# The secret to fundraising: Allow donors to choose how their money is spent

January 31 2023, by Marilyn Stone



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Researchers from Erasmus University Rotterdam and Universite Libre de Bruxelles have published a new study that documents effective yet inexpensive strategies to make fundraising campaigns more effective.

The study, forthcoming in the *Journal of Marketing*, is titled "Enhancing Donor Agency to Improve Charitable Giving: Strategies and Heterogeneity" and is authored by Emilie Esterzon, Aurélie Lemmens,

and Bram Van den Bergh.

Among the sectors hit hard by the current economic downturn, one is often overlooked: charities. With fears of a global recession, exacerbated by the OECD's announcement that Europe must prepare for the worst energy crisis since the 1970s, many charities are struggling for donations. As austerity measures take hold across the globe, many nonprofits, especially small ones, are reevaluating fundraising plans.

Donations accounted for almost 70% of the estimated $470 billion in 2020 revenues for U.S. charities, according to Giving U.S.. Past research has proposed various strategies to increase individuals' motivation to donate, such as to distinguish "pure" motives such as altruism from "impure" motives like seeking to increase one's reputation. Some researchers have argued that most donors give based on spontaneous affective reactions, such as when moved by identifiable victims.

This new study offers inexpensive strategies to make fundraising campaigns more effective. The research team finds that allowing donors to choose which charitable project their gifts will be dedicated to can increase fundraising revenues dramatically. A series of experiments and a large-scale field study involving more than 40,000 donors document this effect and how it works.

## The power of agency

Agency is a crucial concept in [charitable giving](). Donors depend on the [charity]() (the agent) to perform a philanthropic service and they contribute because they believe in the charity's mission and its ability to execute it efficiently. Yet it is up to the charity to decide how to spend the collected funds, and there are bound to be instances when charities use funds for purposes not valued by the donors (e.g., overhead). Many donors rely on watchdogs like CharityWatch to inform them about how

charities use their money.

Offering donors a greater sense of agency can be a way out. In a series of studies, the researchers find that enhancing donors' belief that they can control the external world through their actions will motivate them to donate. "Allowing donors to choose or target a specific charitable project provides them with a greater sense of control over the allocation of the charity's resources," says Esterzon.

In the experiment, the charity described three unique projects involving sending fundraising requests. Some donors could express their preferences and determine which charitable projects to fund. Other donors did not receive the opportunity to control how the charity should allocate its resources. The interventions, though relatively straightforward to implement, were extraordinarily effective.

Donors reacted positively to the opportunity to determine the target of their donation, increasing fundraising revenues by 42%. Results show that donors experienced a greater "sense of agency" when they could tell the charity what to do with their money.

## The value of loyalty

Lemmens adds, "Our research also unveils another vital insight for fundraising managers—not all donors value the opportunity to decide how charities should spend their budget. Those who do care are the most loyal, active, and generous donors and those who do not have strong habits." For example, donors who give exclusively during the holiday seasons or give a fixed amount every month do not react much to the opportunity to choose a specific charitable project.

The study offers two key takeaways for charities:

- Rather than sending solicitation requests to all donors, they can design a more effective fundraising campaign when contacting a select set of donors and only offering a subset of them the possibility to decide which project their gift will fund.
- Because the more engaged donors (as captured by longer tenure and/or larger, more recent, more frequent, and less clumpy gifts) were particularly responsive to the experiments, focus on these donors.

For those managing a charity and overseeing fundraising activities, here are some lessons to optimize the next campaign:

- Consider empowering your donors by having them decide what project they want to fund, but only do this for your most engaged donors.
- Determine which donors appreciate being in control of projects to fund. "For example, let one random half of your donors choose a charitable project and contact the other half, but do not let them choose. Comparing donations across these conditions will identify whom to contact with what type of request in future fundraising campaigns," explains Van den Bergh.
- Learn more about how to leverage such data to optimize your next campaign by checking the open-science repository. The code will allow you to determine which donor to target and what to communicate to them to maximize the chance of donations.

Provided by American Marketing Association