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In Search of a Best Practice Model for the Hospital-Foundation Relationship

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Gaining a competitive edge: E-philanthropy and hospital development

An important opportunity exists for hospitals and their associated foundations to leverage the Internet to cultivate donors. As of April 2006, 73 percent of American adults were using the Internet regularly.¹ Yet, many hospitals have only just begun to scratch the surface of e-philanthropy and the Internet's potential for communicating with and engaging constituents to accelerate fundraising. In recent years, hundreds of organizations in other segments of the nonprofit sector have developed thriving online programs that deliver strong results. In some cases, these nonprofits now rely on the Internet as their primary means of fundraising while, on average, a typical large U.S. hospital raises only a fraction of one percent of its funds online.²



Trends driving hospitals' interest in the online channel

It might be helpful to think of the Internet—the Web and e-mail—as a “communications channel” to cultivate current and prospective donors, in the same way that direct mail, community events, and telemarketing are distinct means to the same fundraising end. But what is driving hospitals' interest in this “online channel” specifically?

Hospitals increasingly need more funds

Hospitals need to raise more money than ever before. Among the reasons for this, government and foundation grants are harder to obtain, and corporations are tightening their philanthropic belts. Meanwhile, increases in donations to

health care institutions are barely outpacing inflation. In 2004, donations to U.S. hospitals rose only 3.5 percent, while inflation rose 3.3 percent.³

The competition is heating up

Competition among health care facilities for a slice of the “philanthropy pie” is mounting. Hospitals also face increasing competition for fundraising dollars with nonprofit organizations outside of the health care world. There is a finite number of philanthropists and charitable dollars available—and every nonprofit is becoming more skilled at appealing for those funds.

The Internet has become a trusted source for health information

Americans increasingly use the Internet to find information about medical conditions, treatments, doctors and hospitals. According to a May 2005 Health Information Online report by the Pew Internet & American Life Project, 28 percent of Internet users searched online for information on a particular doctor or hospital, up from 21 percent in 2002.

In addition, a January 2006 Pew survey found that 17 million people said the Internet has played a crucial or important role in helping another person they know with a major illness or medical condition, and seven million said the Internet had played a similar role in dealing with their own illness or health condition.

Reaching the most important demographic groups online

These trends make clear that the Internet is now a viable and critical mainstream channel for reaching and cultivating donors. In particular, three important

demographic groups that hospital fundraisers need to reach are active online en masse.

Younger generations

“Twenty and 30 something” donors are hospitals' future major and planned givers. But younger “GenX” and older “GenY” donors are difficult for hospital development organizations to reach through traditional marketing channels. This generation typically does not read direct mail or attend events, and increasingly has only a cell phone (versus a land line), making them poor targets for telemarketing campaigns. Moreover, this generation prefers to use the Internet for researching information, keeping informed (via e-mail), and making donations. Point of proof: In 2004, more than 80 percent of the contributions to political candidates by people ages 18 to 34 were made online, according to a study by George Washington University.⁴

The affluent

Ninety-four percent of those who earn more than \$75,000 per year use the Internet regularly.⁵ More than any other demographic characteristic, Internet use correlates most strongly with household income, and income naturally correlates strongly with both the propensity to give and average donation amounts.

Senior citizens

Seniors are a critical demographic for hospitals for two reasons: Older individuals tend to have more health problems, so they have stronger affinity for health care organizations; and seniors are more interested and involved in planned giving because they are more likely to have accumulated wealth over their lifetimes. About two-thirds of seniors ages 50 to 64 use the

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Internet.⁶ In fact, this group represents the fastest-growing demographic online.

What's unique about the online channel?

Hospitals should consider the online channel a supplement, not a replacement, for direct mail. However, a hospital will benefit most by moving as many people as possible to the online channel, primarily because direct mail is generally ineffective from a cost/benefit standpoint. Typical response rates of less than one percent are increasingly difficult to justify given the rising costs of direct mail production and postage.

The online channel offers many unique advantages compared to direct mail including the following:

Immediacy

From conception to delivery, direct mail campaigns require months of work. By the time a campaign is ready to drop, a hospital's needs may have changed. Also, because of the time delay, hospitals cannot incorporate breaking developments and news into mailings so they lose the opportunity to capitalize on timeliness. The immediacy of e-mail communications allows a hospital to execute fundraising campaigns and respond to timely issues in a matter of hours. Furthermore, the speed of e-mail allows near real-time evaluation of a campaign's results and quick adjustment of strategy if needed.

Communication without solicitation

Since most hospitals can only afford to run a small number of direct mail campaigns each year, it is crucial that each campaign maximize return on investment by aggressively soliciting a donation within each communication. Unfortunately, this approach can be a turn-off for many potential donors who

may feel that the hospital is interested only in their money.

Nonprofit organizations that have embraced the Internet appreciate the value of true online stewardship—sharing information about the organization's work as well as learning more about donors' interests, but not making every interaction a solicitation. Over time, this is a more effective way to raise funds because it focuses on relationship building.

Ability for mass personalization

The high production costs of direct mail pieces preclude the development of personalized variants. In most cases, every direct mail piece looks the same and delivers the same message. Non-personalized communications, in any form, generate lower response rates. The Internet enables an unlimited number of tailored versions of both Web site and e-mail content. By creating one "baseline" version of, for example, an e-mail newsletter, and making certain pieces of copy or images personalized to the recipient, hospitals can achieve much higher open and response rates.

Ability to cost-effectively test campaign effectiveness

More sophisticated online tools allow hospitals to test hypotheses about ways to improve the effectiveness of proposed campaigns at no incremental cost. Using an approach called an A/B test, organizations can vary a single element of a campaign and see which of two campaigns yields a better result by sending both campaigns to a subset of the e-mail address file. Perhaps one subject line of an e-mail appeal, for example, encourages more people to open it versus another. Conducting such tests using direct mail is more expensive and test results will take longer to obtain.

Ability to track and report on campaign results in real time

One of the key differentiators between direct mail and the Internet is the ability to track results immediately and gain insights into donor behavior and giving trends. Using the Internet, a hospital can get up-to-the-minute reports of donation and other online activity. The key value in online tracking capabilities is the insight this information provides about the effectiveness of a hospital's fundraising campaigns—what worked and what didn't.

Direct mail provides no immediate progress or feedback mechanisms. Did the recipient see the letter, open it, or read it? Did he or she make a financial contribution as a result of the campaign, or was it for another reason? Sophisticated online tools can track such information—how many e-mails were delivered, who opened the e-mail, who clicked a link in the e-mail, who made a donation after reading the e-mail and much more.

Learning more about your constituents

A unique aspect of the online

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Consultants to Philanthropy

Hackensack University Medical Center Foundation: How one organization launched into e-philanthropy

Hackensack University Medical Center (HUMC) is the fourth largest hospital (by admissions) in the United States and operates independently. Located in Hackensack, N.J. – only seven miles from New York City – the hospital is close to several major medical centers that compete for patients and funds. HUMC has invested more than \$500 million in capital improvements over the past 10 years. Its foundation has played a major role in supporting more than \$250 million in construction projects through two capital campaigns, utilizing a variety of outreach methods.

It started with a Web site overhaul

In 2005, the HUMC Foundation decided to revamp its Web site as part of a broader re-branding effort. The initiative quickly expanded, in collaboration with the hospital's information technology and public relations offices, in order to improve communication with other constituents, such as grateful patients and the community at large.

The goals

The foundation had many goals for the Web site, including reaching a younger donor base, expanding fundraising reach beyond New Jersey, providing online event registration, and offering more giving options such as sustainer gifts. HUMC also wanted to add online fundraising and general constituent relationship management capabilities to the Web site.

The Web site re-launch

The foundation's enhanced Web site, www.humcfoundation.com, went live in December 2005. The site now allows visitors to make one-time or sustaining gifts to 18 different funds, or to make a general gift. The foundation's Web site also allows online registration for special fundraising drives, such as a recent raffle to win a motorcycle autographed by the cast members of *The Sopranos*.

It led to enhanced communication using e-mail

Adding online fundraising was a critical piece of the foundation's re-branding effort, but equally important was the need to enhance donor relationships through better

communication. Longer term, the foundation also wanted to reduce spending on direct mail and printing costs for fundraising appeals and general information.

Improved communication through e-mail

New online tools enable Web site visitors to register and receive e-mails from the HUMC Foundation, saving the group thousands of dollars on direct mail costs. These e-mails cover numerous topics, including general fundraising appeals, promotion of upcoming events or timely health care information, such as details about free local prostate cancer screening programs. By June of 2006, the foundation had distributed 40,000 e-mails to those who had registered on the foundation's Web site.

Building an e-mail database

Creating an e-mail list nearly from scratch requires creativity. To encourage potential donors to register at their Web site, the HUMC Foundation partnered with the staff at Beyond Spa, the world-renowned medical spa at the medical center, offering registered Web site visitors a chance to win a \$100 gift certificate and additional chances for individuals who used automated e-mail tools to "tell a friend" about the drawing. In two months, this promotion provided the foundation with hundreds of new e-mail addresses at a trivial cost. With tactics such as this, the HUMC Foundation had acquired more than a thousand e-mail addresses within six months of implementing its new online system.

Enhanced donor relationships

The HUMC Foundation has found e-mail to be an effective way to steward current and prospective donors. For example, the foundation used one message campaign to drive interest in a book signing event that promoted a book about cancer survivorship written by an HUMC board member. The book signing was held at the hospital, and the proceeds from book sales went to cancer research at HUMC. This event helped attract new donors to HUMC and promoted awareness about the Cancer Center. One advantage of promoting the book signing by e-mail was that supporters could easily forward the message to their own network of contacts who were not on the foundation's e-mail list, thereby engaging new constituents that the hospital otherwise may have not reached.

channel is the ability to automatically build rich profiles about what is important to donors. With these profiles, a hospital can segment the types of donors it targets for various solicitations or general communications, and tailor appeals to each segment accordingly. This ensures that each communication is relevant and valuable to each user, and more likely to inspire him or her to respond.

Four steps for a successful online program

Used strategically as part of a broader fundraising and marketing plan, the Internet can be a vital communications channel through which hospitals and their associated foundations can cultivate relationships with current and prospective donors. Here are four key steps that any hospital development group should follow as it considers starting an online program.

1. View the launch of an online program as a long-term investment, not a cost

Success on the Internet requires the initiation of a program, not just the purchase of a set of technology tools. Programs require a balance of tools, people, strategy, processes, funding and time, and necessitate a long-term investment to generate a meaningful return. A hospital should be prepared to dedicate staff members (or to contract with outsourced administrators and/or consultants) and budget for implementing and managing online programs.

Success online requires careful planning to determine objectives, priorities, coordination among organizational functions, timelines, key steps, and success metrics. Online marketing is a relatively new function for most hospitals and rarely a core

competency of hospital development or marketing staff. And since no two hospitals are identical, a cookie-cutter online plan is not often a viable option. Third-party consultants can help you develop a plan and can be engaged on a long-term retainer for ongoing guidance before, during and after technology deployment.

2. Define success appropriately

Set realistic goals and metrics. The primary purpose of an online program should not simply be “to collect millions of dollars in online donations.” Rather, view the Internet as a donor cultivation “platform” that will allow the hospital, at a minimum, to:

- Engage new donors that the organization otherwise would not have reached.
- Raise more per donor, achieve higher renewal rates, and drive “low-level” individual supporters up the donor pyramid, eventually transforming some of them into major and planned givers.
- Reduce the costs of annual fund efforts by moving some manually-intensive activities—such as donation processing, event registration and direct mail fulfillment—to the Internet.

3. Get other departments on board early

A successful online program requires active teamwork among the



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hospital’s development, marketing and information technology (IT) groups. For many hospitals, interest in e-philanthropy originates in the development office, but because marketing typically owns the public-facing Web site, this group must be involved too. IT groups may administer the Web site or donor database, in which case their involvement also is required. Involve all stakeholders from an early stage when formulating an Internet strategy or evaluating technology vendors.

4. Start building an e-mail file

Key to building an e-mail list is gathering e-mail addresses through every interaction with current and prospective donors. E-mail address collection needs to become part of all




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fundraising initiatives. Planned interactions such as new patient registration, first-time and renewal appeals, and event invitations and registrations are perfect times to ask for e-mail addresses. Add a field for e-mail collection to all response forms. At events involving interaction with a large number of constituents, consider providing a newsletter sign-up sheet, or stage a giveaway for attendees who provide a card with their name and e-mail address.

Summary

E-philanthropy offers tremendous potential for hospital development. Using the Internet, a hospital can efficiently communicate with current and prospective donors, reach donors that it otherwise would not reach, and build stronger relationships with the next generation of major and planned givers. Developing a strategic online program will help hospitals and their associated foundations achieve greater success and more effectively fulfill their missions well into the future. 

For more information about e-mail marketing best practices, download an [Email Marketing Guide from the AHP Website at \[www.ahp.org/ahpjournals\]\(http://www.ahp.org/ahpjournals\)](http://www.ahp.org/ahpjournals).

¹ Pew Internet & American Life Project Data Memo, April 2006.

² Convio estimate based on feedback from hospital customers.

³ Association for Healthcare Philanthropy, "USA/Canada Association for Health care Philanthropy Report on Giving FY 2004."

⁴ The Institute for Politics, "Democracy & the Internet, Small Donors and Online Giving: A Study of Donors to the 2004 Presidential Campaigns."

⁵ Pew Internet & American Life Project, September 2005 Tracking Survey.

⁶ AARP, The State of 50+ America 2006

Five e-mail best practices



E-mail campaigns are the cornerstone of an online program for donor cultivation and outreach. Following are a few best practices that will help ensure your success:

- 1. Post a privacy policy.** A privacy policy reassures your Web site visitors that you recognize the value of the information they share with you, and that you promise not to violate that trust. Keep your policy free of jargon and intimidating legal terms. State exactly what information you collect online and how your organization plans to use this information. Also make sure your policy is in-line with U.S. HIPAA regulations or other similar privacy regulations in other countries.
- 2. Don't rent lists.** Acquiring e-mail addresses by renting lists is not effective. This approach violates trust. The individuals from whom these e-mail addresses have been "harvested" did not give your organization permission to reach out to them, and in most cases these individuals have no connection to your hospital. As a result, recipients are likely to consider your e-mails as spam, and their respect for your organization will permanently suffer.
- 3. Introduce yourself—again.** If you already have e-mail addresses for some of your constituents but have never sent them anything, make sure that your first e-mail message explains how you obtained their e-mail address and why you are now e-mailing them (a good reason: communicating via e-mail is less expensive than direct mail, and thus their donations go further). Ask recipients to explicitly "opt-in" to receive future e-mails; don't just assume they want more.
- 4. Always provide an unsubscribe option.** People change their minds. In every e-mail and on your Web site, be sure to include a way to unsubscribe from your e-mail list. Keep in mind that individuals may still be interested in receiving direct mail.
- 5. Test messages for spam filters.** The vast majority of e-mail sent by hospitals is ethical in nature and not caught by automated spam filters, but mistakes do happen. One e-mail campaign from a national health care organization was blocked because the subject line contained the word "breast" (as in, "fight breast cancer"). Use spam testing software to predict how likely it is that a message will get blocked and change any potential trigger words.