# Study a Lot—and Raise More!

By Melissa S. Brown

The Windy City hosted an infrequent combo recently: academic researchers and fundraising professionals gathered to share what works in fundraising and why. The Science of Philanthropy Initiative (SPI) (**http://spihub.org**) at the University of Chicago organized the sessions, which gave fundraisers an opportunity to, shall we say, spy on what researchers do and think about fundraising and provided scholars an opportunity to learn from fundraisers what matters in their work.

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John List, an SPI co-founder and economist at the University of Chicago, has studied giving for more than a decade. Through SPI, he and other researchers have uncovered evidence that may help your annual-fund campaign raise more. In summary, key points from the research are:

- People like the feeling they get when they give. Emphasize the "warm glow" of giving, especially when inviting new donors to join your cause.
- People hate feeling that they have been duped. For new donors, in particular, do not tell them that 100 percent of their contribution will fund program delivery when, in fact, it will be used for overhead. Instead, consider finding a major gift to cover overhead.
- People like others to know that they contributed, so recognize donors.
- People look at what others are doing, so share information that provides an "anchor," or reference point, about how much others have given, especially for new donors.
- More people will give a "round amount," such as $100 instead of $95, even though the latter is less.
- People like choice. If you can, give renewal donors a choice of at least two options.

**1. People like the feeling they get when they give.** The "warm glow" works. You have heard the phrase. It has been shown over and over, in various ways, that people give because giving makes them feel good. James Andreoni of the University of California, San Diego, extensively explored the "warm glow" of charitable giving in the 1980s and 1990s.

With SPI, Michael Price of Georgia State University took the notion and tested it in partnership with Pick.Click.Give in Alaska (also known as the Permanent Fund Dividend Charitable Giving Contributions Program). Each year, Alaskan residents apply for a Permanent Fund Dividend, which comes from mineral royalties. With their applications, Alaskans can choose to direct part of their dividend to charities (**www.pickclickgive.org**).

Price and his team sent postcards just before the application period opened. There were two cards, each with a different message. Compared with people who got a message to "Make Alaska Better," nearly a third (30 percent) more people gave when they received a card that said, "Warm Your ♥." Among the heart-warming donors, gift amounts were 55 percent higher than for the "Make Alaska Better" donors. The test was conducted with a sample of the population. Extrapolated statewide, making that one-line change could raise $1.5 million more for charities in the state.

Donors say they want to know about impact in surveys. Yet, in this very large test with choices between only an impact message or a warm-glow message, more people responded to the warm glow, and the gift amounts were higher on average as well.

Price specifically notes that there is no reason to assume that a campaign that works in one circumstance will work elsewhere. Still, he thinks using more warm-glow messaging may be a great idea to test.

Sharon Tiknis, senior vice president of business development at The Alford Group in Chicago, noted, "The Alaska study contacted tens of thousands of people. A nonprofit with a smaller mailing might not see a big effect, but it won't hurt—and might help—to add a 'warm-glow' message to the postscript in an annual letter. Some groups could test a 'warm-glow' message on the carrier envelope for a large mailing. If you do, be sure to let Michael Price know what you find."

**2. People hate feeling that they have been duped. Ask potential donors to give for program delivery after securing overhead funding from someone else.** People know that it takes money to run any organization, but Uri Gneezy, Elizabeth Keenan and Ayelet Gneezy, all of the University of California, San Diego, demonstrated that more donors will give if they know their own gift will not support operating costs.

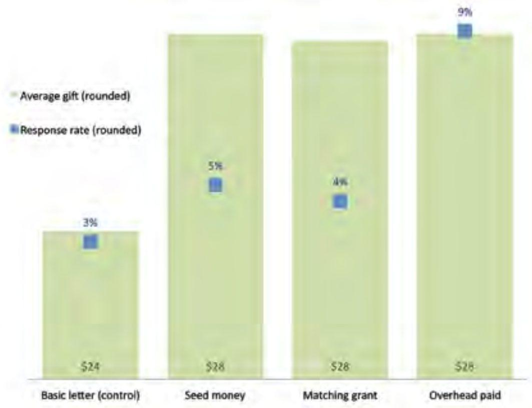
In this study, 40,000 people from a rented list of U.S. donors received appeals for gifts toward a $20,000 project helping school children. A quarter of the letters simply described the project. In another 10,000, the same project description appeared, and readers learned that a donor had already contributed $10,000 (seed money). The third group had the same letter, but a donor offered a 1:1 match up to $10,000. The final group said that a donor had given "a grant in the amount of $10,000 to cover all the overhead costs associated with raising the needed donations."

Even though a $10,000 gift for overhead is equivalent to $10,000 as seed money or a $10,000 match for a $20,000 project, significantly more people gave in response to the "overhead is paid" letter. (See Figure 1.)

The study focused on acquisition and did not evaluate any potential effects on other donors at the organization. The author (Melissa Brown) notes that it is likely that all donors like a "warm glow" from giving, so seeking operating expenses from major donors should be done cautiously. For some, leveraging their giving to raise more from others will be an appealing option.

Note that efforts have begun to help charitable organizations frame messages about why overhead is important. (For more information, visit **http://overheadmyth.com**.) When you implement fundraising methods that show overhead is paid by someone else, you need to consider how that message may affect public understanding of the importance of having leadership through boards, space, utilities, accounting and the like, all of which are overhead.

**Figure 1.**




The control is significantly lower than other conditions. Seed and match are lower than overhead for response rate but not for average gift.

Because so many more people contributed, the "overhead paid" letter raised $23,000 from 10,000 mailed. That is nearly three times more than the basic letter raised ($8,040) and nearly twice as much as the seed and match letters (around $12,000 each).

**3. People want others to know they gave.** Recognize your donors. Anya Samek, SPI co-founder, now at the University of Wisconsin-Madison, and Roman Sheremeta, of Case Western Reserve University in Cleveland and the Economic Science Institute at Chapman University, considered two reasons why people may want to be on a donor list: to "seek prestige" (being listed when they give a lot) or to "avoid shame" (making even a small gift in order to appear on the list). To explore this, Samek and Sheremeta ran a lab experiment for giving. In the many rounds of the experiment, they altered ways of listing people: top donors only, all donors, no donors and only the donors who gave the lowest amounts.

Listing the names of all donors, no matter what their contribution amount (but not listing amounts), raised the most overall. This setting focused on just a handful of participants at a time, so it may not be generalizable to a large donor list.

In a field test by Dean Karlan of Yale University, telethon volunteers told some alumni that their names (no gift amounts), would appear in a newsletter. The volunteers did not mention that to other alumni. More alumni gave (13.7 percent) and gave larger amounts (an average of $66) when the volunteer specifically mentioned

## Behavioral Economics

The Science of Philanthropy Initiative (SPI) (**www.spihub.org**) at the University of Chicago uses behavioral economics to examine what underlies successful, or not so successful, tactics and strategies that you use every day. SPI disseminates findings prepared for use by fundraising professionals, including this article and others. Visit **www.spihub.org/research/working papers** to check the papers available. Also, see the website page focused on practice at **www.spihub.org/resources/practice**.

SPI is particularly interested in finding nonprofit, charitable partners worldwide for field tests. Explore the opportunities explained further at "Partner With Us" at **www.spihub.org/practice/partnerwithspi.**

the listing in the newsletter. Without that mention, 11 percent gave an average of $58. This field setting helps affirm Samek and Sheremeta's findings from the lab and with a larger donor list.

Another interesting study helps confirm the importance of recognizing donors and also introduces some potential hazards. A congregation in Croatia ran a six-year effort to raise funds for a new church. The priest used three different approaches to recognize recent contributions and kept meticulous records. He generously shared those with Jim Andreoni at the University of California, San Diego, and his colleagues for analysis.

The priest's reading donor names and specific gift amounts first led to a clustering of gifts around a "social norm." Some gave more, but some less, as a response to the announcements. After about two years, the priest stopped reading the list of the week's givers and instead simply posted it outside the chapel. This had the predictable effect of lowering the frequency of donations. However, individual gift amounts did not decline, although the total did with a lower frequency of giving.

In the last two years, the parish priest resumed reading names and amounts but added a twist. He also announced how much each of the week's donors had given in total across the whole campaign. This seemed to cause big givers—those with high cumulative totals—to give more frequently. And the small givers? They significantly decreased giving but increased their frequency of giving anonymously so that their total amounts would not be read aloud.

The result of the added social information about cumulative giving was to shift more of the burden—and credit—for giving from smaller-gift donors to larger-gift donors.

The results of the studies in these three different settings are clear: Listing names can help inspire more gifts. However, the effects on the community at large are complex, and sharing information about other givers' amounts may have many unintended consequences of discouraging some even while encouraging others.

Erik J. Daubert, MBA, ACFRE, chair of the Growth in Giving Initiative/Fundraising Effectiveness Project, notes, "Key elements of a good donor-stewardship program involve discerning donor preferences. This means listening to donors, using communication tools carefully and tracking changes in giving that might result. Good acknowledgement and stewardship strategies will encourage donors to make and even increase their gifts if utilized properly."

**4. People look at what others are doing. Anchoring matters.** In a possible urban legend, someone asked Bill Gates for a charitable gift. He asked what others were giving, and the person replied, "Well, most give about $100." Mr. Gates gave $100. The story imparts several lessons, but one is about anchoring. People make decisions based on what they know (or think) others are doing.

Griet Verhaert and Dirk Van den Poel in Belgium found that prospective, current and lapsed donors respond differently to anchor amounts. The scholars found that an anchor was effective for acquisition, but not effective for renewal or reactivation.

Their test letter included the sentences, "Another donor like you donated €x. You can also help us." Compared with a control letter that simply said, "Please give €x," the test letter lifted both response rates and average gift amounts, raising 43 percent more in total.

Current donors did not respond to the anchor information. They most often gave at their prior level. Among lapsed donors, high anchor amounts led to lower response rates. The highest response rate for lapsed donors occurred when the anchor amount was the last amount each donor had given.

**5. People like suggested amounts with round numbers.** David Reiley, a Pandora scientist formerly at the University of Arizona, and Anya Samek, at the University of Wisconsin-Madison, also tested different suggested gift amounts in an appeal sent to current and lapsed donors to public broadcasting in the Tucson area. "The most interesting finding to me is that asking for odd amounts like $95 causes donors to give less often than with round amounts like $100," Reiley says, "even though the round amounts may be larger."

**6. People like choice. When you can, give donors at least two options.** The Association of Former Students at Texas A&M University worked with faculty members Jonathan Meer and Catherine Eckel and their colleague David Herberich (now senior director of data science at BeyondCore in the Chicago area) to study renewal gifts. In an email campaign, alumni donors received one of two possible appeals, either 1) please give to the university's general fund (control) or 2) please give to either the university's general fund or a fund at the alum's specific school (choice).

Within two weeks, 8 percent of donors in each group made a gift. However, donors in the choice group gave a larger average gift, and that appeal raised $40,000 more than the control group. Most important for the institution, just 2 percent of choice donors directed their gift to the more restricted option at the school, with a mere $3,600 going to restricted use.

Amir Pasic, new dean of the Lilly Family School of Philanthropy at Indiana University, remarked that organizations that do not offer a choice are leaving money on the table. "This is certainly a strategy worth trying," Meer advises, "although each organization will have different results based on its own donor relations, giving histories and so forth."

## Research Shows ...

Experienced fundraisers have observed several of these findings, yet having a solid research foundation can inform choices when colleagues or volunteers suggest alternative approaches. While no organization's fundraising program is exactly like another's, understanding the framework for making choices can help. Some of the current "rules" from these studies are the following.

**1. Use specific suggested donation amounts in letters and on reply devices.** All research shows they help, and chances are you will recoup the expense of a triple match (letter, response card and carrier envelope). Craft amounts carefully to reflect

- an average first gift amount (for similar acquisitions);
- a donor's recent gift amount (renewal); or
- a higher gift amount than the most recent gift (lapsed).

Include a gift array that increases using round numbers ($20, $50, $80, etc., and not $25, $45, $75, etc.).

**2. Where possible, offer new donors a "deal."** This may be a match offer or having overhead already funded for a project. However, frequent and widespread use of these approaches will likely result in changes in donor expectations, which could mean the "deal" approach could wear out in time.

**3. Show donors that they are important.** People give from "impure altruism," the so-called "warm glow" they get from doing something that helps others. It does not hurt to shine a little light on that glow from time to time—say thank you, of course, and also acknowledge donors in print when you can.

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### Resources

Watch the SPI site for videos of presentations by Jim Andreoni, Uri Gneezy, Jonathan Meer, Michael Price, David Reiley, and Roman Sheremeta from the SPI "Power of Partnerships" conference held in November 2014. As of mid-February 2015, papers by Samek and Sheremeta, as well as Gneezy, are available at **www.spihub.org/research/workingpapers**. Others will be posted as they become available.

Two other papers consulted were not from the SPI conference:


- Karlan & McConnell. (2014). Hey look at me: The effect of giving circles on giving. *Journal of Economic Behavior & Organization, 106*, 402-412
- Verhaert & Van den Poel. (2011). Improving campaign success rate by tailoring donation requests along the donor lifecycle. *Journal of Interactive Marketing, 25*(1), 51-63. **doi:10.1016/j.intmar.2010.09.001**

  Working paper. Accessed Jan. 15, 2015 **http://wps-feb.ugent.be/Papers/wp_10_666.pdf**


Also, see "Clear Insights" by Adrian Sargeant, Ph.D., and Jen Shang, Ph.D., *Advancing Philanthropy,* May/June 2009, which describes philanthropic psychology and the role that providing "social information" may play in stimulating giving.