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CASE STUDY

PRESERVING ITS DONOR BASE IS MISSION CRITICAL FOR THE RED CROSS

Founded in 1881 by philanthropist Clara Barton, the American Red Cross is the premier emergency response and relief organization in the United States. In addition to disaster relief services, the Red Cross is also the nation's leading supplier of blood and blood products, thanks in part to their extensive base of over four million blood donors.

THE CHALLENGE

The Red Cross faces very strong competitive pressure from for-profit and other nonprofit blood collection agencies. Its market share of blood donations had decreased from over 50% to around 40% in less than 10 years, and its overall collections were decreasing while the national market and need for blood were increasing.

The organization's marketing strategy, which focused on donor frequency (the average number of annual donations per donor), assumed that high-frequency donors were "money in the bank" and could be relied upon to consistently donate year after year, and donate more frequently in times of great need. However, the loss of share proved that donors were either diverting, or worse, not contributing to the nation's rising blood demand. This downward trend in donations called for aggressive action—a new marketing plan and perhaps a significant change in direction.

THE SOLUTION

To address this challenge, the Red Cross engaged consulting partner North Highland, and together the team quickly identified three key goals:

- Develop an analytic **donor lifetime value model** to predict the value of different donor segments.

THE CLIENT

The American Red Cross

THE CHALLENGE

The nation's largest blood supplier experienced a 10% decrease in its market share of blood collections over a 10-year period when the nation's demand for blood was on the rise.

THE SOLUTION

- Devise a model that could accurately predict a donor's lifetime value in blood units
- Realign marketing strategies to preserve a declining donor base
- Focus on retention—rather than frequency—of blood donors

THE VALUE

Analysis revealed that a 1% increase in donor retention would conservatively yield an additional **\$10 million in annual revenue.**

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When you engage North Highland consulting, you can rest assured that we will deliver an innovative solution to the project. We are driven in our pursuit of unique, creative answers, tailor-made to your specific needs. However, we are also diligent in making sure that any implementation is based in reality. What we propose must always be achievable and work in concert within your enterprise as a whole.

“Working with North Highland had a dramatic impact on our business strategy... We were able to break beyond our historical paradigms.”

P. NAGLE
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- Create a novel marketing plan that would allow the organization to make better marketing decisions, using the donor lifetime value as one of several inputs into different marketing strategies and tactics.
- Launch a pilot program to validate the accuracy of the donor lifetime value model and the effectiveness of the various marketing strategies and tactics.

The centerpiece of the Red Cross’s three-prong strategy was the ability to carefully articulate customer trends across its marketing programs. After conducting detailed data analysis and working collaboratively with representatives across different Red Cross functions, North Highland was able to identify and answer key business questions with objective evidence. Some of this evidence contradicted existing core business assumptions, for example: Donors at all levels donate less frequently the following year, and even the high-frequency donors are not “money in the bank.” Their problem was not the average number of times a donor gave blood, but the actual **retention of their donor base** year over year. As a result, North Highland helped the Red Cross devise a retention strategy and customer lifetime model that would, over time, be able to clearly define and recognize desirable behaviors of the donor pool.

Combining elements of the Red Cross’s CRM strategy, best practices research, a newly-commissioned donor survey, the donor lifetime value model, and insights from the data analysis, North Highland consulting collaborated with the American Red Cross to develop a detailed marketing plan with donor-centric strategies and tactics. Key changes included a **focus on retention** rather than frequency to achieve sales objectives, and investment of more marketing resources in donors who are most likely to donate again (VIP donors). In addition, the **new marketing plan** tailored communications specifically to a particular donor segment based on where they were in the donor lifecycle, their donor behavior patterns, and their desired communication channel. Campaign metrics and goals were defined by segment, and a pilot campaign was launched in a small geographic region.

THE VALUE

After discovering that a single percentage point increase in donor retention would conservatively yield over **\$10 million in annual revenue**, the Red Cross is now rethinking its marketing approach and donor segmentation. Through detailed customer analysis, North Highland was able to demonstrate to the Red Cross executive team that shifting the marketing paradigm to focus on donor retention was essential to driving revenue and regaining market share. As such, the Red Cross has obtained detailed insight into the challenge of a multi-year decline in blood donations and has repurposed its marketing efforts to increase its donor base and the nation’s blood supply year over year.