

Donor incentives don't always equate to more charitable giving, study finds

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People are accustomed to getting cash in the mail from an aunt or grandparent. But what about from complete strangers?

That's now one of the most common ploys used by charitable organizations. Nicknamed "the coin trick," charities often send money in donation request letters in order to inspire supporters to give back.

A new study looks at whether this strategy proves effective.

"There's a big thing in marketing called reciprocity. And that means if I give you something—even something small like a free sample—then you're more likely to comply with my request," said Yexin Jessica Li, associate professor of business at the University of Kansas. "This might be the case with a for-profit business but not for these charities."

Her article, "Coins are Cold and Cards are Caring: The Effect of Pregiving Incentives on Charity Perceptions, Relationship Norms, and Donation Behavior," appears in the *Journal of Marketing*.

Co-written with KU AT&T Foundation Professor Surendra Singh and recent doctoral graduate Bingqing "Miranda" Yin, whose dissertation integrates this content, the article is based on seven studies, including two large-scale field experiments. Li admits to being surprised by how incentives affected donors.

"It's not as simple as incentives are good or bad," she said. "It's more

looking at what the goals of your organization are and seeing if a pre-giving incentive (PGI) aligns with the goal. For example, we initially thought it would be a waste of money to send both monetary and non-monetary incentives. And what we found repeatedly is that people, on average, donate less after receiving a monetary incentive, compared to receiving no incentive."

Among the study's findings is that if the primary goal of the campaign is to maximize the contribution of each donor, results confirm monetary PGIs actually decrease the giving amount. Non-monetary PGIs perform similarly to no incentives—and somewhat better than monetary ones. Results also suggest a PGI makes people perceive the [charity](#) as less communal and more focused on capital, which harms donations.

Conversely, if the goal of the campaign is to help charities gain visibility and raise awareness, enclosing money appears to be a sound strategy. One of the studies indicates it further persuades recipients to both open the letter and to read it.

Now in her eighth year at KU, Li said she is constantly receiving pre-giving incentives from charities.

"Sometimes organizations will send a nickel, but sometimes they'll send a check," she said. "I've gotten a check for \$2 or \$3. I've gotten a really wide variety of non-[monetary incentives](#) as well. The Humane Society and ASPCA—which I tend to donate to—have sent calendars, cards and a couple pairs of socks with my donation request."

The professor believes charities are perpetually trying to one-up each other through the amount and type of gifts they dispatch.

"The highest sum I've seen is a \$5 check. At an individual level, that doesn't seem like a lot. But if they're sending these letters to tens of

thousands of people, you can imagine how the cost will add up for organizations," she said.

It doesn't look like this approach will fade any time soon, especially considering how the pandemic has disrupted in-person fundraising.

"Charities find this to be a relatively effective and economical way of fundraising, even though a lot of people throw away their mail," Le said. "It might just have something to do with the demographics of those who tend to donate. They are more comfortable and more used to donating through the mail than younger millennials."

Li's research focuses on the interpersonal reasons for consumer behavior. She's also interested in the nonprofit side of such behavior, which she emphasizes can prove quite different.

Ultimately, she hopes "Coins are Cold and Cards are Caring" can help charities save their resources and achieve their goals in the most efficient way possible.

"There are a lot of people who need help, and some charities are being spread quite thin in our current climate," Li said. "Most rely on individual donations. We would like them to be able to use this research when making these critical decisions about fundraising."

More information: Bingqing (Miranda) Yin et al. Coins Are Cold and Cards Are Caring: The Effect of Pregiving Incentives on Charity Perceptions, Relationship Norms, and Donation Behavior, *Journal of Marketing* (2020). [DOI: 10.1177/0022242920931451](https://doi.org/10.1177/0022242920931451)

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