

# How Charities Can Get More Out of Donors

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December 14, 2014

## What Gets People to Give?



What gets people to donate to charitable causes? Hint: A little public recognition, and a few important people go a long way. TinyGive co-founder Clarence Wardell joins the News Hub.

By

December 15, 2014

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It's a question charities have been grappling with for as long as there have been, well, charities. But researchers in recent years have begun digging deeper into the question, using controlled experiments and psychological testing to better understand why people feel compelled to donate to a good cause—or give it a pass.

Some of their findings turn the conventional wisdom at charities on their head. Lots of charities lean on heart-rending stories to inspire people to give, for instance. But recent research has found that something much less emotional can be just as effective in winning people over—trumpeting the fact that the charity got a gift from a big-name donor. Research has also found that the promise of public recognition works for even the smallest donors, not just people who get their names on buildings.

Some say tests like these are urgently needed, since donations have been relatively flat for decades. That fact “is an indictment of our dearth of knowledge about this sector,” says John List, principal investigator at the Science of Philanthropy Initiative at the University of Chicago. “We will grow the social pie of giving” as researchers delve into why people donate.

Here’s a look at some of the latest research on what pushes people to open their wallets for charity and what spurs them to give even more.

### Got a Big-Name Donor? Make Sure People Know

Sifting through thousands of charities can be overwhelming and time consuming. One of the most common ways for charities to stand out in the crowd is to use heart-tugging human-interest stories. But there’s another step that they often *don’t* take that can be surprisingly effective: advertising a gift from a well-known donor.

Mr. List and Dean Karlan of Yale University teamed up with TechnoServe, a charity focused on international development and poverty reduction, to look into the impact a well-known donor can have on others’ giving.

In one experiment, they sent direct-mail fundraising requests to people who had not previously donated to TechnoServe. Some of the mailings named the Bill and Melinda Gates Foundation as a matching donor, while other mailings noted only that the charity had an anonymous matching donor.

Naming the foundation as the source of matching funds increased the probability of an individual donating by about 22%—rising to 1.1% from 0.9%. And the effect persisted after the matching period, meaning people continued to contribute more if they remembered that the Gates Foundation had once donated.

Big-time donors are important because it’s so hard for individuals to evaluate charities these days, experts say. If people see that a big name donated, they will assume that donor carefully vetted the charity, so it becomes a better bet.

“It’s serving as a quality signal, that this is a high-quality organization and you should support it,” says Mr. Karlan, who is also the president of Innovations for Poverty Action, a nonprofit that researches solutions to global poverty problems. “It shows, ‘We passed their bar.’ ”

The study didn't look at the proportion of charities that trumpet big donors or why some don't take that step. But Mr. Karlan speculates that they fear appearing too "wonky" and would rather make emotional appeals.

### Give All Donors a Moment in the Spotlight

Everybody knows that giving people public recognition can be a big motivation to donate. But that spur can work for even small donors—not just rich ones who get their names on stadiums, says Mr. Karlan.

Mr. Karlan and Harvard University global health-economics professor Margaret McConnell recently tested this with a pair of experiments. In the first, a service organization at Yale solicited donations from alumni via phone. When researchers mentioned they would publish the names of donors who gave a certain amount in a newsletter, the probability of giving was 13.7%, compared with 11% for those who didn't get the offer. Average gift sizes, meanwhile, were \$66 for those who received the newsletter offer, almost 14% more than the \$58 for those who didn't.

Mr. Karlan says he was surprised by the magnitude of the increases, especially given the relatively minor nature of the public recognition in the study.

"It was just a newsletter, it's not like it was their name on a building," he says.

In the second experiment, undergraduates were asked to keep \$5 or donate all or part of it to a charity, with their decisions being displayed publicly. Students who decided to give made the choice so quickly, the researchers concluded, that the motivation likely wasn't to influence others into giving. Rather, it was more about social image. "You're giving to get your name out there and say, 'Hey, look at me, I'm so great,'" says Mr. Karlan.

## Who Gave

Charitable giving in the U.S. rose 4.4% in 2013 to \$335.17 billion, thanks to growth in contributions by individuals, foundations and bequests.

### Individuals

**\$240.60 (+4.2%)**

### Foundations

**\$48.96 (+5.7%)**

### Bequests

**\$27.73 (+8.7%)**

### Corporations

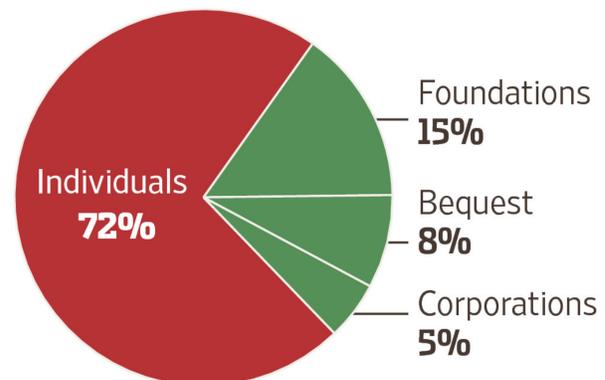
**\$17.88 (-1.9%)**

### Total

**\$335.17 (+4.4%)**

## The Most Generous

Giving by individuals comprised the bulk of the year's contributions



Sources: Giving USA Foundation; Lilly Family School of Philanthropy, Indiana University The Wall Street Journal

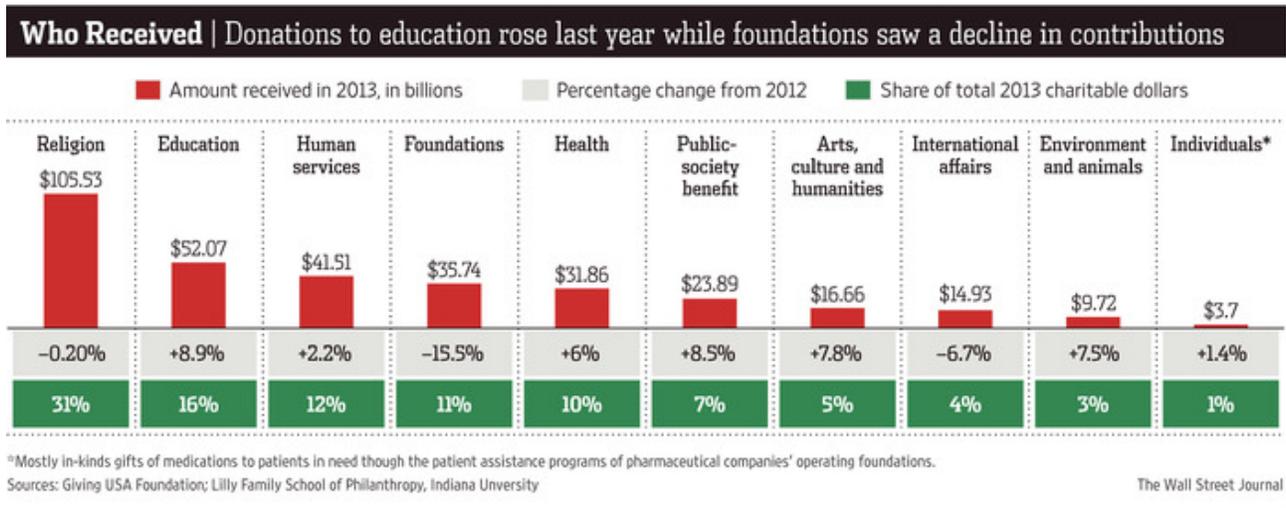
The lesson, he says: Charities should try to recognize donors at all levels. “Charities focus on big donors for obvious reasons, but small donors are moved by similar motivations,” he says, adding, “For someone who doesn’t have a lot of extra money to throw around, giving some of it to charity may be a bigger sacrifice than it is for someone rich. Why not recognize it?”

### Give People a Reason to Spread the Word

Charities increasingly have some presence online, and many reach out to supporters via email, [Facebook](#) and Twitter. Yet in some ways they’re still figuring out how to handle the online world, experts say.

Clarence Wardell III, co-founder of online microphilanthropy platform tinyGive, says a lot of organizations “still don’t know where to begin” when it comes to online social networks. Many just treat them like another version of email and send out mass messages to potential donors, he says. They often don’t try to do things like engage in a dialogue with potential donors.

So Mr. Wardell, along with professors Ragan Petrie and Marco Castillo of George Mason University, set up an experiment to test the effectiveness of one particular social strategy: asking donors to spread the word and invite their friends to join them in donating via Facebook.



Donors who made a contribution to a charity through an online giving community were randomly asked to tell others about the donation and ask friends to join them in giving by either posting an announcement on their own Facebook wall or sending friends a private message.

The researchers found that people were more willing to post on their wall than send a message. And they were much more likely to post if there were an incentive. In this case, the online giving community offered to add an extra \$1 or \$5 donation in the donor’s name in return for posting. (The money came from a research grant.)

To some, it may seem counterintuitive for charities, especially ones without large marketing budgets, to devote fundraising dollars to prod current donors instead of reaching out directly to new ones. But Mr. Wardell observes, “If you can’t incentivize people to ask, you’re stuck in a place where you are fundraising from the same people over and over again.” Charities might also tell donors how valuable social sharing can be to get them to post announcements about their gifts, he says.

Ms. Petrie says the team is working on a follow-up study that looks at a third method of sharing—directly asking a specific friend but doing it publicly by posting on that friend’s Facebook wall. Asking someone directly and out in the open can carry a higher social cost, she says. But the friends may also be much more likely to donate if they’re put on the spot.

### Overhead Is a Huge Turnoff

A big stumbling block for many donors can be high overhead costs at charities, especially in light of reports about waste and big salaries for some executives at nonprofits. The thought process is, “I want to help the kid with the money, not the CEO,” says Uri Gneezy, a professor of economics and strategy at UC San Diego’s Rady School of Management, who says he sympathizes with the sentiment.

Just how much of a problem is it for donors? Mr. Gneezy, along with Elizabeth Keenan and Ayelet Gneezy at the Rady School, undertook an experiment that showed the size of the problem in striking terms, but that also suggested a solution.

As part of the research, they sent 40,000 solicitation letters to people, divided into four groups. One group received a standard letter asking for money, the second got a similar letter saying a private donor had already given seed money to the cause, and the third group’s letter noted there was a matching grant available.

But the fourth group got a letter telling them that the charity had already secured donations to cover its overhead costs, so every subsequent dollar donated was going directly to programs.

“We saw a huge jump in giving in that fourth group—it really had a big effect on the amount that people give,” says Mr. Gneezy.

According to the study, 8.55% of people in the fourth group donated, compared with 4.75% in the second group and 4.41% in the third. And total donations for the fourth group were \$23,120—almost triple the first group’s \$8,040, and nearly double \$13,220 in the second group and \$12,210 in the third. “The average donor doesn’t seem to care about the size of the overhead, as long as they aren’t the one paying for it,” says Mr. Gneezy.

Charities sometimes try to address the overhead issue by educating the whole donor base about why costs are high, but that often comes off as condescending, Mr. Gneezy says. Instead, he argues, charities should try to appeal to wealthy givers first to cover those costs.

As Erin Hogan, a senior philanthropic adviser with the Philanthropy Centre at JP Morgan Private Bank, notes, many wealthy donors were perhaps business owners themselves, so they're more likely to understand overhead and be more sympathetic to appeals to pay for it.

### Don't Just Stand There—Say Something

It's one of the most familiar solicitation strategies in the charity world: a volunteer standing outside a store ringing a bell. The problem, says Microsoft Research economist Justin Rao, is that many people make sure to avoid being asked in the first place.

As a graduate student at University of California, San Diego, Mr. Rao observed this during the holidays when people shopping at a supermarket seemed to duck into the store via a side entrance, avoiding the Salvation Army volunteer asking for donations at the main entrance.

So, he teamed up with his professor James Andreoni and Hannah Trachtman, currently a graduate student at Yale, to conduct an experiment. Salvation Army solicitors were posted at both entrances or at one entrance, with solicitors either directly asking for donations or remaining silent. Directly asking increased donations by 60%, but there was also dramatic avoidance of the volunteers who were asking, compared with the silent ones. "People don't like saying no," so a direct ask is generally more effective, says Mr. Rao.

There are a couple of lessons here, Mr. Andreoni says. For one, the more human and direct the contact between donors and recipients, the more effective the appeal. Indeed, he says, other research has shown that eye contact is important in generating the empathic and sympathetic reactions that set off the chain reactions leading to generosity.

Another important point: If people avoid a charity, it doesn't necessarily mean they're hard hearted. It may be a sign that the charity is appealing to them on some level and they're afraid they'll say "yes" if asked. So it may be worth trying to find ways to reach them later on. After all, the research shows that directly asking brought in much more money than not asking.

That said, Mr. Andreoni notes, the study doesn't make it clear just how much aggressiveness people will put up with before they get annoyed. So charities should tread carefully until they find an approach that works.

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