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What the California Gold Rush Can Teach You About Your Data

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On January 24, 1848, James Marshall discovered gold at Sutter's Mill in Coloma, California. In the next three years, over 200,000 people flocked to California seeking their fortunes in gold. This is known as the California gold rush, and because much of it occurred in 1849, the gold rushers were known as 49ers.

Not surprisingly, the vast majority of these people never discovered gold, or if they did, not enough gold to make all their efforts worthwhile. There were several reasons for this:

1. They didn't know where to search for gold
2. They didn't have the right tools
3. They didn't know the difference between real gold and fools gold
4. They didn't know how to turn the gold into money.

It is these same four reasons that keep associations from finding the gold hidden in their databases. Using the 49ers Gold Rush metaphor, we can use these four reasons and from them learn how to find gold in our databases.

Where is the Gold?

When the 49ers headed for California, they had heard about gold being found in the riverbeds and streams, so that's the first place they looked. Not surprisingly, that source of gold quickly dried up and those who didn't get their first didn't find much gold. There was gold buried in the hills, but few knew it was there or how to get it out.

For associations, finding the gold isn't as difficult. Associations simply need to identify their revenue streams (i.e., where the money comes from), determine the total amount of dollars each of those revenue streams represents, and predict what the future growth potential is for each of those revenue streams.

The chart below is useful for associations working through this exercise.

Revenue Stream	Dollars	Percentage of Total Income	Growth Potential
Membership			
Donations			
Exhibits			
And so on...			

In the first column, Revenue Stream, list all the ways your organization takes money in. Examples include membership, product sales, event registration, donations, grants, and so on. Be sure to list every form of revenue, no matter how small, as small sources of revenue now could have large growth potential for the future.

In the second column, list the absolute dollar amount that each revenue stream takes in annually. In the third column, calculate the percentage of total revenue each revenue stream represents. And finally, in the fourth column, indicate whether this revenue stream's future earning potential will increase, stay flat, or decrease.

This exercise will help you identify where your gold is now (current revenue in absolute dollars and percentage) but will also help identify where your gold is in the future (growth potential).

For example, an association I've worked with has an annual budget of just over $3 million in revenue. Of that, nearly 50% is from their scholarly journals, while less than 5% of that comes from their certification program. However, based on history and looking into the future, this association knows that income from scholarly journals will decline (as it has been for years) and that revenue from their certification is going to increase (as they are developing new products and services, and their profession is demanding more certification). This exercise allowed this association to not only see their current gold, but to see where their future gold can be found.

Using the Right Tools

One of the reasons some 49ers were more successful than others was that, as the Gold Rush progressed, new technologies allowed for better gold recovery techniques. What's the most common image we have of gold mining techniques from the California Gold Rush? That's right, the panning technique. 49ers would use hand-held pans to sift through riverbed waters and silt, shaking the pans to find the denser gold settling to the bottom.

From pans, miners moved to cradles and rockers (essentially really large panning tools). After that, it was sluicing (splitting a stream into a tributary and stopping the water to pan it), and then to hydraulicking (essentially blasting water into a hillside to loosen the soil and the gold hidden within). With each advent of new technology, the 49ers were able to take more gold from the ground, more quickly, and with less labor intensity.

We can follow a similar path for managing our data. More advanced technology can provide us with better information, better data management, and better results. Here's an example:

Several years ago I was engaged with Hostelling International-USA (HI-USA) to help them improve the management of their data. At the time, HI-USA was using a large and complex database to manage their 125,000+ individual members. The vast majority of HI-USA's members are college students travelling abroad during the summer months. As a result, nearly 80% of HI-USA's membership joins and renewals occurred between February and May. The existing database was not linked to HI-USA's website, so all joins and renewals had to be processed by hand. This high level of labor intensity meant that HI-USA had to hire 15 temporary data entry workers during those peak months. In addition, processing time for joins and renewals was approximately six weeks. That is, if you sent your membership application in today, you would receive your welcome letter and membership card some six weeks letter. Obviously not ideal.

With my help, HI-USA moved from their legacy system to a new, fully web-based system, that would allow new members to join online, or existing members to renew online, with no intervention from staff (other than fulfilling the welcome letter and membership card). The results were stunning: turnaround time on joins and renewals went from six weeks to 24 hours! And equally important, HI-USA was able eliminate the need for the 15 temporary data entry workers, savings equivalent to nearly four FTEs.

These are the kinds of results you can expect when applying the correct technology to manage your data.

Knowing the Difference Between Fool's Gold and Real Gold

One of the reasons some 49ers didn't do so well during the gold rush is because they couldn't tell the difference between real gold and pyrite, known as fool's gold.

Association's suffer from a similar affliction, that of not being able to tell if a program or service is real gold or fool's gold. Allow me to illustrate with a personal example:

I once worked for a trade association whose primary source of income beyond membership dues was events and event registration. At the time, the association produced about 35 face-to-face events annually.

The lesson is that for any given program or service, you need to know your costs entirely in order to measure whether or not its cost-effective and self-supporting.

A similar affliction of associations is what David Gammel, Executive Director of the Entomological Association, refers to as the sacred zombie cow. As David defines it, sacred zombie cows are programs, products and services that are a net-negative to the organization and yet are incredibly hard to kill. They no longer have a strong sponsor on the scene but still they shamble along, eating up resources. Examples might be programs that still run but no one attends, an annual directory that still takes staff time and printing resources to produce but that few use, and so on.

Chances are good that you've got one or more sacred zombie cows wandering the halls of your organization. Take a look at the chart you completed above, and identify the sacred zombie cows on your chart. See if you can find sacred cows within those revenue streams. Like my example above, very often there are programs (events) that associations continue to put on even though they are money losers.

Turning Your Gold into Money (Value) – Finding Markets

Once the 49ers discovered gold (real gold, not fool's gold) they still had to find a way to turn that gold into money. This means finding a market for it. The same is true for your data. Just having the data is not enough; you have to have a market to use that data. Here are two examples of associations finding markets for their data:

Association of Zoos and Aquariums – Utilizing Industry Data

Among the many benefits the Association of Zoos and Aquariums (AZA) provides its members, AZA serves as the "voice of the industry." One way it does this is to collect key demographic data about its member zoos and aquariums and to use the data when speaking on Capitol Hill or talking to the press.

AZA also utilizes this demographic data in another way. Using this data, AZA develops programs that help their corporate partners and sponsors communicate directly with their key audiences; those attending zoos and aquariums. For example, 25 AZA-accredited zoos and aquariums have partnered with Hard Rock Cafes in their cities for a cross-promotional program featuring the sale of collectible Endangered Species pins. Purchase of the pin generates a $2 donation to support the participating zoo. Using the industry data that AZA had already collected, AZA was able to help Hard Rock identify the 25 zoos and aquariums that would best achieve Hard Rock's business objectives.

So while the industry data is collected to help AZA advance its mission and speak as the "voice" of their industry, the data can also be applied to other areas that are financially beneficial to AZA and its corporate partners.

Texas Medical Association– "Hidden" Data

Several years ago the the Texas Medical Association (TMA) implemented a business intelligence (BI) program. TMA had several sets of data being managed in multiple places (e.g., membership data, exhibit data, insurance program data) by different systems. TMA management felt strongly that by aggregating that data, they would be able to find some "hidden gold" within the data. And that's exactly what happened.

TMA invested heavily in business intelligence software and a consultant to help them implement their BI initiative. Shortly after implementing their BI program, TMA discovered that

over 1,000 doctors in the state of Texas (their primary membership) were taking advantage of a members-only program, even though they weren't members of TMA. TMA was able to bring the majority of these doctors into TMA membership, the result being a nearly $500,000 increase to their top-line in dues revenue.

Use Steve's example as how we can leverage existing data that is both revenue and non-revenue data.

Conclusion

The 49ers headed to California on the promise of getting rich quick. As many of them learned, however, it wasn't as easy as sticking your pan in the water and coming up with gold. Finding the gold required knowing where to look, having the right tools to find the gold, knowing which rocks were gold and which were fools gold, and then finally finding someone to buy that gold for cash.

Similarly, your association is likely sitting on more gold than you realize. But you must take a disciplined approach in order to find it and use it. Following the 49ers process may just do that for you.