

NEW MONEY

Finding revenue in unmet needs

By Andrew S. Lang

Current economic conditions are pulling many associations in two directions at once. On the one hand, an association's members need additional services to help them succeed, even survive, economically. On the other, an association needs new sources of revenue both to create the services needed by the members and to protect its financial strength.

Resolving this dilemma depends very much on each association's particular situation. In almost all cases, associations have accomplished the key first step, which is cutting costs and out-of-date programs. Some associations have also taken the more challenging step of coming to grips with the pricing of their services and products, including dues.

The most creative associations are going to the next level and creating brand-new services or products. The best of these are creating products and services that are truly valuable to their members and will create net income without losing substantial sums to do so.

Diagnosing Members' Needs

I am pleased to provide you with an introduction to just such an association, the National Association of Counties. According to David Keen, CFO of NACo and its subsidiaries, counties across the country have had difficulties coming up with good benchmarking information on a national level to measure their progress against similar counties.

This need had been seriously discussed for nearly a decade, but no one could figure out how to efficiently mine the data. Our country's 3,068 counties simply do not collect information in anything approaching a uniform fashion.

Dave had previously gotten involved with county treasurers and finance officers in NACo's affiliated associations as a way to understand what NACo members



might need in the area of finance. When he discovered that good benchmarking data would be extremely valuable to counties, he offered to have NACo take the lead in finding a solution. The project was a good fit for NACo's principles: If members have a significant need, NACo will seek to fill it.

Dave first gathered a focus group to make certain the data needed were not currently available through the members. He rapidly concluded that it was not. The next issue for the focus group was, "What type of data would be of most interest?"

Planning for a Home Run

Once Dave was able to determine what data were needed, he set to work figuring out how to gather it. Simply providing the data to members would have been a major win for NACo. However, as Dave puts it, "If we could find a way of making money while producing the data, then it would be a home run."

According to Dave, "The key to making this work was to bring in a corporate partner who had the expertise and the experience in handling this type of data. It also made a big difference that they were willing to make the important upfront investments and to be repaid through the profit potential down the road."

With a partner who could handle the technology, NACo went on to fine tune where the initial data would come from. The initial phase of data collection was based on federal data that was readily accessible: "The federal government has a great deal of data but does not market it well. We just had to pick and choose the various data we wanted," says Dave. This included such county-by-county information as gross revenue by broad source and expenditures in areas like police and healthcare.

In the next phase of data collection, NACo went out to other associations and industry sites to provide such information as hospitals in each county, post-secondary schools including colleges and trade schools, and so forth.

When these first two phases were complete, NACo had sufficient subscribers to hire interns to contact counties directly for more detailed information such as budget data.

Pricing has been a key to NACo's marketing technique. Dave says, "In the beginning, when we were using effectively free data, the value proposition wasn't there, so we priced it very low. Subscribers had to pay only \$2,500 for a year's subscription. As we continue to add more and more valuable data, we will be creating a tiered subscription system that will allow additional subscribers to purchase the level of data they wish to acquire."

NACo's product broke even within six months of its launch. The association anticipates a net income of six figures within the first year—while meeting a very important member need. Who could ask for more?

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