



# “Feel the Warmth” glow: A field experiment on manipulating the act of giving<sup>☆</sup>



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## ARTICLE INFO

### Article history:

Received 23 October 2013

Received in revised form 3 September 2014

Accepted 17 September 2014

Available online 30 September 2014

### JEL classification:

C93

H41

D64

### Keywords:

Field experiment

Altruism

Meaning

Social pressure

## ABSTRACT

We conducted a field experiment with a charitable group to investigate whether giving the donor an option to write a personalized holiday card to the recipient influences giving behavior. Over 1500 households were approached in a door-to-door campaign and randomized to either a treatment group, in which donors were presented with the option to write their own card for the recipient, or a control group, in which donors were not given the option to write their own card for the recipient. We predict that treatment should increase contributions through making the gift more meaningful, but may also decrease contributions by increasing the transaction and social costs of donating. We find evidence in favor of the negative effects of costs from treatment, and no evidence of increased giving. We also observe that our treatment crowds out small donors (donors giving \$5 or less).

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## 1. Introduction

Charitable giving has continued to increase in economic importance, with \$298.42 billion – over 2% of U.S. GDP – contributed to charity in 2011 alone.<sup>1</sup> At the same time, approximately 15–35% of total contributions are spent by charities on fundraising and administration, mailings, door-to-door campaigns, phone-a-thons, and the like.<sup>2</sup> While billions are spent on fundraising activities annually, more research is needed to determine the underlying motivation behind giving to charitable causes, and the kinds of fundraising approaches that would be most fruitful for charities to pursue.

<sup>☆</sup> We thank the John Templeton Foundation for funding of this research under the Science of Philanthropy Initiative. We thank Matthew Davis, the editor and three anonymous referees for helpful comments. Charis (Xiang) Li, Edith Dobrez, Liz Jung, and Tristin Ganter provided valuable research assistance. We thank a great economics teacher, Carl Coates, for making this opportunity available to his students. We thank the volunteers at Feel the Warmth and students at Homewood-Flossmoor High School for their excellent assistance in implementing this project. We thank Respond Now for their collaboration efforts. Any remaining errors are ours.

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<sup>1</sup> As reported by giving USA in its 57th annual report, and re-printed in the popular press – see, for example, The Non-Profit Times, “2011 Giving Estimated at 298.42B – 06-19-2012” <http://www.thenonprofitimes.com/article/detail/2011-giving-estimated-at-298-42b-4693> and Reuters, “U.S. Charitable Giving Approaches \$300 Billion in 2011,” June 19, 2012, <http://www.reuters.com/article/2012/06/19/us-usa-charity-idUSBRE85105T20120619>.

<sup>2</sup> As reported by the Center on Nonprofits and Philanthropy, Urban Institute, Center on Philanthropy, Indiana University. Nonprofit Overhead Cost Project: facts and perspectives.

The related literature has used laboratory and field experiments to explore the underlying motivation to give and to investigate ways that fundraisers can increase giving (Vesterlund, 2006; Andreoni et al., 2008). The past 25 years have seen the emergence of two major theories that are considered key motivators in the decision to give: pure altruism and warm glow. While purely altruistic individuals receive utility solely from increasing the welfare of others, individuals motivated by 'warm glow' receive utility from the act of giving itself (Andreoni, 1989, 1990; Korenok et al., 2013). Recent work has also identified the importance of social pressure or shame in the motivation to give (Andreoni et al., 2012; DellaVigna et al., 2012; Samek and Sheremeta, 2014).

We contribute to this area of research through a natural field experiment, which aims to investigate an approach that charities use in practice: allowing the donor to write a letter to the recipient of their donation. We believe this approach may increase the meaningfulness of giving, thereby increasing the utility derived from giving and increasing the success of the solicitation. This approach lends itself well to 'sponsor a child' type charities. For example, charities such as WorldVision or Compassion allow the donor to sponsor a child in a developing country and also to write letters to him/her. Both pure altruism (i.e., child benefits from a letter of encouragement) and warm glow (i.e., donor benefits from an increased sense of meaning associated with the act of giving) are at play in these sorts of letters.

We conducted a field experiment in partnership with a local charitable group, "Feel the Warmth," during their annual holiday door-to-door campaign. Over 1500 households were approached and randomized to either a control condition or a treatment condition. The only difference between the two solicitations was that in the treatment condition, conditional upon donating any amount above \$0, donors could opt to include a holiday card with a message to the unknown recipient. In the control condition, on the other hand, donors were told that "Feel the Warmth" volunteers would provide holiday cards for recipients. To limit any room for reputation effects, the cards were not linked to the size of gift, and were not identified with the full name of the donor. By giving donors the opportunity to write a personalized message on a holiday card, the manipulation aimed to increase the donors' utility from giving. However, the manipulation may also increase the cost of giving.

We do not find evidence of an increase in donation amount as a result of treatment. In fact, the strongest result is that giving rates decrease. We propose that one major reason for this finding is that the manipulation creates a cost to the donor. First, writing a card increases the transaction cost from giving, for instance by requiring time (an opportunity cost) or requiring greater cognitive effort (due to the simultaneous decisions of whether to give, the amount to give, whether to write on the card, and what to write on the card). Second, we conjecture that donors may perceive that if a card is enclosed, the donation should be larger. We motivate this second conjecture through a social pressure effect, as discussed in Section 3.

This paper contributes to the literature on charitable giving, and more broadly to the behavioral economics literature, in several ways. First, it provides alternative predictions for the effect of an approach commonly used by charities in practice and tests this approach in the field. Our findings also have broad practical relevance: fundraisers should be careful in considering the potential effects of solicitation approaches prior to adopting them widely. In particular, different manipulations on the act of giving may not only affect giving motivations, but also exact differential costs to different types of potential donors.

Second, our paper demonstrates that providing donors with more choice may have adverse effects on giving rates. In particular we present the novel result that giving potential donors the option of making their gift more meaningful decreased the incidence of giving. The unanticipated costs of our manipulation generated incentives to abstain from giving: rather than increasing the fraction of people that gave by allowing people to make their gift more special, our manipulation decreased the incidence of giving due to a combination of transaction and social costs. One possible reason is that some potential donors would prefer to give no gift over a small gift when they receive the signal that the gift should be meaningful.

The paper also demonstrates how the option to communicate may change the parameters of the potential donor's decision. Similarly, in a previous experiment Andreoni and Rao (2011) have investigated the impact of giving individuals the ability to communicate. While our work experimental setup differs substantially from Andreoni and Rao (2011), we both explore communication between donors and recipients.

## 2. Related literature

### 2.1. Altruistic giving and meaningfulness

Related literature has used experimental methods to identify motivations for altruistic giving across a wide range of environments. For instance, researchers have identified the important roles of reciprocity (through experimental manipulations of donor gifts, see Falk, 2007; Gneezy and List, 2006), quality signaling (through manipulation of the existence of seed grants, leadership gifts, etc., see List and Lucking-Reiley, 2002; List and Rondeau, 2003; Kumru and Vesterlund, 2010; Bracha et al., 2011) and empathy (Verhaert and Van den Poel, 2011; Dickert et al., 2011; Basil et al., 2008). Decreasing the social distance between giver and recipient, i.e., through revealing the recipient's identity, has been shown to increase giving (Jenni and Loewenstein, 1997; Charness and Gneezy, 2008; Burnham, 2003; Bohnet and Frey, 1999a,b). Social identity and the sense of belonging to a group also play a role in the decision to give to others (Candelo-Londoño et al., 2011; Charness et al., 2011). Onderstal et al. (2013) find that an all-pay auction decreases donation rates relative to a voluntary contribution mechanism since an extrinsic reward diluted the intrinsic motivation people felt from giving. Our work adds to the literature

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