

**Presentation to the NRHS
Board of Directors**

**NRHS Strategic Planning and
Budgeting for 2011 – 2013**

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Strategic Plan

Agenda

- ▶ Market Gap & Opportunity
- ▶ Changes in Society
- ▶ Vision for 2025
- ▶ NRHS Strategic Plan
- ▶ NRHS Budget

Quick review of previous work

Market Gap

Fragmented Market

- ▶ The rail preservation community is very fragmented:
 - ▶ Non-profits like the NRHS and RL&HS
 - ▶ Private and state museums
 - ▶ Tourist railroads
 - ▶ Private collections
 - ▶ Commercial magazines
 - ▶ Historical Societies focused on individual railroads
 - ▶ A few well known professionals, some acting on their own

Immature Industry

- ▶ There is no unifying organization
- ▶ There is no consensus or coordination between like organization
- ▶ There is no efficiency to share services
- ▶ Serious preservations don't take us seriously
- ▶ Countless examples of organizations
- ▶ No organization has taken the lead in defining industry standards
- ▶ No organization has taken the lead in being a clearinghouse for information, archives, preservation information, fundraising, etc.
- ▶ No organization has tried to raise large amounts of money
- ▶ No organization has translated for the public the need for rail preservation and how they can support it

The organization that un-fragment the industry and brings maturity to the industry can become the defacto leader of the rail preservation movement.

Why should the NRHS care?

Market Opportunity

- ▶ NRHS is the natural organization to lead the rail preservation industry
 - ▶ National infrastructure
 - ▶ Name recognition
 - ▶ Stronger external reputation that internal constituents acknowledge
 - ▶ Existing 501(c)(3) tax status
 - ▶ Adequate working capital to start – critical element
- ▶ No one else has all these elements to work with.
- ▶ NRHS is strategically positioned very well.
- ▶ If NRHS doesn't respond to the need, someone else is going to step up.

NRHS is the leader...

- ▶ But, NRHS can lose that leadership role:
 - ▶ If we refuse to accept it
 - ▶ If we signal that it will make progress difficult and painful
 - ▶ If we refuse to adopt effective governance
 - ▶ If we refuse to work constructively with others
 - ▶ If we stay internally focused and simply try to impose our will
 - ▶ If we just sit back and wait for things to happen

The Opportunity

- ▶ Whichever organization takes the leadership role (in a constructive manner) will get:
 - ▶ The members who want a constructive role
 - ▶ The younger and more energetic supporters
 - ▶ The volunteers
 - ▶ The financial support
 - ▶ The reputation and brand recognition

If not the NRHS, Who?

- ▶ If NRHS signals that it doesn't want the leadership role, somebody else will assume it.
 - ▶ Could be another existing organization
 - ▶ Could be a brand new organization
- ▶ Organizations that don't participate will become niche players
- ▶ If the NRHS doesn't capitalize on the opportunity, it's survival is in danger because it is not ideally suited for a niche market

Society Changed

Pre-1980's Society

- ▶ Family dynamics:
 - ▶ Average household had one wage earner.
- ▶ Lifestyle:
 - ▶ Women were managing the family as a full-time job. It was easier for men to get away for weekly/monthly meeting.
 - ▶ Children's activities were not as demanding.
 - ▶ Entertainment options were more limited.
- ▶ Social:
 - ▶ Socializing required leaving the house and physically meeting with people.
 - ▶ Sharing information (stories, images, video) required physical meetings (unless you were published).

NRHS Met the Needs

- ▶ Chapter model encouraged local participation
- ▶ Chapter model permitted frequent social interactions
- ▶ Newsletters provided mechanism for people to publish
- ▶ National provided an infrastructure for services that were too big for single chapters (NRHS Bulletin, Annual Activities Issue, Conventions, etc.)
- ▶ Film library

What Happened?

Modern Society

- ▶ Family dynamics: Frequently households have two wage earners.
- ▶ Lifestyle shifts - Men and women have much great responsibilities in evening and weekend hours and well as lifestyle changes (working longer hours, children's activities, increased travel and entertainment options, etc.)
- ▶ Proliferation of the Internet - Sharing information (stories, images, video) can easily be done without leaving the house.

Note: We are not ignoring the impact of the NS Steam program. The end of that program accelerated the NRHS's business problems but was not a root cause.

Seeds of Change

- ▶ NRHS began thinking beyond itself with some programs: Heritage Grants and RailCamp (1990s)
- ▶ NRHS began limited preservation work with some programs: Library and archives (1990s)
- ▶ NRHS begins a fundraising initiative (2010)
- ▶ NRHS begins the development of a new brand and enhanced web presence (2010)

NRHS Not Meeting the Need

- ▶ Chapter model encouraged local participation.
Lifestyle changes have modern family dynamics have reduced social activities through clubs (not just in the NRHS).
- ▶ Chapter model allowed for easy sharing of information at a reduced cost.
The Internet has permitted social interactions without face to face contact.
- ▶ Newsletters provided mechanism for people to publish.
The Internet has permitted publishing without printed newsletter.
- ▶ National provided an infrastructure for services that were too big for single chapters (NRHS Bulletin, Yearbook, Conventions, Grants, RailCamp, etc.)
Many of these are still part of our business. Some could be restructured to be more relevant to changing market needs.
- ▶ Film library
The internet provides an inexpensive distribution channel

Vision

Vision

Define and own the field of rail preservation.

▶ Vision

What does that mean?

The National Trusts Model

- ▶ Defined the business of “historic preservation”
- ▶ Built a strong consumer brand
- ▶ Stay out of actual preservation activities
- ▶ Premier funding and information for those in “historic preservation”
- ▶ Popularized “historic preservation”
- ▶ Developed an exceptional fundraising and grants capability
- ▶ Found that a professional management staff was essential
- ▶ Done an excellent job at convincing an individual with a casual interest in “historic preservation” to support the National Trusts
- ▶ Strong corporate partnership program
- ▶ Doesn't get involved directly in the preservation activities. Provides support for those that do.

Key Strategic Principles

- ▶ Relevance – Build a brand and services that appeals to each tier in the market (serious preservationist, railfans and the casual rail enthusiast).
- ▶ Money - Build a stable financial base.
- ▶ Sound business structure – Build a professionally managed administration with a governing structure that supports long-term growth.
- ▶ Leader at core business – Define the field of rail preservation and be the definitive leader in furthering that mission.

Let's look at what the NRHS might look like in 2025.

NRHS in 2025

What corporate characteristics will define the NRHS?

- ▶ Strong consumer brand in the marketplace
- ▶ Significant portion of income from fundraising, donations and grants (50%+)
- ▶ Significant non-operational money (\$5-10MM)
- ▶ Larger base of participants/supporters (20,000 – 50,000+)
- ▶ Diversified participation model
- ▶ Streamlined governance structure
- ▶ Professional management

NRHS in 2025

What will we be doing?

- ▶ The leader of the rail preservation industry
- ▶ Established relationships for cooperation among industry leaders.
- ▶ Established the leading digital transportation media archive, operating as a charity
- ▶ Significant public outreach programs
- ▶ Significant grant provider (\$500K - \$1MM annually)
- ▶ Clearinghouse for shared services and industry information
- ▶ Significant publishing program (printed books and DVD's)
- ▶ Profitable events that further awareness about rail preservation
- ▶ Significant educational programs
- ▶ Publish a rail preservation magazine aimed at the casual rail preservationist

NRHS in 2025

How the organization will be perceived outside the NRHS?

- ▶ Recognized as having popularized rail preservation
- ▶ Recognized as having defined the rail preservation industry
- ▶ Leading grant provider to rail preservation projects
- ▶ Leading transportation archive for media with collections digitized and accessible via Internet
- ▶ Clearinghouse for rail related events, information and organizations
- ▶ Provider of shared services for other organizations

NRHS in 2025

How will the NRHS be more relevant?

- ▶ Transportation photography archive will bring credibility
- ▶ Grants will impact communities in a positive fashion
- ▶ Public outreach and events will re-enforce the importance of rail preservation
- ▶ Publishing will expand our relevance with serious preservationists
- ▶ Strong chapters will be a presence in local markets
- ▶ NRHS will be credited with giving people a reason to care about rail preservation

The Plan

Year 1: 2011

- ▶ Build relevance:
 - ▶ Complete work started: new brand and nrhs.com redesign
 - ▶ Expand NRHS News to focus on rail preservation (4 pages)
 - ▶ Expand NRHS Bulletin distribution
 - ▶ Implement social media strategy to build awareness of rail preservation on Facebook and Twitter.

- ▶ Finances:
 - ▶ Continue small dollar fundraising program
 - ▶ Begin comprehensive fundraising planning
 - ▶ Continue multi-year budgeting

Year 1: 2011

- ▶ Leader in core business:
 - ▶ Continue refocus of convention program
 - ▶ Develop photography archive proof of concept
 - ▶ Develop business model, funding needs and operational documentation for photographic archive
 - ▶ Evaluate and plan commercial film opportunities

- ▶ Sound business structure:
 - ▶ Begin iMIS integration
 - ▶ Develop online convention ticketing system
 - ▶ Implement new governance system

Year 2: 2012

- ▶ Build relevance:
 - ▶ Further expand NRHS News to focus on rail preservation (8 pages)
 - ▶ Continue to expand NRHS Bulletin distribution
 - ▶ Develop rail preservation section of web site to focus on what is going on in the broader community
 - ▶ Implement brand awareness ad campaign (“good works”) – print and online
 - ▶ Implement ad campaign to target the casual rail enthusiast
 - ▶ Expand social media strategy to include Flickr and YouTube

- ▶ Finances:
 - ▶ Continue small dollar fundraising
 - ▶ Implement long range fundraising program
 - ▶ Continue multi-year budgeting
 - ▶ Develop corporate sponsor program

Year 2: 2012

- ▶ Leader in core business:
 - ▶ Continue refocus the convention program.
 - ▶ Formally launch photography archive
 - ▶ Expand photography archive capabilities
 - ▶ Secure at least two major collections
 - ▶ Release at least one commercial DVD profitably

- ▶ Sound business structure:
 - ▶ Fully integrated digital communication channel
 - ▶ Transition to new governance system
 - ▶ Revise and update strategic plan

Year 3: 2013

- ▶ Build relevance:
 - ▶ Split NRHS News into internal newsletter and publication focused on rail preservation (not just NRHS activities)
 - ▶ Continue to expand NRHS Bulletin distribution
 - ▶ Continue awareness campaign targeted at casual rail enthusiast. Target donations and membership
 - ▶ Continue marketing and expansion of photographic archive
 - ▶ Continue social media strategy
 - ▶ Enhance rail preservation area of web site to be the destination rail preservation site.

Year 3: 2013

- ▶ Finances:
 - ▶ Continue small dollar fundraising
 - ▶ Implement long range fundraising program
 - ▶ Continue multi-year budgeting
 - ▶ Solicit donation from non-members
 - ▶ Identify and solicit corporate sponsor
 - ▶ Land one large dollar donation

Year 3: 2013

- ▶ Leader in core business:
 - ▶ Continue Modifications of convention program
 - ▶ Formally launch photography archive
 - ▶ Expand photography archive capabilities
 - ▶ Continue to solicit photographic collections
 - ▶ Publish at least one book from the photographic archive as a proof of concept in how the archive can be used
 - ▶ Continue commercial DVD program where opportunities exist

- ▶ Sound business structure:
 - ▶ Revisit and update strategic plan

Budget

2011 to 2013

Budget

- ▶ 2010 financial results now look much better than mid-year and 9/30 projections.
 - ▶ 2010 will be close to break-even year vs. predicted \$35k-40k loss
 - ▶ Record high fundraising results
 - ▶ Record high capital gains
 - ▶ Better convention results

Budget

- ▶ Three-year budget proposal is consistent with strategic plan.
 - ▶ Assumes new governance
 - ▶ Does not include transition to paid executive director
 - ▶ Does not anticipate major bequests

- ▶ Make significant investments in the future starting in 2011
 - ▶ Income will lag behind investments by 1-2 years
 - ▶ NRHS has the working capital now
 - ▶ NRHS will not have the capital in the future if it doesn't make investments now.

Budget

- ▶ Budget handout is a draft
 - ▶ Will be refined in officers' and financial meetings (February and March)
 - ▶ Final proposal for action distributed before April meeting
 - ▶ Budget approval in April
 - ▶ Continue current programs until April
 - ▶ Only firm number needed is Grants

Budget

- ▶ 2011 Grants Budget
 - ▶ Proposed budget is \$35,000
 - ▶ Can be increased by targeted donations now through April
 - ▶ Increase over \$30,000 awarded in 2010
 - ▶ Consistent with strategic direction
 - ▶ Most of 2011 funds were raised in 2010