The Science of Philanthropy Initiative

Michael Price
Department of Economics
Andrew Young School of Policy Studies
Georgia State University
The Big Picture…

“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….

- Fundamental changes in the charitable marketplace
  - Aging population
  - Devolutionary trends in government support for non-profits
  - Tax codes

- How will these changes impact the industry?
  - Approximately 90 percent of Americans contribute to at least one charity
  - Giving by individuals exceeds 2 percent of GDP
Reliance upon rules of thumb and anecdotal evidence rather than hard scientific evidence

“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….,”
The Big Picture....

- Underlying motivations for why individuals engage in philanthropic acts are largely speculative

- Get basket under the tree and help people raise more money....

- Unravel the basics of philanthropy and giving
Our Approach

- Moving from anecdotes and heuristics to facts

- Use the scientific method as a driving force to change the sector

- Maximize feedback through natural experimentation
  - Try new strategies
  - Compare relative effectiveness of various strategies
Challenging Conventional Wisdom

“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…."

- Mail campaign with more than 50K potential donors offered randomly varied match rate
  - $3:1; $2:1; $1:1; No Match
Challenging Conventional Wisdom

19% more money raised per letter in the matching treatments

- Effects accrue through higher rates of giving

- But....
Challenging Conventional Wisdom

- Larger match rates had no impact on propensity to give or amount given
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….,”
People Checked the Box, But…

- Raised more money – $60K versus $20.6K
- Increased both the propensity to give and average gift size
- Stream of future donations are unaffected
Steps to Feedback Maximize…

- Always have a control group and randomize
- Make informed decisions on number of treatments and sample size requirements
- Understand how to analyze the data
- Have a plan for building on past experimental results
Our Aim

- Inject science into the practice of philanthropy
- Partner with non-profits and foundations to identify what works and why
- Create forum to share ideas and lessons learned
Thank You