team, we exceeded our net goal by \$403,724 during this period, bringing total contributions to \$1,982,405. We remain strongly positioned to surpass revenue goals in 2023. Our partnerships with industry, their willingness, and generosity to support our awards programs and professional events continue to be strong indicators of the value that they find in their relationship with the Marine Corps Association.

The Marine Corps Association's supporting Foundation provided tremendous support to Marines in 2022, in fact setting a new high for program delivery. Additionally, the Foundation achieved a significant contribution total at a time when economic impacts have caused some donors to give less than they typically do.

Our Foundation continues to have very loyal donors who have stuck with us through COVID and the current economy. The Foundation ended 2022 with \$1.93M in contributions and just over \$2M in overall revenue. While industry wide individual donations are down, and we have been affected by that to some degree, you can see by this remarkable annual contribution amount that we continue to receive funding from major donors and also from the large base of lower level but consistent supporters. In addition to keeping most of our loyal donors, our investments in acquisition are also paying off as we're beating industry norms for acquiring new contributors.

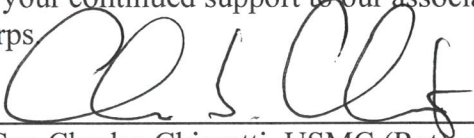
In terms of program delivery, in 2022 we returned to our pre-COVID level of support with nearly \$1.17M spent on nearly 49,000 Marines across the Corps. In 2020 and 2021 we were below \$1M in program expense but this past year is more in line with where the Foundation should be, and we did it while keeping management, general expense and fundraising expense below budget. We have provided nearly 4,000 excellence awards to Marines, have sent almost 7,000 Marine leaders out on staff rides and battlefield studies, and continue to provide our writing awards, unit library support, and wargames.

The bottom line is that MCA does what we say we do for Marines: we continue to get leaders—NCOs, SNCOs, and officers—out on battlefields to learn the lessons of history and apply them to current and future challenges, and we continue to recognize and reward critical thinking and writing and the superior achievement of Marines across the Corps. The efforts of the Marine Corps Association Foundation help make that possible.

In 2023 the Foundation will continue direct mail donor acquisition and solicitation and will also conduct our fundraising events like the golf tournament and Giving Day. I've also tasked the Foundation staff to make a more concerted effort to find major donors capable of significant contributions or endowments. In conjunction with the Dallas Professional dinner, we are planning a donor focused event in Houston, but we also need to find and visit major donor prospects. These efforts will be enhanced with Board involvement and assistance.

In closing, I want to again thank the board members for their continued support. Each one of you has reached out to me or my staff to provide needed subject matter expertise, recommendations, or advice—all of which, has been greatly appreciated.

I am honored and humbled to be given the opportunity to lead this association and our team into my second year and am ready to face all the exciting challenges that lay ahead. I thank you for your continued support to our association and more importantly, our United States Marine Corps



LtGen Charles Chiarotti, USMC (Ret)
President & CEO

2.6.2023
Date

CEO's Strategic Assessment

2023 Winter Board Meeting

as of 02/05/2023

Forecast 6-12 Months

Winter 2023

Summer 2022

Focus Area

• Membership	●	●	●
• Retail Performance	●	●	●
• Advertising	●	●	●
• Corporate Sponsorships	●	●	●
• Foundation Donations	●	●	●
• Investments	●	●	●
• Overall Cash Flow	●	●	●



● = Meeting Expectations ● = Not Meeting Expectations ● = Off Track / Potential Board Assistance



MARINE CORPS
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CEO's Strategic Assessment

2023 Winter Board Meeting

as of 02/05/23

Forecast 6-12 Months

Winter Feb 2023

Summer 2022

Focus Area	Summer 2022	Winter Feb 2023	Forecast 6-12 Months
• Modern Day Marine Expo	●	●	●
• Foundation Program Delivery	●	●	●
• USMC Senior Leader Support	●	●	●
• Strategic Plan Execution	●	●	●
• Relationships w/ Sister NFES	●	●	●
• Digital Presence / Social Media	●	●	●
• Board Succession Planning	●	●	●

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