



**American
Red Cross**



The American Red Cross: On the Path to Stability and Growth An Update From Gail McGovern, President and CEO

Introduction

As I complete my third year as head of the American Red Cross, it is remarkable to look back on the number of major disasters the Red Cross has dealt with lately.

The world turned upside down on March 11 when Japan was hit by a devastating earthquake and tsunami. I traveled to Japan in April, and it's hard to describe the landscape and destruction. For 350 miles, communities were flattened and everything was gone. It seemed surreal until you suddenly saw a doll or a bike or a teacup—each was a stark reminder that real people led real lives in these communities. I visited a

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shelter, where people were receiving supplies, mental health counseling and medical care from the Japanese Red Cross, whose work has been supported by generous donations to the American Red Cross for Japan from so many people in this country.

Shortly after returning from Japan, I witnessed the Red Cross response to disaster after disaster here at home following the tornadoes in Alabama and Mississippi—and later in Joplin, Missouri. I was overcome with emotion on these trips: I spoke with people who had lost everything and yet they were calm, grateful, dignified. I tried to comfort people I met who had lost loved

ones; I met heroes who put themselves in harm's way to save their loved ones, and I met neighbors helping neighbors.

The fact is that over a three-month period this spring, the Red Cross launched 46 relief operations in 31 states, deploying more than 13,300 workers. During that time, we opened more than 283 shelters, served more than 3.2 million meals and snacks, handed out more than 1.5 million relief items, and provided more than 75,000 mental health and health consultations. These massive operations were possible because of the outpouring of support from our generous donors.

Even as the Red Cross was serving the people of our country and helping out globally as well, we have been undergoing a transformation of this historic organization. We are consolidating and streamlining our operations nationwide to make the best use of donor dollars and to serve the public better.

Change is never easy, and although some of the changes being undertaken have been difficult, they have all been executed in the pursuit of one goal: to make the American Red Cross a strong, dynamic, financially stable organization that our country can rely on for generations to come.

As we continue to transform the Red Cross, we still face multiple challenges, including a stagnant economy, rising costs and donor fatigue. We realize that cost-cutting measures—such as the extensive ones we've enacted since 2008—can only go so far.

To move forward, we need to do more. We must be innovative, year-round fundraisers, make our courses and services even more accessible to the

public, and be outspoken advocates of the Red Cross mission.

We also must continue to deliver our services flawlessly, amid an increasing number of major natural disasters across the U.S. and abroad—over and above the 70,000 or so we respond to each year. I hope that this update gives you a sense of what we have accomplished—and where we're headed.

Maintaining Financial Stability

After eliminating the organization's sizeable deficit in fiscal year 2010, we have been intent on keeping our books balanced. This has not been an easy task, particularly given our growing health and pension costs, a continual decline in United Way funding and rising costs in our biomedical operations, among other factors.



Joplin, Missouri

Bob Carey/American Red Cross

We just finished our fiscal year 2011 on June 30, and the early indications are that the Red Cross finished with a balanced budget, which would be the second consecutive year that the Red Cross finished in the black. Each and every Red Crosser worked to accomplish this goal, which was particularly challenging, given that as recently as fiscal year 2008 we were facing a \$209 million deficit. We have also developed a

five-year strategic plan that will help us to continue to fulfill our mission, manage our costs, improve our efficiency and grow sustained and predictable revenues.

The strategic planning process we undertook over the past several months illuminated exciting opportunities, as well as some sobering realities facing the Red Cross. Our financial projections for the next five years indicated that without intervention, the Red Cross would have a widening deficit.

The key words are “without intervention.” We began taking steps to combat these projections, including developing plans to grow revenue and consolidating and restructuring multiple functions at the Red Cross, including communications, marketing, human resources, finance and IT. These changes will help eliminate duplication of effort, helping us save time and more efficiently use donor dollars.

Even with this good news, we know that we still have significant challenges ahead. Starting with fiscal year 2012, which began July 1, we have projected the need to come up with even greater efficiencies and more innovative fundraising to keep our books balanced. However, seeing how far we have come in such a short time makes me confident that we are up to the challenge.

Increasing Revenues

Like many charities, the Red Cross is facing a competitive fundraising environment in this tough economy.

We are always amazed and grateful for Americans’ incredible generosity in response to disasters around the world—such as the earthquake and tsunami in Japan, and the spate of tornadoes and floods that devastated the U.S. this spring. But we must also raise money when there are not disasters.

Relying too heavily on fundraising in times of disaster is not a good recipe for predictable, sustainable operations at the Red Cross. For that reason, we are working to build year-round best practices of donor and prospect management, analysis and reporting, and stewardship.

To strengthen and grow fundraising at the national, regional and local levels, we are adding senior field leadership and gift officers where the opportunity is greatest and utilizing new tools, training and technology to improve fundraising skills and effectiveness. In addition, we are looking at new opportunities for major gift fundraising, such as key program sponsorships and infrastructure projects, and other channels of fundraising, such as workplace giving and telemarketing.

We are also reaching out to more people across the country to tell them about what the Red Cross does in their community, across the country and around the world. Our research shows that the biggest reason people haven’t given to the American Red Cross is that they haven’t been asked. By simply telling more people about our mission and asking them for their support, more



Mike Murdock/American Red Cross

people have chosen to donate. Moving ahead, we must continue to generate new initiatives that allow us to tell the Red Cross story.

One example of our efforts to proactively fundraise is the Red Cross Holiday Giving Campaign. First launched in 2009, the campaign has increased its success each year. Taking lessons learned each year and combining them with fresh ideas has led to increases in online giving, donated advertising and celebrity support.

Based on our first-year results that showed widespread support for gifts in support of members of the military, for vaccinations for children overseas and for people affected by disaster, we added more gift ideas to our Holiday Giving Catalog in 2010. Planning is now well under way for the 2011 campaign, which we anticipate will offer the public

even more ways to make a difference through the Red Cross.

Another way we help the public make a difference is through health and safety instruction, such as our water safety and first aid and CPR courses. Going forward, we are expanding course offerings nationwide and changing our pricing structure to more accurately reflect these courses’ value to the public. These increased revenues will help us continue to fulfill the Red Cross mission.

Providing Safe Blood Products

The Red Cross faces several challenges in Biomedical Services related to increased competition and rising costs, but we are determined to continue our current level of service to hospitals and patients across the country.

Over the next several years, in fact, we aim to provide more hospitals and other facilities with blood products, and we intend to explore developing technologies that will provide opportunities for future growth.

One step that will make that growth easier is for the Red Cross to switch to an industry-standard label for all blood products. This change is currently under way and promises to make our blood services operations more traceable and efficient.

As always, we are working diligently to ensure that America’s blood supply is among the safest in the world, and we are committed to complying with all FDA regulations. Consequently, the number of high-risk problems continues to drop dramatically, by nearly 50 percent in the last year alone.

Modernizing IT Systems

We are steadily turning our outdated, legacy IT systems into new state-of-the-art systems and platforms to help us do our jobs and serve our clients better.

During the past year, we have worked on more than half a dozen major IT projects, including the overhaul of the Red Cross intranet; the implementation of a new Learning Management System

for health and safety course participants; and the replacement of multiple data management systems with one system in Biomedical Services, which will streamline blood collection.

We have also begun the process of redesigning our public website, **redcross.org**, to make it even easier to make a donation or find information, whether it's how to prepare one's family for emergencies or how the Red Cross spends donor dollars.

The investment that we have put into these much-needed technology updates will ultimately help the Red Cross serve millions of people more efficiently—whether they are a financial donor, a student in a CPR and first aid class, or a hospital patient in need of blood.

Capitalizing on Social Media

The Red Cross continues to maintain the trust and confidence of the public, and our value to the community ranks second only to that of the local public library, which is the gold standard.

Part of building and maintaining that trust lies in social media, which is playing an increasingly important role in how the Red Cross connects with and helps people of all ages—in the U.S. and abroad.

What is unique about social media at the Red Cross isn't that it helps us talk to and listen to more people and recruit more volunteers and blood donors—although it does do that. Rather, it is playing a growing role in emergency situations. We began to see this in earnest during the 2010 Haiti earthquake, when trapped survivors turned to text messaging and Twitter to call for help.

The vast potential for social media to be used in both disaster preparedness and crisis situations led us to host an Emergency Social Data Summit in August 2010. It attracted hundreds of participants, including leaders and experts in the government, social media, emergency response and nonprofit sectors.



This summit was an important venue for discussing how social media can help first responders and disaster relief organizations save lives during a disaster, as well as empower the public to be part of the response.

Looking Ahead

Although we all get wrapped up in our day-to-day responsibilities, it's impossible not to think of the big picture when you work at the American Red Cross. For what we have in our hands is part of history. We are entrusted with the reputation and legacy of this 130-year-old organization, an organization that Americans turn to when they need help and when they want to help others.

The Red Cross supplies nearly half of the nation's blood; teaches skills that save lives; provides international humanitarian aid; supports military members and their families; and provides food, shelter and emotional support to disaster survivors.

I believe there is no greater mission than helping those in need and providing a way for citizens of our country, and of the world, to connect with and help one another. That is why we will not decrease our level of service, even when times get tough.

As we continue to transform our organization over the next few years, we will see to it that all Red Cross chapters have the resources needed to serve their communities. I see a path of future growth and stability laid before us, so I am confident that the Red Cross will continue to be the strong and vibrant organization that our donors and the people who need us deserve and expect.

One might think you only need to have a good heart to work for the Red Cross; but the responsibility we have toward this country, that we have upheld for more than a century, weighs heavily, and necessitates that we have good business sense as well.

Our mission is to serve, and the way we can best do that is by operating efficiently, with transparency and accountability to our generous donors and volunteers, who make our work possible.

Thank you for your support of the American Red Cross.

