



The giving type: Identifying donors

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ARTICLE INFO

Article history:

Received 2 June 2009

Received in revised form 8 August 2010

Accepted 16 November 2010

Available online 10 December 2010

JEL classification:

H41

C93

Keywords:

Charitable Giving

Public Goods

Field Experiment

Preference Stability

Social Preferences

ABSTRACT

One commonly used strategy in charitable fundraising is sharing names and contact information of donors between organizations, even those whose missions are unrelated. The efficacy of this practice hinges on the existence of “giving types,” that is, a positive correlation at the individual level between giving to one organization and to another. We run an experiment using a non-student sample (an artificial field experiment) in which participants have the opportunity to donate to multiple charitable organizations. We examine the relationship between giving to one organization and giving to another. Our results support the existence of a giving type; a factor analysis demonstrates that giving decisions are driven by a single (unique) factor, and individuals who give to one organization, give significantly more to other organizations than do non-donors. Our results have important implications for the economics of charity and for fundraising practice.

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1. Introduction

One of the most challenging activities charities face is identifying new donors. Limited resources are available for solicitation, and response rates soliciting new donors are generally less than 1%.³ In response, charities often trade donor lists with other (related or unrelated) organizations, or buy donor lists from third party firms in order to identify potential new donors.⁴

The efficacy of this practice hinges on the existence of a “giving type,” that is a positive correlation at the individual level between giving to one organization and to another, possibly unrelated, organization. However, these correlations are difficult to observe in the field, as privacy concerns and competitive forces lead charities to guard donors' information from researchers. While some data are

available on total giving by individuals via tax returns (see Vesterlund, 2006; Andreoni, 2006), studies typically do not distinguish between individuals who give to many organizations and those who give more to a single organization.⁵

A set of recent studies utilize lab and field experiments in order to illuminate questions in the economics of charity. Researchers have investigated the impact of matching contributions, challenges and rebates (e.g. Eckel and Grossman, 2008; Karlan and List, 2007; Rondeau and List, 2008; List and Rondeau, 2003; Huck and Rasul, 2008), of seed money (e.g. List and Lucking-Reiley, 2002; Bracha et al., in press), of social information (e.g. Frey and Meier, 2004; Croson and Shang, 2008; Shang and Croson, 2006, 2009; Shang et al., 2008; Chen et al., 2010),⁶ of simultaneous and sequential fundraising appeals (e.g. Vesterlund, 2003; Potters et al., 2005, 2007; Duffy et al., 2007), of the social status of early donors (e.g. Kumru and Vesterlund, 2010), of charity auctions and tontines (e.g. Lange et al., 2007; Carpenter et al., 2008b), of social connections among donors (e.g. List and Price, 2009), and many other topics. These studies all provide actionable

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³ A rule of thumb for direct mail solicitation is to expect response rates of 0.5–2.5% (Sharpe, 2007). Eckel and Grossman (2008) report a rate of 0.5–0.6% for prospect solicitations for a direct mail campaign conducted by Minnesota Public Radio. Bray (2008) cites a successful response rate for solicitation of new donors as 1% (p. 134).

⁴ For example, in a British study of direct mail response rates for fundraising, Sargeant (2005) reports a response rate of 1.14% for new prospect mailings and a rate of 4.14% from a mailing based on a list swap. Bray (2008) notes the strategic value of list swaps (p. 120).

⁵ In a study of crowding out across types of nonprofit organizations, Ribar and Wilhelm (2002) note the absence of studies that examine giving to multiple organizations.

⁶ One could also consider the positive relationship between own and others' contributions in the VCM as a form of social information (e.g. Ashley et al., 2010; Bardsley, 2000; Croson, 2007; Fischbacher et al., 2001; Keser and van Winden, 2000; Weimann, 1994), in addition to the considerable literature on dictator and ultimatum games, which is beyond the scope of this paper.

recommendations and mechanisms that nonprofits can use in order to increase the effectiveness of their fundraising campaigns.

In contrast, we examine the relationship of individual's giving to multiple organizations. We run an experiment on giving using a non-student sample (an 'artefactual' field experiment in the typology of Harrison and List, 2004) in which participants have the opportunity to give to multiple neighborhood charitable organizations, as well as to make donations in a standard public goods game, the voluntary contribution mechanism (VCM). Donations are matched (doubled) to provide an incentive to give. The study targets a unique, understudied population in a historically low-income African-American neighborhood in Dallas, TX.

By examining donations in this setting, we combine the control of the laboratory with the context of the field and a population of interest. Our experiments feature controls, for example we know that each individual receives a solicitation, and thus we can directly attribute donations of zero to a desire not to donate. Our experiments provide data of interest to our question that we cannot observe naturally. We examine the correlation of donations within an individual across organizations and interpret these correlations as measures of willingness to donate given that they receive "the ask." Our experiment includes some field context as well. Participants are really giving money that they could otherwise keep to real charities. Finally, our experiment examines a population of particular interest that has been previously overlooked in other studies of giving: the poor.

Several previous experimental studies compare giving between in-lab experiments (like the dictator game or VCM) using student samples.⁷ Laury and Taylor (2008) compare public goods contributions in the lab and giving to a particular charitable organization: Trees Atlanta, which plants shade trees in urban areas. They find mixed evidence of a giving type. When average contributions are used as measure of altruism, or consistent free riding behavior as an indicator of its absence, then they find statistically significant correlations between lab and field behavior. However, when they use the lab data to estimate a utility function with an altruism parameter, these measures are not significantly correlated with field behavior. Benz and Meier (2008) show evidence of a giving type: donations in a dictator game where the recipient is a charity rather than a person significantly predict individual donations to the University's social funds. While college student giving is likely to be a good proxy for giving by the college-educated later in life, our data provide the first evidence of patterns of giving by individuals at the lower end of the income distribution in the US.

Two additional studies compare giving by students and non-student adults. Carpenter et al. (2005) compare dictator and ultimatum giving by undergraduate students with that of non-traditional community college students and workers in a distribution center. They find that the workers in the distribution center are more cooperative than students, and considerably more likely to divide amounts equally. These latter two groups are less affluent than the student group, but have average incomes that are 2–3 times those in our sample. Carpenter et al. (2008a) examine altruistic behavior using a \$100 dictator game where subjects could write in a charitable organization or give to the American Red Cross, and compare giving by students and by a sample of community members. They find that community members give more, but that giving is correlated with survey-based measures of altruism for both samples, supporting presence of a giving type.

Our work is most similar to that of Carpenter and Myers (2010), who find a positive relationship between donation decisions in dictator games and volunteer decisions in the field, using a sample of

firefighters and other adult (non-student) community members. We go beyond previous papers by examining the relationship between giving to one organization and giving to another, rather than between giving the lab and giving or donating in the field. Thus we are able to make comparisons of giving levels across multiple field domains, which allows us to look at "types" in the population—givers and non-givers—as well as providing a preliminary but direct assessment of the value of list-sharing.

Our results support the existence of a giving type. We find a positive and significant relationship among levels of giving to the various organizations and to the VCM. A factor analysis demonstrates that giving decisions are driven by a single (unique) factor. A rough calculation suggests that individuals who give the maximum to one organization give \$42 to \$52 more to a different organization than individuals who give zero.⁸ These results have important implications for charitable organizations. They suggest that list trading or name buying will be an effective tactic, even when organizations obtain donor lists from others who are not directly aligned with their own missions.

Our results are also of interest to charitable organizations because of the unique and understudied sample used. Our sample is low-income, with median per-capita income of \$10,700 and median household income of \$19,600 (Williams Institute, 2006). Andreoni (2006, p. 1208) shows that individuals in the lowest category of household income (below \$10,000 in 1995) give the highest proportion of their income to charities (4% versus 1.3% by median-income households and 3% by the highest-income individuals), thus a better understanding of the giving decisions of these individuals is particularly relevant. Our study is the first to examine the determinants of giving in this type of population.

The remainder of the paper is organized as follows. Section 2 introduces the experimental design and implementation. Section 3 describes the subject pool and aggregate results. Section 4 analyzes the existence of types. Section 5 examines the determinants of the types, and Section 6 provides a discussion of the value of identifying previous donors. Section 7 concludes.

2. Experimental design and implementation

Experimental sessions were run in June 2007, at a field station in the Fair Park neighborhood of Dallas, TX explicitly rented and furnished for this purpose. Our results are based on 190 participants who were recruited via flyers at their homes and in local stores. The flyers described key aspects of the experiment, and included a phone number to call to register. Participants called the number, registered for a session, and arrived at our site.

Upon arrival, participants were asked to read and sign a consent form and were paid a \$20 show-up fee. Participants worked through an activity booklet containing a number of incentivized tasks, including a one-shot VCM and three donation tasks developed for this study.⁹ No feedback was given on the decisions of other participants until after all tasks were completed. At the end of the session, one of the incentivized tasks was randomly chosen for payment, as was fully explained to the participants.¹⁰ Participants completed an exit survey before departing.

The decision tasks and resulting forms and instructions were explicitly designed for a low-literacy population, with the tasks

⁸ Note these estimates rely on our particular experimental design, including the use of windfall money, the charities we chose, and many other institutional details, and will almost certainly generalize only imperfectly to other contexts.

⁹ Other tasks, which will not be discussed here, included risk and time preference elicitation.

¹⁰ The choice of one task for payment (sometimes called the random lottery incentive mechanism) avoids portfolio effects and has been validated in a variety of studies (e.g., Cubitt et al. 1998). One of the particular advantages of this mechanism for our sample is that we are able to increase the payoffs for each decision, making the incentives of the games particularly salient.

⁷ Eckel and Grossman (1996) compare giving to an anonymous individual in the lab with giving to a charity using independent samples and find significantly higher giving to the charity.

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