Field Experiments on Charity: Understanding Why People Give

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There is an extraordinary amount of money available. The lack is of good ideas on how to get the basket under the apple tree"

Mark Kneer
The Economist
July 31, 2004
The Big Picture…

- Industry relies upon rules of thumb rather than hard scientific evidence
- Underlying motivations for why donors contribute remain ill-understood
- Unravel the basics of giving to develop ways to extract additional surplus – i.e., get basket under the tree
The Big Picture…

- Three fundamental questions
  - What induces donors to give in the first place
  - What causes donors to remain committed to the cause
  - What factors attenuate these influences

- How should a non-profit leverage up-front monies to secure new donations?
The Use of Upfront Money

- Change the costs and benefits for donors
  - Matching grants
  - Refunds or rebates

- Introduce a private benefit from giving
  - Charitable lotteries and auctions
  - Conditional gifts

- Psychological aspects
  - Reveal information about prior donations
  - Hire a select group of solicitors
  - Gift exchange and reciprocity
  - Allow donor to opt-out or select the frequency of subsequent solicitations
Leveraging Others’ Gifts: Seeds and Matches

“Obviously a 1:1 match is more appealing than a 1:2 challenge…and a richer challenge (2:1) greatly adds to the match’s attractiveness….”
Leveraging Others’ Gifts: Seeds and Matches

- Karlan and List (2009) partnered with a liberal non-profit focusing on political and socially oriented work

- Mail campaign that varied both presence of match and underlying match rate

- Presence of match increases amount raised by 19%
  - Effect occurs along extensive margin as donors are 22% more likely to give
  - No difference in outcomes as match rate is increased
Leveraging Others’ Gifts: Seeds and Matches

- Matching grants serve to attract new donors but also serves to crowd out-of-pocket giving.

- Alternate use of upfront monies – announce seed gift...
  - Increase likelihood of giving – attract more donors
  - Impact on dollars given varies with scope of project
Leveraging Others’ Gifts: Seeds and Matches

- Growing evidence that seed announcements more effective than matches – no crowding….
  - List and Rondeau with Sierra Club
  - Huck and Rasul with Bavarian Opera House

- Word of caution
  - Seeds backfire when approaching smaller donors
  - Less evidence on impacts of non-linear (conditional) matches
Leveraging Others’ Gifts: Social Comparisons

- Growing body of work exploring role of social information on subsequent donations
  - Provide information on amount given by a previous donor
  - Provide information on percentage of others who have given

- Results consonant with notion that individuals unsure about the “right” amount to give
Leveraging Others’ Gifts: Social Comparisons

- Upward (downward) social information leads to higher (lower) contributions
  - Downward social information has a stronger impact on behavior

- Providing information on frequency of donations leads to higher participation rates but lower levels of giving
  - Legitimizes small donations

- A push too far…
  - Possible to crowd out giving if set reference level too high
A New Idea – Once and Done…

“Give Now and We Will Never Bother You Again”

- Mail campaign with Smile Train targeting more than 800,000 potential donors

- Augment solicitation letter to allow donor to opt-out of future interactions
  - “Make one gift now and we’ll never ask for another donation if you check this box….”
A New Idea – Once and Done…

- In the initial experiment, including the opt-out option
  - Tripled the amount raised
  - Gains along both the intensive and extensive margins
  - Gains realized by both those who check the box and those who do not

- Those provided option to opt-out are more likely to give in future campaigns
  - Stream of future donations unaffected by increased initial donation
  - Providing donor ability to opt-out triggers reciprocity
People Give to People, Not Causes…

He [Aristotle] used to say that personal beauty was a better introduction than any letter.

--Diogenes Laertius
People Give to People…

- Meer (2011) analyzes data on alumni donations to a selective research University
  - University uses alumni volunteers to solicit contributions from others in their graduating class

- Being solicited by freshman roommate increases both the likelihood of giving and dollars given
  - Approximately 8.5 percent more likely to give
  - Increases mean gift by more than 10 percent
People Give to People…

- Effects dependent upon social connection between solicitor and donor
  - Race, academic achievement, athletic status, and membership in fraternity/sorority

- Estimated impacts twice as large if shared common experiences

- Effects mitigated if roommate was of a different race
  - Smaller impacts for differences in academic achievement membership in fraternity/sorority
People Give to People...

- Door-to-door campaign run during the Fall of 2004
  - Raise start-up funds for the Center for Natural Hazard Mitigation at East Carolina University

- Physically attractive females raise more money than their peers
  - Gains accrue largely along extensive margin – i.e., increased participation rates

- Limited evidence that social connection influences contribution decisions
  - Minority males raise significantly less than Caucasian males when approaching minority males
Some Take Away Thoughts

- Variety of ways to attract new donors
  - Characteristics of the solicitor
  - Changes in the nature of the ask

- Not all incentives are created equal
  - Persistence depends on extent to which the incentive influences beliefs about the charity

- Not all donors are created equal
  - Underlying motives for giving and impact of appeal mode vary across observable dimensions – targeted appeals....