

The ProgenyLink financial and operational model

Introduction

Kelly Wilson has constructed a very detailed and comprehensive 5-year model of the likely future experience and behavior of the proposed business organization. His lifetime of experience in funding and operating numerous different businesses makes him well prepared to create and evaluate such a model. His lifetime of marketing experience also equips him to make reasonable predictions about the levels of interest of the public in a whole range of products and services, including allowing him to reliably predict levels of participation in this new data product offering.

The general topic of the genealogy industry also comes with a great deal of public information available about the activity levels and productivity levels of genealogy hobbyists and professionals, and the general interest among the US populace concerning the topic of ancestors and genealogy. An international study by a well-known market-study firm gives us some good data points against which to measure the likely success of the new ProgenyLink methodologies. Its survey reveals 84 million genealogy enthusiasts worldwide, each spending a minimum of \$1000 a year on their hobby, putting the worldwide market size at well over \$84 billion. It also includes the observation that all of the largest commercial genealogy companies together bring in a total of \$3 billion in revenue each year. This indicates a lively active market for the proposed information product, while also making it highly likely that genealogy industry revenues can be greatly increased through providing a more customer-friendly product.

Five years of the Profit and Loss spreadsheets are presented here. Kelly also supplies two more interrelated spreadsheet sets entitled Assumptions and Revenue Stream which are not included here.

It should be noted that the many thousands of numbers which Kelly has interrelated in the complete model are so voluminous and complex that it is very difficult to present them completely in a practical printed form. In fact, probably the only practical way to review his work at the detail level is to display the many interrelated spreadsheets on a very large-screen monitor and gradually navigate through them.

The purpose of this introductory paper is to summarize a few of the many assumptions and results found on the various spreadsheets so that we can understand the general results and individually do our own intuitive projections.

Cash flows

The model begins with a \$5 million influx of capital. Over the five-year period of the projections, the actual "in-the-bank" funding levels never drop below \$685,000. This keeps the spending rate at a very conservative level while preserving a financial margin for any unanticipated circumstances. Of course, those "unanticipated circumstances" could be positive as well as negative. There might arise a time-sensitive opportunity which could be very valuable to the company, where quick action could have a huge payoff. For example, one such opportunity might arise if one of the smaller genealogy companies sees the handwriting on the wall concerning the future of genealogy and wishes to join with the ProgenyLink project. They might have assets or capabilities that could offer an immediate boost to the company's goals.

The breakeven point in the last quarter of the second year means that revenues will have grown to the point of stopping the decline of reserves and will allow the project to be self-funding as its operations grow thereafter.

In the last month of the fifth year, the current version of the model shows a net cash flow of \$11 million for that month, with a balance in reserve of \$90 million. If this seems implausible, or too good to be true, that is likely to be only because we have not sufficiently described and quantified the overwhelming pent-up

demand which can be seen and sensed daily. Our earlier projections were much higher, based on only slightly more optimistic assumptions.

With LDS Church member volunteers logging about 150 million hours a year in Church-sponsored genealogy activities, and everyone else in the United States logging at least five times that much time, all with very little to show for their vast labors, the need for a more efficient solution has become overwhelming. With a total of 950 million hours of work each year, which might be valued at \$10 per hour for a total of \$9.5 billion in labor each year, and with seeing very little lasting improvement in the state of genealogy knowledge in the United States each year, the idea that a company might receive annual revenues of \$0.5 billion a year to fix that problem does not seem excessive or unlikely. Ancestry.com is already operating at that level and is doing very little to facilitate constant progress in the assembly of high-quality nationwide genealogical data.

The most critical element for success

As with any Internet information facility, the crucial and irreplaceable piece of the business plan is the functionality and reliability of the underlying computer system. For employees and the using public, we must be able to demonstrate that the computer system is funded for the long haul so that their individual work that might stretch on for years can be done with full confidence that the facility they are using will not suddenly stop working or lose any of their valuable data. Trust and fairness are very important issues in this project. On the question of rewards to participants, it will be necessary to pay numerous people for their professional labors, which means those people will get an immediate reward, but a very much larger number of people are likely to be using the system and investing their labors with no other recompense, incentive, or reward than the pure expectation that their labors will not be in vain and they can reach their personal goals.

It is in situations like these where I think that being far more concerned about successful and reliable long-term service to others, rather than immediate personal income, is actually the best way to ensure the maximum long-term revenue for the company and potential personal income. The genealogy industry, probably more than most others, thrives on peoples' feelings of idealism and concern for and interest in others, namely their ancestors and cousins, so that a company which focuses exclusively and empathetically on meeting their information needs should ultimately be the most successful.

As an example of this kind of long-term thinking, even in the extremely unlikely case of having to close down the project prematurely, we would at least leave behind all of the data, archived onto computer media -- costing as little as \$2400 -- that would have an expected storage life of at least 15 to 30 years. (Storage media with a life of 1000 years is currently available, but it is much more expensive -- about \$80,000 -- for the volume of data we would have collected after just two year's operation.)

Personnel

The critical path that will largely determine the speed of growth for the project is the ability to train sufficient participants in the new processes and quality expectations. It could take two weeks of training to transmit all the necessary concepts, information, and practical experience to the first trainees. After that, the process may speed up as the basic ideas gradually become common knowledge.

The number of data entry people, as shown in the model, begins at zero, and grows to 60 in the first year, with a final number of 1060 at the end of the fifth year. After establishing a stable computer system, the next priority will be to accelerate the recruiting and training efforts to the extent possible. A level staffing of 400 people would allow us to finish our five year goals, but it may be difficult to reach that number within the first year, so we will have to accelerate beyond that number later to make up for lost time.

Hopefully, we can attract a large number of skilled genealogy professionals who will be drawn into contributing to this overall process as a means of earning a livelihood. The kind of incentives we can offer may tend to draw in the younger and typically less economically successful genealogists, since it is likely that those who are more economically successful, and who are members of the larger and more successful firms, will be the last ones to join in this project, if they ever do. This is likely to happen simply because they are the ones who are currently serving that relatively small number of clients who are

seeking very specific genealogical data, and are able to pay the high costs of research done by these highly skilled professionals

Some more details of the model

Kelly has estimated that slightly more than 1% of the general populace will have an interest in the contents of this database, which, over the 5-year project, will translate into about 3.4 million customers buying different-sized portions of our database contents.

The model predicts that commercial viability will be reached at a database size of about 4 million people, accomplished at the end of the second full operational year, meaning that the continuing growth of the database to the 97 million level at the end of the fifth year can proceed continually and exponentially. Those 97 million names cover all of those who died in the United States before 1930 (70 million) plus 27 million of the 100 million who died later. These 70-97 million names are the most sought-after names in the United States, and in the world, giving them the highest possible value.

The remaining 73 million names needed to complete the 170 million names for the US will be added to the database in years 6 and 7. This second group of names includes the parents and grandparents of most of today's genealogy enthusiasts, meaning that most of these names are already known to genealogy enthusiasts and therefore may not need to be in the database for today's genealogy hobbyists to make the connection with all prior names. However, for the 300 million people who are not genealogy enthusiasts in the United States, many of these recent names will be needed by them as starting places to make the connection into all the earlier structures of historical persons. We have a new phenomenon in the United States where there are many millions of people who are not sure who their parents or grandparents might be. Many of these people can become our customers as we add their parents and grandparents into our database.

One major assumption is that this new ProgenyLink website will mostly need to target the needs and expectations of people who are not members of the LDS Church, simply because there are at least 40 times as many genealogy enthusiasts and other potential customers who are outside the LDS Church compared with those who are inside. On the other hand, it is possible that most of those who help build this new database will be members of the LDS Church, simply because as many as 300,000 of them already are reasonably well-trained in the use of genealogical data and related computer systems, and will have their own generalized religious and charitable reasons for doing this kind of work. That also means that to the extent the project is able to pay out royalties and bonuses to those who have done the work, this money will largely go to the LDS Church members who have already done so much work as volunteers to advance the cause of genealogy research in the United States. These eventual payouts will help improve the overall fairness of the entire process, a major goal of this reengineering project. Hopefully, that new level of fairness will encourage many more people to invest their time into the project, adding in their valuable personal knowledge of their families in a form that can be shared.