



Children's Miracle Network Hospitals CDO Summit DRTV Q&A April 22, 2021

What is DRTV?

In the nonprofit space, Direct Response Television (DRTV) is television advertising that asks a consumer to respond directly to a fundraising appeal by calling a toll-free phone number, sending an SMS message or by visiting a website and donating one-time or becoming a monthly sustainer. Short-form DRTV spots are two-minutes or under. DRTV advertising is very specifically done to increase fundraising, with spots placed in the television markets analyzed in the short-term and adjusted in real time to ensure call rates and donor acquisition remains high. This is not brand advertising which usually has more long-term goals in overall saturation, awareness and relevancy over time.

What causes are currently engaging in DRTV?

Many nonprofit entities engage in DRTV as it is a high performing tool for acquiring monthly donors to increase overall fundraising income. The causes CMN Hospitals interviewed for exploratory research are raising anywhere from \$20M to \$72M+ through their mature programs. Some organizations engaging in DRTV include:

- St. Jude Children's Research Hospital https://www.youtube.com/watch?v=6CST18h7o_8
- Shriner's Hospitals for Children <https://www.youtube.com/watch?v=G8qDn7xuu-E>
- ASPCA https://www.youtube.com/watch?v=FCTi2o_Fmkk
- Wounded Warrior Project
https://www.youtube.com/watch?v=DSDEYGtJN8g&list=PLf96Y7DZCWrcgRaSWzNY_03sdbB_hupS
- Operation Smile <https://www.youtube.com/watch?v=2WuYwDtsMiw>
- Make-A-Wish <https://www.youtube.com/watch?v=mObsqa8Uv-A>
- Save The Children <https://www.youtube.com/watch?v=6B0EmYXm0LA>

What was the process to analyze if DRTV is right for CMN Hospitals?

CMN Hospitals leadership is looking at several opportunities to diversify and increase fundraising for the member hospitals. Based on an analysis methodology, the CMN Hospitals executive team concluded that DRTV could be a valuable long-term fundraising opportunity for the network for some of the following reasons:

- It is an excellent high-performing monthly sustainer fundraising tactic
- Forecasting against monthly sustainer income is steady
- It is a turn-key activity for the hospitals and program directors
- Increased brand marketplace awareness increases fundraising across the board
- Increased brand relevancy increases ROI for national corporate partners and response rates in new business outreach

In light of the initial research done around DRTV, CMN Hospitals turned to an external consultant that has worked on several DRTV programs in the marketplace including St. Jude Children's Research Hospital, Save the Children, USO, etc., and a sub-committee of the CDO Advisory Committee to help further analyze the opportunity.

The sub-committee of CDO's met over a two-month period to discuss best practices in first year and more established DRTV programs, necessary KPI's, information that would be gleaned through a PILOT, budget requirements, production specifics, timelines, donor management, proforma samples, etc. Ultimately, the sub-committee recommended to the CDO Advisory Committee that they engage in conversations around moving forward with a DRTV PILOT in 2021.

The CDO Advisory Committee met on March 11, and after much discussion voted to recommend to the CMN Hospitals Board of Trustees that the organization move forward with the DRTV PILOT.

The CMN Hospitals Board of Trustees met on March 23 where at the end of a lengthy discussion, the Board of Trustees voted to move forward with the PILOT.

How will the DRTV PILOT be funded?

The DRTV PILOT will be funded solely out of CMN Hospitals national office reserves. Other than credit card fees, there will be no charge back to the hospitals. Any funds raised from DRTV PILOT appeals will be dispersed to the hospitals.

How much will the PILOT cost?

The budget we are working with for the PILOT is \$1M. The general breakdown of major budget items includes:

- \$90K for DRTV Consultant
- \$275K for Creative Agency
- \$465K for Media Buying Agency
- \$32K for Call Centers
- \$105K for incentives and fulfillment

What will happen after the PILOT?

The DRTV PILOT will take place in the marketplace in August, September and October 2021. After the PILOT is complete, the sub-committee of the CDO Advisory Committee, the CMN Hospitals executive team and our consultants, O'Brien Advising, will stop and analyze the results of the PILOT. Against a set of KPI's, we will review the data and what it indicates for CMN Hospitals. One of three paths will be recommended to the CDO Advisory Committee and the CMN Hospitals Board of Trustees (1) do not move forward with DRTV in any formal, annual campaign, (2) further engage in testing by extending the PILOT into 2022, or 3) move forward with a full year-one campaign in the marketplace and create a long-term proforma to define success. If the recommendation is to continue post-PILOT, a long-term overall proforma will be created using DRTV specific data points and plans will be created for the network to fully understand the commitment necessary for overall long-term success. The CDO sub-committee and the CDO Advisory Committee will review long-term plans and together with the CMN Hospitals executive team, make recommendations to the Board of Trustees.

If we do not move forward with DRTV, what will we have learned?

If the analysis of the PILOT indicates CMN Hospitals should not engage beyond the PILOT in DRTV, we will deconstruct the data to glean information for both our current fundraising activities and for new opportunities in the future. We will look at things like overall response rates by geographic market, overall response rates by demographic, overall brand appeal, overall response to communication/messaging and medium, brand awareness increases, and much more.

What are the key areas necessary for a successful DRTV program?

- Long-term commitment from the organization
- Willingness to invest in the medium
- Maximizing the lifetime giving of sustainers

What are the key KPI's for the PILOT?

- Cost per call
- Cost per donor converted

- Geographic response rates
- Average gift size- sustainer vs. one-time
- Percent rates – sustainer vs. one-time
- Call center capture rate
- Sustainers on credit card

Why not just engage in more outreach to create new corporate partners instead of DRTV?

Corporate partnerships are very important to CMN Hospitals and we are committed to pursuing more partnerships to increase fundraising. In 2021, CMN Hospitals has invested more resources in our new business development team to actively engage in outreach to secure new partners both regionally and nationally. DRTV is just one of the opportunities we are analyzing in order to diversify and increase streams of fundraising income to supplement and compliment corporate fundraising.

What will the PILOT look like?

The DRTV PILOT will consist of weekly “flights” or spot placement from August to October. Total cost for spot production, incentives and fulfillment, spot placement, call center/digital journey and consulting fees should cost under \$1M.

Who will produce the spot and what will the spots look like?

RFP’s were sent to agencies on April 6 to secure a creative agency to work with CMN Hospitals on the overall spot production. In order to get baseline information through a PILOT while reaching a national audience, the spots will not be co-branded with the local hospital but will say something like “benefitting your local member children’s hospital”. Once the donor engages through a call or website, the donor will immediately be told what member hospitals their donation is funding, and all subsequent interaction with the donor for their monthly gift will be done specifically using the member hospital brand. Members of the CDO sub-committee will review overall spot development with the CMN Hospitals DRTV team before final placement in the marketplace.

Who will place the media?

RFP’s were sent to agencies on April 6 to secure a media placement agency to work with CMN Hospitals on the overall media placement of weekly DRTV flights from August through October. In order to saturate the spots to a national audience and get the necessary baseline information through a PILOT, placement of spots will mostly be through broadcast and cable television, and not placed separately in local markets. We can spend less and still saturate the country by placing spots this way. Together, broadcast and cable have the potential to reach 100% of the national marketplace. There may be some CMN Hospitals markets that do not see saturation of a DRTV spot through the PILOT, but we will know more once the media placement agency is confirmed and goes to work. If we move forward with any formal campaign post-PILOT, we will ensure that all CMN Hospital markets are included in our media buys. Members of the CDO sub-committee will review the overall placement mix before finalized with the agency for the PILOT.

Is CMN Hospitals budgeting enough for the placement of spots in a PILOT?

We are budgeting approximately \$465,000 for placement of the national spots and are confident we will get a heavy enough saturation and rotation in order to yield the information we need out of a PILOT. Once the PILOT is complete, *if* there is a decision to move forward with a more formal, annual campaign, we would most likely need to increase the placement spend. CMH Hospitals would absorb the cost out of reserves for 2-3 years post PILOT, with all revenue in the PILOT phase and beyond disbursed to the hospitals. The only fee that would not be absorbed by CMN Hospitals would be credit card processing fees. No commitment will be made to move to a model where costs are dispersed without conversation, guidance and insight from the CDO Advisory Committee.

Why broadcast and cable when people are consuming media differently?

As mentioned above, for the PILOT, we will get more national spot exposure and saturation for less investment. Additionally, while there have been a high percentage of increases in streaming services, it's still a small percentage of overall users/viewers and a fairly unstable environment for advertisers, with subscriber churn and viewer instability being two big factors driving that instability. Viewership on a streaming service tends to be 1:1, in other words, the individual viewer chooses what they will watch and when so there is not the same mass viewership as there is on broadcast and cable. Also, streaming services have a finite amount of content, while broadcast and cable maintain content 24/7. We will work with our media buying agency to discuss and then possibly test our way into any streaming service that makes financial sense and generates response rates high enough to maintain overall ROI.

Seems like DRTV appeals to an older audience. Is this an audience we are trying to reach?

CMN Hospitals does not currently engage in a program that reaches an older demographic, other than the direct mail program. DRTV can help diversify our donor demographics and tap into this audience for diversified hospital fundraising.

Who will own the donor?

CMN Hospitals will manage the donor journey, the member hospitals will own the donor. We can create the donor journey so that DRTV donors and sustainers see a nationally branded spot, and then immediately and subsequently are informed through every touchpoint - the call center script, online donor journey, premiums, monthly appeal, etc. - about the local member hospital they are supporting. The sub-committee of the CDO Advisory Committee will be working with the CMN Hospitals staff to help create an appropriate and transparent process to ensure overall lifetime giving of the sustainers, and in turn funds to the member hospitals, is maximized.