



**American Red Cross**



## The American Red Cross: Transforming for the Future

A 2012 Update From Gail McGovern, President and CEO

### Introduction

In my four years as president and CEO of the American Red Cross, I have had the opportunity to see time and again how the compassion and generosity of the American people can turn heartbreak into hope.

This May, I had the honor of attending the Joplin High School graduation—one year after a horrific tornado tore through the town, destroying homes and taking more than 150 lives. As I drove through Joplin, I was stunned at how bright, vibrant and warm the community appeared compared to my trip there a year earlier. There were new homes and restored businesses, as well as renewed energy and pride. Of course, there were also stark reminders of the devastation from the 2011 tornado—the remains of the high school, the crumbling hospital and boarded-up homes. Yet, what struck me most is the determination of the people of Joplin to honor the tens of thousands of volunteers and donors who helped them. The community genuinely wanted to show that the efforts and generosity of their many supporters were put to good use.



Waldo Canyon Wildfire

Cesar Rodriguez/American Red Cross

As I write this update in mid-summer, the Red Cross has been busy responding to wildfires burning in Colorado and other parts of the West, floods in Florida brought on by Tropical Storm Debby,

extensive power outages due to severe storms in the East, and the tragic theater shooting in Aurora, Colo. In one way, it's a reminder of the unpredictability of life and of our work, but amid all the volatility, there is a constant—the steady and reliable presence of the Red Cross. Our work is possible thanks to our thousands of volunteers and generous donors.

To everyone who has donated to the Red Cross, I thank you. You likely will never meet the people you have helped, but your generosity will always be remembered. Your support has made a powerful and tangible difference in communities across our country and around the world.

I have been privileged to see firsthand the difference the Red Cross is making on the ground—in places as different as Joplin and Japan. These experiences make me more determined than ever to make decisions that honor our donors and the people we serve. Over the past several years, we have undergone a transformation at the Red Cross, streamlining our operations and reducing overhead. I believe we have a commitment to our donors to ensure that we have maximized the impact of each of their hard-earned dollars. In every project we create or change we undertake, at its heart is the goal to better care for the people we serve. That is the case whether we are improving our operational efficiency, cutting unnecessary expenses, modernizing our technological systems, or standardizing blood collection labeling.

This update will inform you of our progress on the key initiatives that I identified when I took this position in 2008. Our success in these areas would not be possible without your generous and compassionate support of the lifesaving mission of the Red Cross. You remain the heroes behind every cup of

coffee that is served in our shelters, every first aid class that is taught, every blood drive that is held, and every person who receives help from our organization in a time of crisis. You will forever have my gratitude.

### Partnerships

One of the most exciting and beneficial trends has been the growth in our partnerships, both in the nonprofit and corporate sectors. Our partners have helped us in countless ways: helping to send millions of greetings to military families around the world through our Holiday Mail for Heroes program; supporting efforts to increase blood donations; ensuring that we are better prepared for disasters; and providing volunteers who are trained and ready to go when disaster strikes.



Henryville, Indiana

Daniel Cimaz/American Red Cross

An example is our Ready When the Time Comes program, an initiative for corporations to engage their employees to volunteer to help communities facing disaster. As a result of this program, more than 13,000 employees from 460 businesses and organizations in 52 cities have been trained as Red Cross disaster volunteers. Over the past two years, the number of trained volunteers has doubled, and the program has been established in all critical disaster zones across the country.

Other partners have helped us with in-kind donations—from personal computers for service members, veterans and their families, to delicious snacks and cookies for our selfless blood donors. These generous donations save the American Red Cross millions of dollars each year.

Our many partnerships with nonprofit organizations, like the Southern Baptist Convention, NAACP, Salvation Army, National Baptist Convention USA and Islamic Relief USA, were vitally important this past year as we responded to major disasters across the country. This included wildfires in Texas as well as Hurricane Irene and Tropical Storm Lee, which caused severe flooding across more than a dozen states in the eastern U.S.

## Maintaining Financial Stability

Over the past four years, the American Red Cross has taken on major challenges and is on the path to stability and growth. We are transforming the Red Cross for the sake of those who come after us and will need the services we provide.

When I first came to the Red Cross, the organization was deeply in the red with a \$209 million operating deficit. After eliminating this deficit in two years, we set a goal to be financially stable during periods when there are no major disasters, which tend to artificially boost our fundraising results. I am proud to tell you that we have made significant progress toward this goal; our success is due to the efforts, sacrifices and teamwork of our employees and volunteers.

This is not to say that maintaining strong financial health has been easy, particularly during these difficult economic times. Last year at this time, our five-year forecast projected rapidly increasing deficits, including a \$90 million loss for FY12. We had to take immediate steps to prevent the Red Cross from facing a deficit like the one we faced in 2008.

As we did previously, we had to find ways to make our operations even more efficient. This involved consolidating

our Human Resources, Marketing, Information Technology, Finance, and Preparedness and Health and Safety Services. These functions were performed by each of our chapters, and centralizing these back-office operations resulted in millions in cost savings. Even more importantly, we eliminated unnecessary administrative burdens on our chapters, freeing staff members to focus on fulfilling our mission and providing services in their communities. I'm pleased to report that we have delivered a modest surplus over the past three years, and we continue to pay down our debt.

Although we are proud of this accomplishment, we know that keeping costs in line and generating revenue require constant attention. We must be ever vigilant about controlling our expenses, while at the same time providing the highest quality programs and services to the public. This is our challenge at the Red Cross, but it is also our commitment to Americans—and there can be no compromises.

## Increasing Revenues

One of the biggest steps we have taken to ensure our long-term financial stability is to decrease our dependence on episodic disaster fundraising. In just a few years, the Red Cross has achieved remarkable success in converting major donors, moved by a single disaster event, into year-round contributors through our Annual Disaster Giving Program (ADGP). The distinguished corporate members of the ADGP enable the Red Cross to respond immediately to unexpected disasters by helping to build a reliable funding base for disaster relief year after year.

At the same time, we have expanded our giving circles for individual major donors. One example is the Tiffany Circle, a society of women leaders and philanthropists who invest \$10,000 annually in the Red Cross—an effort that is experiencing robust growth.

We are also putting more energy into creative marketing, such as our new “Give Something That Means Something”



campaign for the 2011 and 2012 holiday seasons. This work has been quite successful; we saw a marked increase in year-end contributions in 2011, and our donors continue to step up in support of the Red Cross mission. These are a few of the many ways that we have worked to inspire donors to give to the Red Cross annually, rather than episodically.

We have also worked to diversify our fundraising by meeting the needs of donors interested in other Red Cross programs. For example, donors can sponsor blood drives or support our bloodmobiles, which travel to collect blood at workplaces and other locations. We have secured funding in support of lifesaving Red Cross courses such as Learn to Swim and First Aid/CPR. We have given our generous donors the opportunity to fund international programs like our measles prevention efforts abroad or to support our services to the military and their families. At the local level, we have invested in transforming our field teams into proactive year-round fundraisers, who can speak to donors about the entire mission of the Red Cross—locally, nationally and internationally.

In addition to fundraising and marketing, we have also worked to grow our health and safety business by offering additional courses and putting an equitable set of national prices in place across the country. Our revenues in health and safety are up 4 percent—the first increase in years—allowing us to allocate more dollars to directly support our mission. We see an exciting potential for growth in this area, and in the upcoming year, we plan to introduce more ways for the public to get trained in the skills they need.

## Providing Safe Blood Products

The Red Cross supplies about 40 percent of the country's blood supply, and we are continually working to ensure that the blood supply remains among the safest in the world, while also improving the way in which we collect blood from our donors. Currently, we are undergoing a massive cutover to an entirely new set of operations support systems that will help us reduce costs, improve quality, increase collections and implement standard labeling on our products so we can supply lifesaving blood products to more hospitals around the country.



Jason Colston/American Red Cross

This transition presents its own challenges to our day-to-day operations: each time we shift a blood center to this new system, we must close the center for several days while we train the entire staff. This temporarily reduces our blood collections, but positions us for growth once the cutover is complete. We plan to aggressively seek new corporations to sponsor blood drives, in order to ensure that we have ample supply. Many companies have found blood drives to be an effective way to build employee morale and increase community service hours.

## Modernizing Our IT Systems

Over the past year, the Red Cross has continued to invest in its infrastructure and technology. Our work will improve the services we provide to the public and help make our staff more efficient. We are revamping our public website, **redcross.org**, which will make it easier for people to seek help from the Red Cross and also learn how they can get involved, whether through volunteering,

giving blood, taking a course, or making a financial donation. Shortly thereafter, we will roll out a revamped intranet, which will help our employees and volunteers quickly get the information they need to serve the public more efficiently.

This past year, we also began to develop centralized databases for fundraising and volunteer management, which will help our staff work together in a coordinated fashion and better serve our donors as well as current and potential volunteers.

## The Social Frontier

I am proud that the Red Cross has long been a leader in the use of social media, which has helped us fulfill our mission and has played a vital role in enhancing our brand. Fast Company magazine wrote recently that, "The American Red Cross's use of social media has been absolutely remarkable."

As more and more people turn to these channels to communicate with one another, including during disasters, we are expanding our ability to engage with the public in emergencies. The most recent development was the opening of the Red Cross Digital Operations Center at our Washington, D.C., headquarters, which is the only social media monitoring center specifically devoted to humanitarian relief efforts.

The idea for the Digital Operations Center grew out of an Emergency Social Data Summit we hosted in 2010 in cooperation with the White House, FEMA and others in emergency response to explore the use of social media during disasters. We were able to open the center thanks to in-kind donations of computer equipment and professional expertise. This revolutionary center enables us to clearly see what is happening on the ground during an emergency. It helps us to better anticipate disaster needs and to dispense help more quickly—whether it's in the form of preparedness tips, first aid instructions or even just a virtual hug.

Along with our active social media presence, we are also keeping the Red Cross on the forefront of mobile technology. We recently launched a free first aid app for iPhone and Android devices, which gives people instant

access to information for handling everyday emergencies. The app has been downloaded more than 575,000 times thus far.

## Looking Ahead

The American Red Cross is now in its 131<sup>st</sup> year. Leveraging our history while still being modern (and I dare say, cool) is not easy. But we are rising to the challenge. The Red Cross is more relevant now than ever, particularly as people become more connected to events that are happening not only in their own communities, but also around the world.

We are fortunate to have a deep and meaningful history of service at the Red Cross, which grounds our work in a rapidly changing era. It is this history that is appealing to many of our donors and volunteers, and it is reflected in the way that we position our brand and fulfill our mission every day. It is that combination—treasuring our past while embracing change and innovation—that I believe will win us a place in the hearts of the next generation.

For myself, being a part of the Red Cross has given me a deep appreciation of the generosity of the people in our country. As a leader, I've learned to listen intensely—to our staff, to our donors and to the people we serve—and to gather input from as many constituents as possible before making changes. Those open lines of communication have helped to build a culture of trust and an organization that embraces new ways of approaching problems.

I have the unique privilege of working in an institution with employees who want to make a difference and interacting each day with donors and volunteers who share that same desire.

**I thank you for your support and the part you play in fulfilling the American Red Cross mission.**





**American  
Red Cross**

**Mission**

The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.