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The counterintuitive effects of thank-you gifts on charitable giving

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ABSTRACT

Six experiments examined the effects of thank-you gifts on charitable giving. Results indicate that although people expect that the offer of thank-you gifts will increase donations, such offers actually reduce charitable donations. This effect was obtained across a wide variety of charities and gifts types, regardless of whether the donations were hypothetical or real, the gift was desirable or undesirable, the charity was familiar or unfamiliar, or the gift was more or less valuable. Moreover, such patterns cannot solely be explained in terms of inferences about the charity's quality (e.g., either their efficacy or current wealth), the undesirability of the gift itself, or simple anchoring effects. These results are discussed within a broader theoretical framework concerning the effects of extrinsic incentives on altruistic behavior.

1. Introduction

Donations are one of the largest sources of revenue for most nonprofits and charities (Giving USA 2010). As a result, a great deal of research in psychology, economics, sociology, and marketing has explored what factors encourage giving (see Bekkers & Wiepking, 2007 for a review). For example, the amount of money that people donate can be dramatically influenced by how those in need are described (e.g., Kogut & Ritov, 2005; Loewenstein & Small, 2007; Small, Loewenstein, & Slovic, 2007), the anonymity of the donor (Alpizar, Carlsson, & Johansson-Stenman, 2008a; List, Berrens, Bohara, & Kerkvliet, 2004), information on how much others donate (Alpizar et al., 2008a; List & Lucking-Reiley, 2002; Shang & Croson, 2006), the presence of reference points, such as suggested donations (e.g., Alpizar, Carlsson, & Johansson-Stenman, 2008b; Briers, Pandelaere, & Warlop, 2006), additional requests, such as the donation of time (Liu & Aaker, 2008) and even the attractiveness of the donation solicitor (Landry, Lange, List, Price, & Rupp, 2006).

In this paper we focus on the effectiveness of offering small thank-you gifts, such as a pen, coffee mug, or tote bag, as means of soliciting charitable donations. We define "thank-you" gifts as low-value, non-monetary gifts that are offered to individuals conditional upon them donating to the charity. While there are many types of gifts that could be offered to increase donations (e.g., unconditional gifts, high-value forms, and those that arrive before donations), we focus on thank-you gifts because they are perhaps the most common type of gift offered in real-world charitable promotions, and investigation

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of their effectiveness affords both theoretical as well as practical insights. Indeed, given the ubiquity of these kinds of requests (e.g., National Public Radio fund-drives) and the real-world consequences of their effectiveness (or ineffectiveness), it is critically important to directly investigate this issue. Yet, despite decades of research on the relationship between external incentives and altruistic behavior (e.g., Deci, 1975; Deci, Koestner, & Ryan, 1999), whether the offer of thank-you gifts does in fact increase charitable donations is unclear.

One the one hand, it seems reasonable to assume that offering thank-you gifts should increase donations. For instance, the offer of something small in exchange for a donation may encourage feelings of reciprocity (e.g., Bartlett & DeSteno, 2006; Cialdini, 1984; Falk, 2007). Moreover, the belief that self-interest is normative (Holmes, Miller, & Lerner, 2002; Miller & Ratner, 1996, 1998), suggests that people may be motivated to donate more when receiving *something* in return versus nothing at all. On the other hand, an extensive literature on 'crowding out' effects (e.g., Lepper, Greene, & Nisbett, 1973; Titmuss, 1970; see Frey & Jegen, 2001 for a review) suggests that external incentives, such as money or gifts, may actually have the counterintuitive effect of decreasing behaviors that are intrinsically motivated.

In the remainder of this paper we first review the relevant literature on incentives and charitable giving. We then present the results of several empirical studies which directly test the effects of thank-you gifts on charitable donations as well as the underlying mechanisms.

2. Incentives that increase donations

An extensive literature within psychology, economics, and marketing has examined charitable giving and more importantly, the factors that are likely to either increase or decrease donation levels. Here we restrict our review first to monetary donations, rather than other types of charitable acts, such as the donation of blood (Mellström & Johannesson, 2008; Titmuss, 1970) or the donation of time (e.g., Liu & Aaker, 2008). Second, we focus primarily on studies which have looked at the effects of external incentives (such as gifts) on "first-time" donations. Some research has examined the long-term consequences of building a relationship with a charity or nonprofit through various types of incentives, such as exclusive dinners (Baade & Sundberg, 1996a, 1996b; Buraschi & Cornelli, 2002; Harrison, Mitchell, & Peterson, 1995), as well as the social signaling value of various types of gifts (e.g., the Lance Armstrong LIVESTRONG bracelets). While these factors are quite interesting and are certainly relevant to the domain of charitable giving and gifts, in this paper we are most concerned with direct implications of offering thank-you gifts as part of the initial donation request. In other words, when people are considering whether or not to make a charitable donation, does the offer of a thank-you gift, such as a pen or a tote bag, alter the amount of money that they are willing to donate? Therefore, we only examine the effects of thank-you gift offers as part of the initial donation request, while the potential long-term effects of thank-you gifts are discussed in Section 8.

Past research has examined the effects of providing people with unconditional gifts that arrive before people donate. This work has found that receiving a small gift, such as a postcard or a refrigerator magnet, as part of the donation request may increase the overall frequency of donations. For example, Falk (2007) found that of 10,000 donation requests, the relative frequency of donations rose by 17% when a small gift (a postcard and envelope) was included, and by 75% when a large gift (four postcards and four envelopes) was included compared to no-gift control. Analogously, research by Alpizar et al. (2008a, 2008b) found that providing a small gift prior to the donation request increased the proportion of donations by approximately 5%. These effects are typically explained in terms of reciprocity and the obligation that individuals may feel to respond in kind to such requests (e.g., Bartlett & DeSteno, 2006; Cialdini, 1984; Falk, 2007). However, it is important to note that in these studies, the gifts were given to every participant regardless of whether or not they donated (i.e., the gifts were unconditional), and thus did not assess the effects of 'thank-you' gifts, which are typically offered as conditional upon one donating.

Other research has examined the effects of framing donations as "exchange" purchases. For example, Holmes et al. (2002) found that college students donated significantly more when they purchased a scented candle for a fixed amount with the proceeds going to the charity compared to when they were asked merely to donate. This result is consistent with the notion that people overestimate the degree to which human behavior is driven by self-interest (Miller & Ratner, 1996, 1998) and therefore, may seek "excuses" (such as external incentives) that conceal their prosocial motivations.

Similar patterns were obtained by Briers et al. (2006), although this pattern was not consistent across studies and may have been driven by conditions in which the price of the gift was artificially high (a paperclip worth €3.00). Moreover, the results of both sets of studies may be difficult to interpret, since the amount that people could donate was often fixed in the "exchange" (gift) conditions but not in the donation conditions in which no product was offered. In fact, when this factor was equated (Briers et al., 2006, Study 3) the proportion of participants agreeing to donate was actually *less* when a product was offered compared to when no product was offered.

Finally, Shang and Croson (2006) report data from a radio station fundraising drive. They observed that the distribution of donations was "spikey" and tended to coincide with gifts that were offered at different donation levels (e.g., CDs, mugs, t-shirts). While these data could imply that people are motivated to receive gifts, it is unclear whether the gifts in fact, anchored "lower" donations upward, or potentially, "higher" donations downward.

Thus, previous research has examined the effects of unconditional gifts (Alpizar et al., 2008a, 2008b; Falk, 2007) as well as the framing of gifts as exchange purchases (Briers et al., 2006; Holmes et al., 2002). One conclusion from this research is that unconditional gifts may increase donations because they engender feelings of reciprocity (e.g., Alpizar et al., 2008a, 2008b; Falk, 2007) and participants may be drawn to charitable "purchases" because they are consistent with beliefs about social