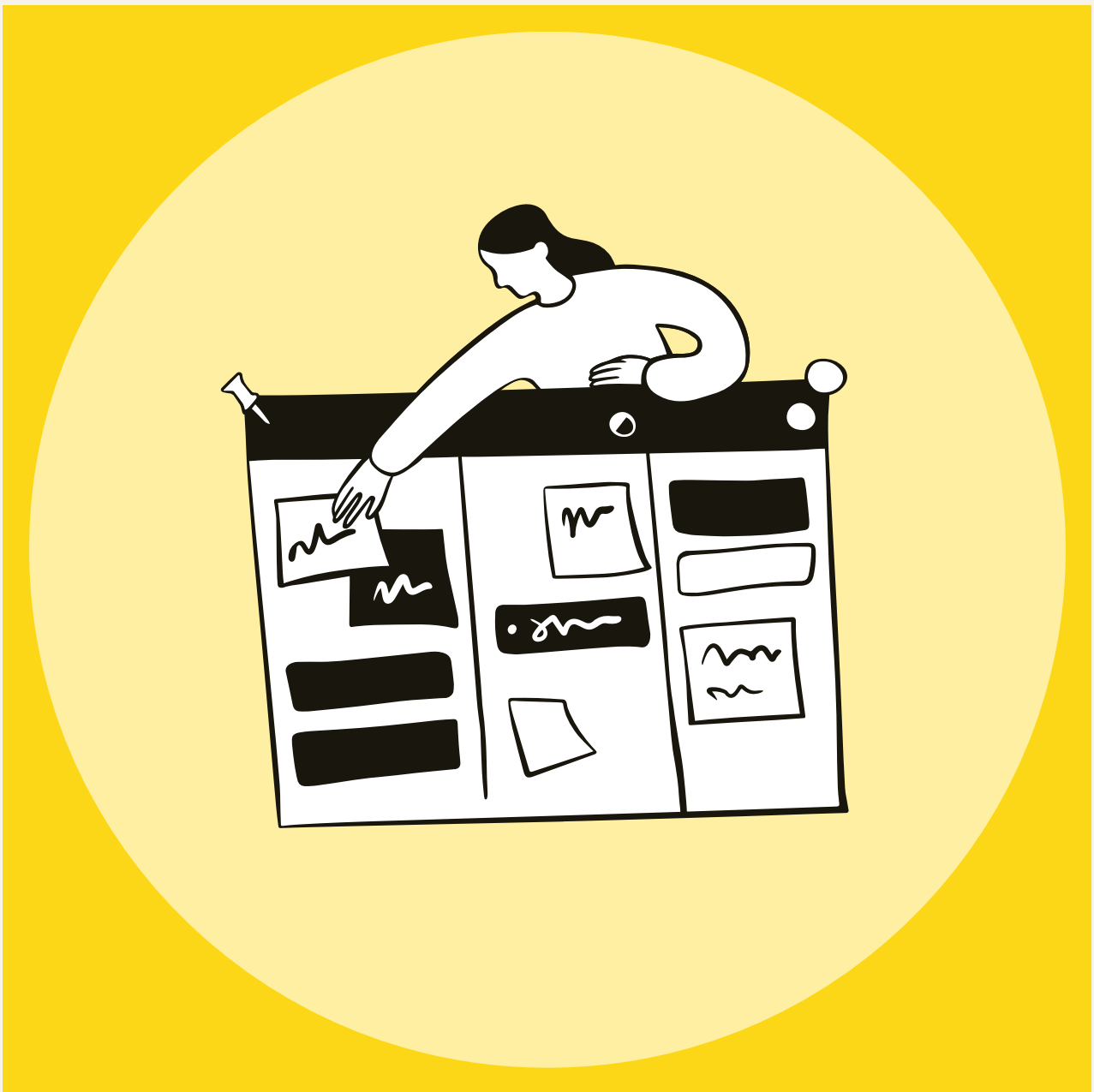


# Why people give



# Introduction

This white paper summarises the most important research on charity fundraising and shows how marketing teams can apply it. To implement the insights effectively, marketers must incorporate them within an evidence-based approach to optimisation.

# Contents

<b>1</b>	<b>Imperfect altruism</b>	<b>4</b>
<b>2</b>	<b>Charitable motivations: What makes donors care?</b>	<b>9</b>
	The five levers of charity	10
	Empathy	11
	Liking	12
	Proximity	14
	Values	15
	Narrative	16
<b>3</b>	<b>Social levers: How groups shape behaviour</b>	<b>17</b>
	Social consensus	18
	Peer effects	20
	Reciprocity	22
<b>4</b>	<b>Mental accounting: How donors think about money</b>	<b>23</b>
	The charity premium	24
	Anchoring and adjustment	26
	Separate mental accounts	28
	Framing	29
	Distance discounting	30

# Contents

<b>5</b>	<b>The burden of proof: What donors expect to see</b>	<b>31</b>
	Creating virtuous cycles	32
	Objection management	34
<b>6</b>	<b>Conclusion</b>	<b>35</b>
	The moral burdens of charity marketing	36
	Final word	37

# Imperfect altruism

Why people give and why it matters.



# Imperfect altruism

In the late 1980s, economists and statisticians tackled a question that philosophers had struggled for centuries to answer. By studying historical trends in donations, they hoped to show exactly what makes people give to charity.

Researchers like James Andreoni scoured donation data for tell-tale patterns indicating “pure altruism” (selfless acts of charity motivated only by their social impact). First, he looked for an effect called “crowding out”, which occurs when donors give less to causes that also receive government support. Second, he explored the relationship between an individual’s wealth and the proportion of their income donated to charity. His findings, shared in the *Economic Journal*, prompted some unexpected conclusions.

## Traces of Home Economicus

Andreoni’s data showed that “crowding out” affected donor behaviour far less than pure altruism predicted. At the same time, his demographic analysis showed that individuals’ generosity did not rise with their incomes as expected. Faced with these anomalies, he questioned the assumption that charity was driven by sincere (or “pure”) altruism. Instead, he argued that social credit and personal satisfaction (described as a “warm glow”) turn the act of donating into its own reward.

Subsequent generations of economists have embraced Andreoni’s concept of “impure altruism”, using it to explain the effects of new tax policies. However, despite adding depth to earlier economics, this shift in theory did not explain the motivations it described. Nor did it provide a reliable way to predict behaviour. To make sense of “impure” motives, as well as sincere philanthropy, fundraisers must look beyond economics.

**“...people are not indifferent between paying for the public good voluntarily (through private donations) or involuntarily (through taxes). Given the choice, people are assumed to prefer to give directly, that is, they prefer the bundle with the most warm glow.”**

**Andreoni (1990), 464-477**

## Decoding the selfless brain

Rather than studying altruism through the mathematics of donation data, psychologists have looked for its signature in their field studies and brain scans.

In 1981, psychologist Charles Batson published a study questioning biologists' assumptions about what motivates charitable behaviour. Reversing Andreoni's challenge to "pure altruism", Batson sought to complicate the assumption that humans are selfish. Instead, he attempted to prove that charity could be motivated by empathy alone.

Batson's study gave participants the opportunity to switch places with a stooge (referred to as "Elaine"), sparing her from a series of electric shocks. The participants were split into two groups, one of which received information that helped them empathise with Elaine on a personal level. The participants were then forced to decide whether to watch the whole series of electric shocks or volunteer to receive some of the shocks themselves.

Only 20% of participants who had not empathised with Elaine chose to switch places with her. By contrast, over 80% of the empathic group (those who had made a personal connection with Elaine) offered to switch places and sacrifice themselves to spare her from the shocks.

Batson attributed this effect to an "other-oriented" emotional state which formed the basis of a new model of selfless giving called "empathy-altruism".

**"The research to date convinces us of the legitimacy of suggesting that empathic motivation for helping may be truly altruistic ... we are left far less confident than we were of reinterpretations of apparently altruistic motivated helping in terms of instrumental egoism."**

**Batson (1981), 290-302**

Although Batson's results appear to conflict with Andreoni's economics, their findings mark opposite edges of the same complex subject. Approaching the question from different directions, both empathy research and economics challenged assumptions about why people give and revealed a more complicated answer.

These early findings have since been enriched by social psychology, fMRI, and statistical analyses of online behaviour, adding new dimensions to explanations of charity.

The fragile synthesis of psychology and economics is not stable enough to explain individual motivations or predict real-world events. However, isolated aspects of donor behaviour often reflect the theories and principles Andreoni, Batson, and others described. Because of this, charity marketing teams hoping to make the biggest possible impact must consider such research when designing campaigns and donor journeys. At the same time, psychology and economics have formed the foundations for a new kind of social research with more direct significance for marketing teams.

## Behavioural approaches to charity

Following the extraordinary impact of publications like Richard Thaler's *Nudge* and Daniel Kahneman's *Thinking, Fast and Slow*, governments and multinationals have integrated concepts from behavioural science into all aspects of their work. In 2010, the UK Cabinet Office established a Behavioural Insights Team (BIT) to inform social policies. Similar organisations have been introduced throughout the world so that, by 2018, over 200 government bodies were actively implementing behavioural insights. Behavioural researchers study decision-making in context and use concepts from psychology and economics to explain their observations. In this way, organisations like the BIT have revealed surprising truths about what motivates charitable giving.

For example, a behavioural study conducted alongside HMRC found that, when asking staff for donations in a "winter greetings" e-card, including an image of someone already giving to charity increased subsequent sign-ups by 220%. The experimenters explained this effect using the social psychology of peer influence.

Similarly, a BIT study arranged with the Home Retail Group produced a remarkable illustration of the "default effect". By reformatting the online fundraising form used by staff so that settings designed to protect recurring donations were selected by default, the study increased the value of staff members' charitable pledges by £3 million.

Rather than searching for a complete theory of altruism, institutions like the BIT draw strands from psychology and economics and use them to interpret real-world scenarios. Charities should embrace this work in a different way to previous research. Rather than defining theoretical concepts like "impure altruism" and "empathy altruism", behavioural research provides a methodological template for evidence-based marketing. The combination of theory, scientific methods, and real-world testing has produced radical insights wherever applied. It is the most reliable way for marketing teams to achieve returns on investment.

## Why motivation matters

There is no objective framework for a good or bad choice of charity. That means personal motivations and context have a greater impact on donations than on everyday purchases. Despite this, charities have been slow to embrace the scientific methods (audience analysis, user research and A/B tests) that allow marketers to understand and influence their audience.

This reluctance is understandable since charities have a moral identity that can make strategic marketing feel cynical, but it does not stand up to scrutiny. Charities routinely spend between 5-20% of their annual budgets on fundraising, often more. When that budget is spent wisely, it helps to generate more funds for important work.

When it is wasted, fundraising costs take money away from those who need it and the supporters who donated it.

Because charity marketers have a moral obligation to spend their budgets wisely, they must also think about what makes people donate. To do that, they must use insights from economics and psychology, applying them to real-world scenarios like behavioural researchers. In that way, the raw power of modern marketing techniques can be a force for good.

### Important sources

Charles Batson, et al. "Is Empathic Emotion a Source of Altruistic Motivation?" *Journal of Personality and Social Psychology* 40 (1981), 290-302.

James Andreoni, "Impure Altruism and Donations to Public Goods", *The Economic Journal* 100 (1990), 464-477.

Carolyn Zahn-Waxler, "The Case for Empathy: A Developmental Perspective", *Psychological Enquiry* 2 (1991), 155-158.

Daniel Kahneman and Jack Knetsch, "Valuing Public Goods", *Journal of Environmental Economics and Management* 22 (1992), 57-70.

Claus Lamm, Charles Batson, and Jean Decety, "The Neural Substrate of Human Empathy", *Journal of Cognitive Neuroscience* 19 (2007), 42-58.

Cabinet Office Behavioural Insights Team, *Applying Behavioural Insights to Charitable Giving* (24 May 2013).

Anita Tusche, et al. "Decoding the Charitable Brain", *Journal of Neuroscience* 36 (2016), 4719-4732.

John Decety, et al. "Empathy as a Driver of Prosocial Behaviour", *Philosophical Transactions: Biological Sciences* 371 (2016), 1-11.

Mark Ottoni-Wilhelm, Lise Vesterlund and Huan Xie, "Why Do People Give? Testing Pure and Impure Altruism", *American Economic Review* 107 (2017),

# Charitable motivations

What makes donors care?



# The five levers of charity

People donate for many reasons, but there is often something that makes one worthy cause seem more important than another. Psychological and behavioural research has identified five key factors that explain what moves a donor to support their chosen charity:

**1**

**Empathy:** Use human stories and highlight shared experiences to encourage “other-oriented” thinking.

**2**

**Liking:** Showcase a charismatic cause by choosing the most sympathetic images.

**3**

**Proximity:** Bridge the distance between the donor and the cause with clever copywriting or imagery.

**4**

**Values:** Target your campaigns at people who care and build your message around their core values.

**5**

**Narrative:** Tell a compelling story about the cause, the charity, and the donor.

# 1: Empathy

Empathy is the ability to inhabit another person's experience. It involves specific brain structures which develop during childhood but can be learnt and enhanced later in life. In the late 1980s and early 1990s, Charles Batson's empathy-altruism model gained popularity as a correction to biological explanations of charitable behaviour.

## How does it work?

"Empathy-altruism" describes an "other-oriented" emotional state that translates into sincere care for another's well-being. Crucially, it goes beyond the simple desire to avoid second-hand suffering.

Some factors increase empathy, whilst others have surprisingly little effect. For example, most people are more affected by the quality of a crisis than its scope; famines that affect millions can provoke the same emotional response as natural disasters that affect thousands. By contrast, meaningful information about a single victim significantly increases the emotional impact of a tragedy.

## What does it mean for charities?

Charities that represent large-scale humanitarian causes or issues without an identifiable victim (such as environmental conservation) should use human stories to inspire empathy. Charles Batson's empathy research suggests that it can also be enhanced by highlighting similarities between the subject and the donor.

## Important sources

Charles Batson, et al. "Is Empathic Emotion a Source of Altruistic Motivation?" *Journal of Personality and Social Psychology* 40 (1981), 290-302.

Stephen Dickert, Daniel Vastjall, Janet Kleber, Paul Slovic, "Scope Insensitivity: The Limits of Intuitive Evaluation of Human Lives in Public Policy", *Journal of Applied Research in Memory and Cognition* 4 (2015), 248-255.

Deborah Small and George Loewenstein, "Helping a Victim or Helping the Victim: Altruism and Identifiability", *The Journal of Risk and Uncertainty* 26 (2003), 5-16.

## 2: Liking

When surveyed, people claim they prefer to donate to charities with the greatest need. However, charismatic subjects (for example, endangered species like Giant Pandas) receive far more funding than other, equally important ones. Research suggests that, when acting on intuition, people prefer to donate to recipients that are in some way “attractive”.

### How does it work?

A well-known 1972 study identified a powerful “attractiveness stereotype”. Strangers identified as beautiful are assumed to be more competent and well-adjusted than their peers. This effect also seems to apply to charity, where attractive causes enjoy a “beauty premium”, whilst ignoring equally deserving causes.

Alongside this, many donors choose charities that have personal significance for them. University alumni may be expected to contribute to their alma mater, but few people would donate to universities they did not attend. This behaviour suggests that implicit egotism (a preference or liking for things associated with oneself) strongly impacts donors.

### What does it mean for charities?

Some charities may be able to leverage their supporters’ intuitive liking easily. On the other hand, charities with less charismatic subjects can attempt to block the heuristic associated with liking by encouraging more deliberative thinking. A simple way to do this is to challenge potential donors with unexpected or surprising content that disrupts their mental flow.

### Important sources

Karen Dion, “What is Beautiful is Good”, *Journal of Personality and Social Psychology* 24 (1972), 285-90.

Cynthia Cruder, “The Charity Beauty Premium: Satisfying Donors’ ‘Want’ Verses ‘Should’ Desires”, *Journal of Marketing Research* 54 (2017), 605-618.

Brett Pelham, Mauricio Carvalho, John Jones, “Implicit Egotism”, *Current Directions in Psychological Science* 14 (2005), 106-110.

**Charismatic subjects (for example, endangered species like Giant Pandas) receive far more funding than other, equally important ones. Research suggests that, when acting on intuition, people prefer to donate to recipients that are in some way “attractive”.**

# 3: Proximity

Closeness to, or association with, an issue increases the likelihood that someone will take action. Surveys of social media content show how “psychological proximity” changes users’ interactions with online campaigns. The reverse effect is also true, and the moral philosopher Jonathan Glover argues that the emotional distance created by modern technology has facilitated greater cruelty in recent history.

## How does it work?

When a cause feels far away, people appear to be more willing to dissociate themselves from it. A comparatively imminent crisis, or one that is relatable, is much more likely to prompt action.

In the 1970s, Peter Singer wrote an article criticising the developed world’s response to famine in East Bengal. The UK had donated just £14,750,000 in relief funds to support over 9 million people displaced by civil war and natural disasters (allegedly, over 30 times less than the amount set aside for Concorde). Singer argued that geographical and cultural distance had inhibited normal empathy.

## What does it mean for charities?

Charities play a crucial role in bridging the real and emotional distances between people in need and those who can help. Visual media that locates an issue within the potential donor’s world can have a powerful effect, as can literary devices that transport the reader to the point of need.

## Important sources

Peter Singer, “Famine, Affluence and Morality” *Philosophy and Public Affairs* 1 (1972), 229-243.

Jennifer Mencl and Douglas May, “The Effects of Proximity and Empathy on Ethical Decision-Making”, *Journal of Business Ethics* 85 (2009), 201-226.

Deborah Small and George Loewenstein, “Helping a Victim or Helping the Victim: Altruism and Identifiability”, *The Journal of Risk and Uncertainty* 26 (2003), 5-16

Jonathan Glover, *Humanity: A Moral History of the Twentieth Century* (New Haven, 2000).

# 4: Values

Some moral beliefs appear to be universal and to motivate charitable behaviour. For example, “inequity aversion” is apparent across cultures and has even been observed in animals. Other values are equally motivating despite seeming to be culturally determined. Potential donors and volunteers are more likely to take action for a charitable cause that resonates with their fundamental values.

## How does it work?

Studies have shown how theories of moral psychology, such as “moral foundations theory”, can be used to predict responses to fundraising campaigns. However, whilst there is broad agreement that donors respond more positively to “congruent” appeals (messages that match their values and the structure of their beliefs), the psychology of moral reasoning is a contested subject. Because of this, fundraising campaigns must always be tested to find the most effective message.

## What does it mean for charities?

Fundraising campaigns are most effective when their messaging targets a precise moral perspective. However, despite the vast promises of psychographic data and audience personas, it is not always possible to predict which message will resonate. Instead, charities should use audience research methods to understand their supporter’s values and maintain a backlog of insights from past fundraising campaigns.

## Important sources

Artur Nilsson, Arvid Erlandsson, and Daniel Vastfalk, “Moral Foundations Theory and the Psychology of Charitable Giving”, *European Journal of Personality* 34 (2020), 431-447.

Nikola Erceg, Kiran Manku, Jessica Lorimer, “The Effect of Moral Congruence of Calls to Action and Salient Social Norms on Online Charitable Donations”, *Frontiers in Psychology* 9 (2018), 1-14.

Sarah Brosnan and Frans de Waal, “Monkeys reject unequal pay” *Nature* 425 (2003) 297-299.

Daniel Kahneman, Jack Knetsch and Richard Thaler, “Fairness and the Assumptions of Economics”, *The Journal of Business* 59 (1986), 285-300.

# 5: Narrative

Stories communicate details about characters, emotions, and causality that aren't conveyed by plain facts. Narratives about a charitable cause, or about how supporters can help, are powerful motivators.

## How does it work?

Stories make information easier to digest and internalise. They also facilitate empathy by making abstract issues concrete and relatable.

Alongside this, stories that give donors an important role to play can create new motives for giving. Research on “narrative identity” shows how individuals maintain personal histories that help them make sense of life events and choose what to do. Donors' self-narratives are likely to shape the charities they identify and engage with.

## What does it mean for charities?

**There are three stories that make up a compelling charity pitch:**

1. About the cause and why action is needed
2. About the organisation and why it was created
3. About how the donor can help

If these narratives correspond to the donor's values and inspire empathy, the charity pitch is much more likely to motivate action.

## Important sources

Jorge Barraza, Veronika Alexander, Laura Beavin, Elizabeth Terris, Paul Zak, “The heart of the story: peripheral physiology during narrative exposure predicts charitable giving”, *Biological Psychology* 105 (2015), 138-143.

Melanie Green and Timothy Brock, “The Role of Transportation in the Persuasiveness of Public Narratives”, *Journal of Personality and Social Psychology* 79 (2000), 701-721.

Kate McLean and Dan McAdams, “Narrative Identity”, *Current Directions in Psychological Science* 22 (2013), 233-238.

# Social levers

## How groups shape behaviour

Donors do not support charities systematically but instead rely on social cues to guide their attention, priorities and behaviour.



# Social consensus

When someone is uncertain or lacks information, they are susceptible to influence from the majority perspective. This can shape even fundamental worldviews, which is why isolated groups develop extreme ideas. Because social context is missing online, visual cues that indicate engagement and activity (such as page views, comments, and reviews) are powerful signifiers of prestige or value.

Donors are influenced by endorsements from authority figures, social norms, and majority opinion. Visual cues that show a cause is popular, such as “likes” or notifications about recent activity, can dramatically affect the performance of online fundraising campaigns.

## How does it work?

In 2013, the Behavioural Insights Team worked with the Co-operative Legal Services to show how social norms shape decisions about posthumous donations. During a will-writing phone call, simply mentioning that others had agreed to charitable bequests made people 42% more likely to do the same.

### What does it mean for charities?

Charities must balance two considerations: consensus is important for demonstrating credibility, but donors may feel that their contribution is less significant if a charity is already well supported.

A simple way to retain the sense of urgency and reinforce the value of each donation is to split the fundraising calendar into periodic appeals with a modest target total. This action makes it possible to highlight the charity’s popular support whilst still creating momentum.

### Important sources

Muzafir Sherif, *A Study of Some Social Factors in Perception* (New York, 1935).

Mathew Salganik, “Experimental Study of Inequality and Unpredictability in an Artificial Cultural Market” *Science* 311 (2006), 854-856.

Cabinet Office Behavioural Insights Team, *Applying Behavioural Insights to Charitable Giving* (24 May 2013).

# Social consensus: Experiment

## Social Factors in Perception (1935)

Muzafir Cherif

The study placed participant groups in a dark room and asked them to discuss how far a dot of light, which had been projected onto a wall, moved from its original position. In fact, the dot was perfectly still, but appeared to be moving due to the autokinetic effect.

Each group in the study produced a set of closely bunched estimates, differing from each other by a small amount. In contrast, there were considerable differences between the groups. When asked to estimate the same phenomenon in private, participants' answers remained similar to their previous group's norm.

Remarkably, the effect of the group's consensus persisted when individuals were invited back to the study a week later to repeat the exercise on their own.

# Peer effects

## How precedents shape behaviour

People often encounter situations where the most desirable or polite behaviour is unclear. They will often use other people's behaviour as a cue when that happens. This effect is especially powerful if the example behaviour comes from someone in authority.

Whilst consensus effects are largely unconscious, peer effects involve conscious choices about how to behave. Donation platforms like JustGiving and GoFundMe use elements like a live donation feed and a message board to help fundraisers leverage peer effects. Seeing friends or family contributing to a cause encourages donors to commit and establishes a benchmark for donation size.

## How does it work?

Alongside HMRC, the BIT conducted a study on the influence of peer effects on staff fundraising campaigns. When an email with a donation request featured an image of an existing donor, the sign-up rate more than doubled - from 2.9% to 6.4%

### What does it mean for charities?

By making previous donations visible, charities can encourage others to donate. This previous donor behaviour will help to create benchmarks for donation size, establishing an implied minimum amount.

### Important sources

Solomon Asch, "Studies of Independence and Conformity", *Psychological Monographs* 70 (1956), 1-70.

Robert Cialdini, "Basic Social Influence is Underestimated", *Psychological Inquiry* 16 (2005), 158-161.

# Peer effects: Experiment

## Independence and Conformity (1956)

Solomon Asch

Individual participants were placed in a group of eight (the other seven of which were stooges). In each “round”, everyone was given two cards: one with a single line and another with three lines of different lengths. The group were then asked to state aloud which of the three lines matched the single line.

The matching lines were always obvious, but the stooges gave unanimous incorrect answers in some rounds. Remarkably 75% of participants changed their answers to conform with the stooges’ (obviously incorrect) answers at least once during the study.

# Reciprocity

## Giving as giving back

When people receive something positive, they feel obliged to return the favour. Charities sometimes leverage this principle by providing intangible gifts (such as a bag of sweets) in exchange for a donation. In other circumstances, donations may be conceptualised as a way of “giving back” in response to personal good fortune.

Social psychologists have identified reciprocity as an almost universal feature of human relationships, alongside similar mechanisms like fairness and trust. The desire to reciprocate occurs at both conscious and non-conscious levels and is one of Robert Cialdini’s 6 “principles of persuasion”.

## How does it work?

In a study conducted alongside Deutsche Bank’s fundraising team, the BIT tested whether a small “thank you” gift would encourage the bank’s staff to donate (BIT, 2013). All staff members received an email asking them to donate a day’s salary to the fundraising team’s partner charities, but only half of the bank’s offices were visited by volunteers providing flyers and free bags of sweets. 11% of those in offices with the free sweets gave a day of their salary to charity, compared to 5% of the control group.

### What does it mean for charities?

Using reciprocity as a persuasive technique allows charities to appeal to a broader range of donors in new ways. However, it is important to avoid turning charitable donations into a simple transaction.

One thing that is clearly highlighted by research on charity and reciprocity is the importance of thanking donors who have contributed.

### Important sources

Robert Cialdini, *Influence* (Boston, 2001).

Christina Fong, “Evidence from an Experiment on Charity to Welfare Recipients”, *The Economic Journal* 117 (2007), 1008-1024.

Cabinet Office Behavioural Insights Team, *Applying Behavioural Insights to Charitable Giving* (24 May 2013).

# Mental accounting

## How donors think about money

When people are thinking about donations, normal economic rules do not always apply. Fundraisers must be sensitive to the unique ways in which donors think about money and value.



# The charity premium

Donors are highly sensitive to the proportion of a donation that does not go directly to the charitable output (the “charity premium”). A meta-analysis of surveys conducted between 2005 and 2016 shows that most donors cite evidence of impact and “how donations are spent” as reasons for choosing one charity over another (Wong and Ortman, 2016).

Whilst donors seek to reduce the charity premium, they also regard searching for information as part of the overall cost of a donation. Because of this, heuristics and rules of thumb play a significant role in how people judge the efficacy of an organisation. For example, donors will often choose well-known charities because they assume the money will be spent wisely. Similarly, donors strongly prefer charities with a high proportion of volunteers.

## How does it work?

A study conducted at the Stanford Economics Research Laboratory in 2014 compared participants’ attitudes to risk when either investing money or donating to charity. The difference between participants’ approaches in those scenarios suggested that reluctant donors may use uncertainty about an organisation’s efficacy as an excuse (rather than a reason) not to donate.

### What does it mean for charities?

Charities must be transparent about how they spend donations. Keeping the charity premium low is an effective way to earn more donor support. This fact also means that, contrary to expectations, highly polished marketing content may reduce the impact of fundraising campaigns.

### Important sources

Rene Bekkers and Olaf Crutzen, “Just Keep it Simple”, *International Journal of Nonprofit and Voluntary Sector Marketing* 12 (2007), 371-378.

Dean Karlan and John List, “Does Price Matter in Charitable Giving?”, *American Economic Review* 97 (2007), 1774-1793.

Christine Exley, “Excusing Selfishness in Charitable Giving: The Role of Risk”, *Review of Economic Studies* 83 (2016), 587-628.

Jade Wong and Andreas Ortmann, “Do Donors Care About the Price of Giving?”, *Voluntas* 27 (2016), 958-978.

# The charity premium: Experiment

## Just keep it simple (2007)

Rene Bekkers and Olaf Crutzen

Working alongside a religious charity in the Netherlands, Bekkers and Crutzen tested two versions of the same postal campaign to see which generated more donations. Out of 89,937 letters, they posted half in full-colour picture envelopes and the other half in plain envelopes.

The plain envelope campaign had a higher response rate and received larger average donations. This effect was most significant for recipients who had yet to agree to donate. Among that group, the response rate was over 2.5% higher for the plain than the full-colour envelopes (20.10% vs 17.52%).

According to Bekkers and Crutzen, this experimental effect was due to a preference for charities that keep fundraising costs low.

# Anchoring and adjustment

## Why donations are relative

Most donors aren't sure how much to give. Because of this, they will seek a reasonable benchmark and adjust up or down depending on how they feel. Whilst the "anchor" may be arbitrary, it dramatically impacts the size of the eventual donation. By providing high, yet plausible, anchor values, fundraisers can encourage more substantial contributions from their supporters.

When the value of something is abstract or difficult to calculate, most people use comparisons to arrive at a reasonable figure. For example, when judging the value of an exotic holiday, someone might use the cost of a less extravagant holiday as a benchmark.

## How does it work?

Retailers use anchoring to encourage customers to spend more. For example, displaying expensive luxury items next to cheaper, best-selling alternatives reduces the perceived cost of those products. Similarly, discount retailers often show the original price more prominently than the discounted price.

### What does it mean for charities?

Many charities provide prompts for people who don't know how much to donate. This is most often the case with online donations, which typically offer a set of suggested amounts. By experimenting with the order and range of these prompts, charities can identify which combinations establish the most effective anchors.

### Important sources

Daniel Kahneman and Amos Tversky, "Judgement Under Uncertainty", *Science* 185 (1974), 1124-1131.

Karen Jacowitz and Daniel Kahneman, "Measures of Anchoring in Estimation Tasks", *Personality and Social Psychology Bulletin* 21 (1995), 1161-1166.

# Anchoring and adjustment: Experiment

## Measures of Anchoring (1995)

Daniel Kahneman and Karen Jacowitz

A selection of visitors to the San Francisco Exploratorium were asked two questions about whether they would support a local ecological project:

1. Would they be willing to pay \$5 to save 50,000 offshore Pacific Coast seabirds from small offshore oil spills?
2. How much would you choose to donate?

When the first question set the initial bar at \$5, visitors said they would donate \$20.30 on average. The experimenters then ran the same process on another selection of visitors, rewording the first question to the following:

1. Would you be willing to pay \$400 to save 50,000 offshore Pacific Coast seabirds from small offshore oil spills?

Remarkably, visitors volunteered \$143.12 on average after increasing the initial prompt.

# Separate mental accounts

## How donations fit into budgets

Most budgeting happens in people's heads. Because mental arithmetic and rate-of-change calculations are difficult, people simplify this process by splitting their finances into separate accounts (one for the weekly shop, another for a night on the town, and a separate one for savings). These accounts make it easier to keep track of money and help people resist the urge to spend their retirement funds (Thaler, 1990).

Depending on which account is most relevant, people follow different spending rules. For example, few people would spend the same amount on snacks in the supermarket (which comes under the weekly budget) as in a cinema (which is budgeted as a special occasion). However, donors are not always sure which account to place their charitable donations in. The way people incorporate charity within their mental accounts greatly impacts the amount they are happy to spend.

## How does it work?

Charitable donations do not fall into an obvious financial category. A regular donation can feel extravagant when viewed as a domestic expense (alongside food and other essentials). By contrast, a small monthly gift that creates real-world impacts can seem like fantastic value when placed alongside hobbies or subscriptions.

### What does it mean for charities?

Understanding and influencing how supporters think about monthly donations is important for long-term retention and revenue. Donors should be persuaded that their contributions are equivalent to a restaurant meal or a new pair of shoes, rather than comparing them to everyday essentials.

### Important sources

Richard Thaler, "Saving, Fungibility and Mental Accounts", *Journal of Economic Perspectives* 4 (1990), 193-205.

# Framing

The way information is “framed” has a significant effect on how it is perceived. The same thing can appear radically different depending on the context (circumstances, associations, and perspective) in which it is placed.

In a situation where two equally appealing t-shirts cost the same amount, but one has been discounted from a higher price, most people will feel happier purchasing the discounted one. This behaviour happens because the two options are placed in different frames, and each includes the previous price.

## How does it work?

Framing donations effectively is crucial to fundraising campaigns. Suppose someone who gives £10 to a humanitarian charity compares their donation to a £10,000,000 gift from a corporate sponsor. In that case, they may decide that the money is more valuable to them than the charity.

However, if the same person compares their £10 donation to the lifesaving food or water it could provide, they are more likely to commit to it.

## What does it mean for charities?

Charities must be sensitive to how fundraising campaigns frame their activities and supporters' contributions. For example, setting discrete, short-term goals and raising funds to support those activities may be more effective than launching continuous appeals to support a familiar historical cause.

Framing issues in an unexpected way can also form the basis of effective campaign messaging. Alternatively, many charities have experimented with unusual ways of framing donations, such as asking people to donate a day's salary.

## Important sources

Daniel Kahneman and Amos Tversky, “The Framing of Decisions and the Psychology of Choice” *Science* 211 (1981), 453-458.

Daniel Kahneman and Amos Tversky, “Choices, values, and frames” *American Psychologist* 39 (1984), 341-50.

# Distance discounting

## Why future donations are more generous

The value of a cash incentive is significantly reduced when there is a delay. Similarly, many people are willing to commit to larger financial commitments when they can defer the payment until a later date.

Most people are more deliberative when considering future expenses than they are when addressing immediate costs. The direct emotional impact of making a payment is also less substantial when there is a delay before it occurs. Because of this, it's possible to persuade supporters to commit to future donations more easily than immediate gifts.

## How does it work?

The value of a monthly donation decreases over time due to inflation. To solve this problem, the BIT conducted an unusual experiment with the Home Retail Group's staff fundraising program. Donors were asked to commit to a regular increase in the value of their monthly donation. This small change resulted in millions of pounds of additional funds for the Group's partner charities.

### What does it mean for charities?

Giving donors the option of adding a "future lock" on their donation to keep up with inflation is a simple way of using time preference to compensate for the natural depreciation of donated funds.

Alternatively, asking supporters to commit to a regular donation beginning at a future date may have a higher success rate than asking for one immediately.

### Important sources

Cabinet Office Behavioural Insights Team, *Applying Behavioural Insights to Charitable Giving* (24 May 2013).

# The burden of proof

## What donors expect to see

In recent years, the most successful fundraisers have invested time and effort in improving their impact reporting. Demonstrating the value of a donation more clearly makes donor acquisition easier and increases retention.



# Creating virtuous cycles

## Making giving addictive

Making outcomes more tangible increases their relevance to supporters' behaviour. For example, being specific about what a donor's contribution means to the recipient and then showing pictures that demonstrate this impact significantly increases the amount people will give to something they care about. Making social impact more visible also creates a virtuous feedback loop, helping to increase donor retention.

Social media giants and video game designers have become experts at building feedback loops that make their products addictive. The same is true with sugary foods and luxury products, which create a cycle of advertising, experience, and craving. Charities can use this powerful operant cycle by making each donation as rewarding as possible.

## How does it work?

Providing evidence of the real-world impact of a donation can maximise the "warm glow" experienced by donors, reinforcing the behaviour and encouraging future donations.

Reinforcement can also be incorporated into the donor journey through "gamification". Apps like Duolingo use gamified features to encourage users to remain engaged.

### What does it mean for charities?

Charities need to make the impact of donors' contributions as tangible as possible. Doing so will persuade one-off donors to make regular contributions and reduce the attrition of regular donors.

### Important sources

Alex Imas and George Loewenstein, "Is Altruism Sensitive to Scope? The Role of Tangibility", *AEA Papers and Proceedings* 108 (2018), 143-147.

Christine Exley, "Excusing Selfishness in Charitable Giving", *Review of Economic Studies* 83 (2016), 587-628.

# Creating virtuous cycles: Experiment

## The Role of Tangibility (2018)

Alex Imas and George Loewenstein

Imas and Loewenstein compared the amount of physical effort student participants were prepared to exert on behalf of a charity in different contexts.

By squeezing a hand-held dynamometer, students could earn \$0.05 per 25k newtons (low reward) or \$2.00 per 25k newton (high reward) for the Make a Wish Foundation. The low and high groups were further split into high and low tangibility conditions. The high tangibility group received the reward in currency and were asked to deposit it in a marked envelope, whilst the low tangibility group were simply told how much they had earned.

The experiment found participants in the high tangibility group were much more sensitive to the degree of reward offered than those in the low tangibility group. Students earning \$2.00 per 25k newtons put in much more effort than any other group, whilst those earning only \$0.05 put in the least effort.

The experiment demonstrates the need to make impact tangible to retain supporters' commitment.

# Objection management

## Why transparency is essential

Many people use mistrust of charities as an excuse not to give, and these people may even discourage others from donating. Because of that, impact reporting is an essential part of charity marketing.

If donors have doubts about the impact of their donations, they are likely to give less and less frequently. Over time, these doubts can erode confidence in a charity and its brand. Because this uncertainty poses such a severe threat, marketing teams should prioritise activities that make their organisation's impact visible.

The reputation of the American Red Cross, and of American charities more generally, was severely damaged. In the age of digital donations and online public relations, charities need to provide transparency about how they use donations.

## How does it work?

In the aftermath of September 11th, 65% of Americans made online donations to charities supporting the victims. In particular, the American Red Cross received £650.5 million in donations (\$988.8 million) and a vast quantity of blood donations. However, months later, the charity's president Bernadine Healy was forced to resign due to allegations about the misuse of funds.

Whilst there were no suggestions of corruption, donors objected to the use of emergency appeal funds to support unrelated long-term initiatives and infrastructure projects.

### What does it mean for charities?

To retain public trust and prevent reputational damage, charities must be clear about how they spend public donations. This transparency is fundamental to building public confidence in the long term.

### Important sources

Jade Wong and Andreas Ortmann, "Do Donors Care About the Price of Giving?", *Voluntas* 27 (2016), 958-978.

Dean Karlan and John List, "Does Price Matter in Charitable Giving?", *American Economic Review* 97 (2007), 1774-1793.

# Conclusion



# The moral burdens of charity marketing

## Why promoting non-profits is a balancing act

Charity marketing teams are pulled in many different directions. Two conflicting pressures influence almost every decision about budget and strategy.

On the one hand, charity marketing has a moral identity; donors must give and do it for the right reasons. The hyperbole, fetishism, and high-pressure tactics used in commercial markets simply don't wash.

On the other hand, non-profit and charity marketing teams have a moral obligation to deliver a return on their investment. Every click and inch of advertising space bought on behalf of a charity represents money that could have been spent delivering social impact. Because of this, marketing performance directly impacts some of the most vulnerable people in the world.

To reconcile these competing moral obligations, charity marketers must understand their audience at a very deep level. Only the most precise empathy allows them to build campaigns that persuade the right people to donate for the right reasons.

That understanding also helps marketers find a space where they can operate without taking funds away from other worthy causes.

Insights from psychology and economics can help marketing teams ask more searching questions about their audience's motivations. However, these insights must also be supported by evidence-based methods. When it comes to non-profit and charity budgets, measurement and experimentation are not just best-practice: but moral requirements.

**Final word: The most exciting and impactful charities combine audience analysis, measurement, and A/B testing to create robust links between a cause and its supporters. That way, marketing becomes a force for good.**



**charity  
wise**

**Empowering  
charities through  
digital skills**

[www.getcharitywise.co.uk](http://www.getcharitywise.co.uk)