



Can Research Rescue the Red Cross?

>Abstract

The American Red Cross seemed in its true element following September 11, 2001. It was flooded with donations to do its highly needed and regarded work. Most of those donations went to its Liberty Fund. But shortly after it started to disperse the funds, the media began asking questions. And the American Red Cross soon wore a patina of tarnish. Learn about the research that evaluated Americans' perception of the Red Cross and how research by Wirthlin Worldwide helped craft a new and highly effective donation solicitation process. www.wirthlin.com; www.redcross.org

>The Scenario

Whether it's a landslide in California, a flood in Puerto Rico, fires in Colorado, hurricanes in Florida, or tornadoes in Texas, the Red Cross can be depended on to help not only the victims but also those involved in rescue and relief services. But each local independent chapter of the American Red Cross also responds to thousands of smaller events that disrupt peoples lives yet aren't as likely to be splashed across headlines or lead the evening news, such as a fire in a single-family house fire or a family that loses its breadwinner when the father's military reserve unit is activated to serve in the war in Iraq. While the magnitude of the disaster affects the visibility of the Red Cross's relief efforts, the skilled professionals and volunteers who constitute the American Red Cross pride themselves on being where they are needed as quickly as possible, providing the services that are needed by those both directly and indirectly affected. In a single year the American Red Cross affiliated chapters respond to approximately 70,000 such disasters, both small and catastrophic, by providing disaster relief services, family emergency services, domestic preparedness for bioterrorism, critical lifesaving services, and 24-hour military assistance. The American Red Cross provides these services 24 hours per day, every day. And it provides them for free.

A totally independent philanthropy, one receiving no government financial support, the American Red Cross relies on the generosity of U.S. citizens for the operating capital to fund its services. For decades it has followed a policy of raising funds by soliciting donations via advertising during the high-visibility period surrounding a disaster that has captured media attention. As its Web site details, "One of the best ways to help disaster victims, people in need where you live, and people around the world right now is through a financial donation." Donors primarily are encouraged to give to (1) the *Disaster Relief Fund*, which "enables the Red Cross to provide shelter, food, counseling and other assistance to those in need across the country," (2) their *local Red Cross chapter*, which "assists people in need" within a donor's community, or (3) the *International Response Fund*, which "allows the American Red Cross to respond to people's needs around the globe." Its stellar reputation for speedy, quality assistance generates millions of dollars in donations each year.

September 11, 2001, changed many people's lives and it also dramatically changed the way the American Red Cross solicits donations. The sheer number of people affected was beyond the scope of any other domestic disaster addressed, including Oklahoma City, the San Francisco earthquake, and hurricanes Camilla or Hugo.

Typically, the Red Cross develops a disaster plan by determining what will be needed in terms of resources—financial, services, and manpower—to respond to those in need. It is able to use its extensive disaster experience to estimate the amount of money necessary to address the needs, and it does this quickly, often within three to seven days. But it would take three

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weeks to estimate the dollars required to address the needs created by the acts of September 11. And services couldn't and didn't wait.

Contrary to the perceptions of many U.S. citizens at that time, the Red Cross doesn't maintain a huge pool of dollars, just waiting for the next disaster to happen. When a need occurs, the local chapter draws on its own local disaster fund, generated by its own fund-raising efforts. Depending on the size and resources of the chapter, it might not have sufficient reserves to address a major disaster and so turns to the national organization. The chapter can gain assistance with advertising to solicit additional donations, as well as dip into the national Disaster Relief Fund, which contains dollars that poured in from donors after previous disasters but were not needed to provide services to those disasters' victims or relief workers. The local chapter must replace funds taken from the national Disaster Relief Fund.

Following September 11, advertising soliciting for donations began immediately, right along with disaster relief services. Using its prior experience, the Red Cross typically plans the advertising flight and stops advertising when it reaches a certain percentage of its monetary goal. If, for example, the Red Cross estimated that it would take \$1 million to address near- and moderate-term needs resulting from a disaster, it might stop advertising when donations reached \$600,000, knowing that donations would continue to be generated by people who respond less quickly to the advertising stimulus. In an October 2001 press release, the Red Cross estimated that it would spend "\$300–320 million to provide ongoing disaster relief following the September 11 tragedies," with almost one-third of the expenditures supporting "more than 35,000 Red Cross employees and volunteers working at three primary disaster sites providing food, shelter, and grief counseling."

The efforts of the Red Cross were very visible in the aftermath of the collapse of the twin towers of the World Trade Center and the assault on the Pentagon. It assisted FEMA workers and those operating at Ground Zero, as well as families displaced by the towers' collapse and families who lost their loved ones, their employment, and their residences. The media covered the Red Cross's important role in disaster recovery in great detail.

September 11 generated a great deal of frustration among Americans, who felt helpless to respond productively. Blood wasn't needed, as there were so few injured survivors, and the Red Cross did not have the resources to freeze the blood generously donated. Few could contribute the specialized skills needed to clear or reconstruct the sites or replace the firefighters and EMTs who died. Such frustration led many Americans, and those in other countries as well, to make financial donations. Their largess generated donations in amounts never before seen by the Red Cross.

Within nine days of the tragedy the Red Cross knew this particular donation drive was going to be like nothing in its prior experience. In a press conference held at Red Cross headquarters in Washington, DC, then president Dr. Bernadine Healy announced the establishment of a strategic blood reserve, to be located in eight locations around the country, offering a two-hour response time anywhere in the United States; the extension of counseling services to all Americans via their local Red Cross's trained mental health counselors; and the establishment of the Liberty Fund. This last step was unprecedented. The Red Cross had never before created a national fund for donations for a specific disaster. Prior to September 11 it had tracked designated donations internally and locally. At that time, the American Red Cross Board of Governors' policy covering disaster donations was that all advertising solicited donations for "this and future disasters." However, if a donor specified that his or her donation be used for a specific disaster's relief services, then the Red Cross honored the donor's wishes.

All dollars within the Liberty Fund were donations designated "for the support and assistance of families harmed by terrorist activity." On October 1, representatives from the Japanese Red Cross presented the American Red Cross with a check for \$7.2 million. By November 11, 2001, the fund had received donations totaling \$543 million, against an estimated need of \$300 million.

The magnitude of the Liberty Fund soon prompted media scrutiny of the American Red Cross's fund-raising practices. First the media revealed that the Red Cross was not distributing all the funds collected. Then it discovered that the Red Cross was planning to spend only



those funds needed by the families for disaster services and hold in reserve for “future disasters” those dollars it deemed unnecessary to expend. Then the media criticized the Red Cross for not distributing donations as fast as they were coming in. The Red Cross was caught between an angry tirade of accusations by the media demanding change and total involvement in providing disaster services, both to the victims and to the disaster relief workers who were operating under increasing stress and strain.

On November 8, 2001, Daniel Borochoff, president of the American Institute of Philanthropy, testified to a congressional subcommittee of the Committee on Ways and Means investigating charity response to the September 11 terrorist attacks. “The Red Cross could have avoided a lot of donor confusion had it used the Liberty Fund exclusively to raise money for immediate disaster relief and direct victim aid and then cut off fundraising after that need had been met at about \$250 million.” Explaining that the Red Cross’s Liberty Fund and the United Way’s September 11 Fund accounted for about 75 percent of all funds raised related to September 11, Borochoff claimed that rather than earning the organization the Nobel Prize, the Red Cross’s actions “have tarnished its high public standing and brought distrust and skepticism to the entire nonprofit field.”

During this period of continuing attack, on the pages of newspapers and magazines and on newscasts, not a single donor requested his or her money back. But neither did a single supporter come forward to defend the long-standing Red Cross fund-raising policy of using the sympathy generated by a current disaster to raise money for “this and other disasters.” In this instance, the donations following September 11 were separated and deposited in the Liberty Fund. Borochoff testified that he believed the “Red Cross in its zeal to fundraise while the iron was hot raised more money than it needed for what it would ordinarily do in a disaster and behaved opportunistically by using this crisis to raise money for programs that were not a major part of its advertising—such as upgrading its phones...building a strategic blood reserve...[and providing funds for] physiological trauma counseling nationwide.”

Behind the scenes, some officials within the Red Cross were second-guessing whether the Liberty Fund should have been established. Others were asking an even more important question: “If something ever happens like this again, what should we do differently.”

Officers of the Red Cross began to suspect from the anecdotal evidence reported in the news that donors responding to the ads either didn’t read or hear the ads fully or didn’t perceive that donations not needed to address issues related to a specific disaster, one then in the media spotlight, would be used to respond to future disasters. The same officials questioned whether the problem went beyond donors responding to the September 11 ad campaign. Did donors simply not understand how the Red Cross raised money? Did it not understand how the Red Cross spent donor contributions?

By November 14, the media dialogue became so intense that Red Cross CEO Harold Decker, appointed following Healy’s resignation, stated, “We deeply regret that our activities over the past eight weeks have not been as sharply focused as America wants, nor as focused as the victims of this tragedy deserve. The people affected by this terrible tragedy have been our first priority, and beginning today, they will be the only priority of the Liberty Fund.” More than 25,000 families were then in the database of those receiving direct payouts from the Liberty Fund. In that same press release, David McLaughlin, chairman of the American Red Cross Board of Governors, stated, “The people of this country have given the Red Cross their hard-earned dollars, their trust, and very clear direction for our September 11 relief efforts. Regrettably, it took too long to hear their message. Now we must change course to restore the faith of our donors and the trust of Americans, and, most importantly, to devote 100 percent of our energy and resources to helping the victims of the terrorist attacks.”

>Discussion

1. If you had been McLaughlin or Decker, what research would you want done?
2. Create the management-research question hierarchy for the research you think might help the Red Cross make decisions related to public relations efforts and future advertising soliciting donations.
3. If you created an RFP, what would it contain?



4. What considerations should influence sampling decisions in any research the Red Cross would do on this issue?
5. If a survey is used, what scales would be most appropriate?

>Afternote #1

In November, 2001, Senator George J. Mitchell was appointed independent overseer of the American Red Cross Liberty Disaster Relief Fund. According to a Red Cross press release, as of January 31, 2003, and in accordance with the revised distribution plan, the Red Cross had “already used \$741 million from the Liberty Fund to help more than 55,000 families cope with the death of loved ones, serious injuries, physical and mental health concerns, financial loss, homelessness and many other effects of the attacks. Of that, \$596 million was in the form of direct financial assistance to families of those killed and seriously injured, along with displaced workers, residents and emergency personnel who were seriously impacted.”

>Afternote #2

In June 2002 the American Red Cross launched a new fund-raising process called Donor DIRECT—Donor Intent REcognition Confirmation Trust—influenced by research conducted for them by Wirthlin Worldwide. You can read more about this research in the snapshot, “Wirthlin Worldwide Research Redesigns Red Cross Donations, Chapter 19. This research earned PR Week’s 2003 Technique Award: Best Use of Research or Measurement

>URLs

www.redcross.com; www.wirthlinworldwide.com; www.harrisinteractive.com

>Sources

Holly Ripans, Manager of Market Research, American Red Cross; interview by phone, April 25, 2003.

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“Japanese Red Cross Delivers \$7.2 Million Donation,” American Red Cross, October 1, 2001. (<http://www.redcross.org/news/ds/0109wtc/011001japan.html>)

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