

Do small gifts to donors increase charity appeal ROI?

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Researchers from John Carroll University and University of Kansas published a new paper in the *Journal of Marketing* that investigates how recipients respond to charities' pre-giving incentives to determine if they are worth the investment.

The study forthcoming in the *Journal of Marketing* is titled "Coins are Cold and Cards are Caring: The Effect of Pre-giving Incentives on Charity Perceptions, Relationship Norms and Donation Behavior" and is authored by Bingqing (Miranda) Yin, Yexin Jessica Li, Surendra Singh.

Many nonprofits include a small gift with their appeals, such as pennies, dimes, address labels, and greeting cards, in hopes of persuading recipients to donate. PGIs such as coins and greeting cards are included in approximately 40% of the total non-profit mail volume. In fact, inclusion of monetary PGIs is so popular that the strategy has its own moniker: "the coin trick." However, these monetary and non-monetary pre-giving incentives (PGIs) cost time, money, and other resources that are already scarce for charities. Yin explains that "Our research examines the effect of monetary versus non-monetary PGIs on multiple outcomes of interest to charitable organizations. Results indicate that PGIs have different effects on different outcomes and that the best strategy depends on what the charity wants to achieve."

Opening rate—If the goal is to raise awareness and help the charity gain exposure, enclosing a monetary PGI appears to be an effective strategy. Results suggest that enclosing a monetary PGI not only persuades

recipients to open the letter, but to read it, particularly among people not familiar with the charity.

Response rate—Enclosing a monetary PGI may help organizations achieve the goal of enlarging the [donor](#) pool for future campaigns. Results show that a monetary PGI leads to a significantly higher response rate than both a non-monetary PGI and no PGI. However, no response rate difference is found for the annual campaign for recurring donors. Therefore, monetary PGIs may be especially beneficial for lesser known charities just starting to build a donor list.

Average donation—If the primary goal is to maximize the contribution of each donor, results consistently show that a monetary PGI is a bad idea. Non-monetary PGIs perform no better than no incentives. In fact, including them, even when the researchers increase their value, leads to the same average donations as when no PGI is included.

Total donations—Charities may have the goal of raising the most money possible. Across all seven studies, the no-PGI appeals result in the most money raised, followed by the non-monetary PGI appeals, and the monetary PGI appeals. The effectiveness of PGIs on total donations depends on who the recipients are. For donor acquisition, the monetary PGI appeal works best (perhaps due to the higher opening rate), whereas for recurring donors, the no PGI appeal raises the most money.

Return on investment—If the goal is to minimize losses or yield a higher return on investment, it is more effective to not include a PGI. Specifically, for donor acquisition, where ROIs for all conditions are negative, enclosing a monetary PGI leads to an additional \$.27 cents net loss per mailing, which is more than twice the net loss with no PGI. Enclosing a non-monetary PGI results in an additional \$.24 net loss per mailing. Similar results are found with recurring donors. Enclosing a monetary PGI results in a \$2.19 lower ROI per person compared to no

PGI, while a non-monetary PGI (versus no PGI) results in a \$1.41 lower ROI per person.

Charity perceptions—Enclosing a monetary PGI leads people to perceive the charity as less communal and more exchange-oriented, which directly harms donations. Enclosing a non-monetary PGI does not affect donors' communality perception of the charity. Li says "We expect this is because an immediate ask for help accompanying the gift offsets any increase in communality from the gift itself. Net communality is significantly lower when participants are asked for a donation immediately after receiving a PGI than when they were given a gift without a donation request. So, if charities want to enhance communal norms, we suggest sending a gift with a delayed request for help." Additionally, enclosing a monetary PGI leads people to perceive the [charity](#) as more manipulative and less efficient.

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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