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# Scientists to Charities: You're Doing It All Wrong

## Researchers say a poor understanding of donor behavior costs nonprofits money.

By Michael Anft



JULIA SCHMALZ FOR THE CHRONICLE

As a young scholar 17 years ago, John List received \$5,000 to develop a program in experiential and environmental economics that his dean hoped would become world-renowned. All Mr. List had to do, the dean told him, was raise tens of thousands more dollars to get the program started.

Mr. List, then an assistant professor of economics at the University of Central Florida's business school, was unfamiliar with fundraising, so he sought out local charity leaders. Experienced experts, he thought, would best know how to construct a campaign that would meet his goal.

But as the advice rolled in, Mr. List found himself reluctant to use their methods because none had been subjected to the rigors of the scientific method.

"Everyone said they had done things the same ways for years or that their boss had raised money before them in those ways, so they had confidence in what they were doing," Mr. List says. "But no one had really tested it all out."

So, he decided to do that himself.

With his dean's permission, Mr. List used the \$5,000 to set up experiments with other economics researchers around the country. They investigated what the ideal time would be for a charity to publicly announce how much it has raised toward a campaign's goal, so as to spur more gifts. One organization manager had told Mr. List that charities should let prospective donors know when 33 percent of a goal had been reached, but one experiment showed that citing a 67 percent figure raised more money.

Mr. List and his research partners also enlisted the Sierra Club to help them learn whether the presence of large donors would deter others from giving. Charity leaders had warned Mr. List to steer clear of publicizing big gifts because that would scare off other would-be donors. Researchers found the opposite to be true: People often put their charitable dollars down in the same places the big guys do.

As the study results rolled in, Mr. List realized he had found an area ripe for investigation that could be the basis for a refashioned career, with the power to dash the many myths surrounding charitable giving and fundraising. What's more, he thought, such research might in the long run get at why total charitable donations by individuals in the U.S. have been stuck at around 2 percent of the nation's gross domestic product annually — for decades.

During the past quarter century, Mr. List and a growing cadre of behavioral economists, neuroscientists, psychiatrists, psychologists, sociologists, and philanthropy researchers have worked to peel back the layers of what charities think they know about donors, and how donors respond to appeals.

They have found that many of the assumptions charities make about donors are wrong and that their fundraising pitches are often misguided.

## **Emotions Matter More Than Facts**

Many researchers believe that the charity world lacks a basic understanding of how donors' brains work, how would-be donors behave in certain situations, and what incentives can successfully woo them.

For example, research shows that people base their giving on how they will feel after they donate. Yet many charities ply donors with logic, hoping that providing facts and statistics will make them more likely to give. (It doesn't.) Groups will often offer larger matching amounts for gifts in hopes it will encourage more people to give. (They don't.)

Charities hope to increase their annual giving by continuing to court one-time donors, even those who haven't given in years. (They're wasting their time.) Some nonprofits give a small trinket for donating to boost the response rate to pledge drives or campaigns. (Forget it.)

"People wish they could give more because they feel good when they do it, and yet charities often treat them like they're thinking things through," says Danny Oppenheimer, a professor of marketing and psychology at UCLA. "People give based on emotions."

## **Broadcast It on Facebook**

Such chasms of understanding reflect a larger rift between how researchers and charities see the world.

While scientists see fundamental findings as a way for charities to develop or hone their appeals, organization leaders say they lack the staff, time, and money to monitor their studies. Some charity leaders maintain that research papers are impenetrable to lay readers and aren't widely applicable in the apples-and-oranges world of charities. A survey report published in December by the Science of Philanthropy Initiative, a research center at the University of Chicago, confirmed that when it comes to the science of fundraising, charities aren't paying much attention.

Only half of all organizations consult scientific studies when crafting their fundraising strategies, the report noted. And just one in 14 groups always seeks out research findings.

"Philanthropy is a very important part of our economy, yet charities are very inefficient," says Mr. List, now a professor of economics at the University of Chicago and leader of the Science of Philanthropy Initiative, which is supported by \$4.8 million from the John Templeton Foundation. "They could learn more about what works to raise more money, but they don't."

Though largely overlooked, investigations into the workings of charitable fundraising have developed some consistent findings. Some of the field's earliest discoveries and theories have been amplified by more rigorous testing as new research methods have come to the fore.

Ever since studies conducted about a quarter-century ago that demonstrated donors are motivated by something called impure altruism — giving because it makes them feel good rather than to help a cause or alleviate a problem — two generations of researchers have explored this "warm glow" theory. That research, by James Andreoni, an economics professor at the University of California at San Diego, has become a cornerstone of studies that now use new technologies like functional magnetic resonance imaging, genetic sequencing, and chemical analysis.

Other researchers, including Ragan Petrie, an Andreoni disciple and an associate professor of economics at George Mason University, have applied their mentor's work to online giving sites to tease out how people use social media to give — specifically, how people can feel good about sharing news of their gifts with others. Some of their research has laid the foundation for for-profit companies that help charities raise money.

One such business, TinyGive, was co-founded in 2012 by Clarence Wardell, then a PhD researcher who believed he found a way to make online giving go viral. Through research conducted on TinyGive and other online platforms, Mr. Wardell, Ms. Petrie, and a third researcher have discovered that by offering small incentives to donors, they can spur them to announce their donations on their Facebook pages and ask others to make similar donation to a charity.

Those donors who posted on a friend's Facebook wall and made a donation in their name elicited an even stronger response, opening up a potential path for how charities can encourage their donors to help reach out to others. "Giving is easier online, so a lot more of it is ad hoc these days," says Mr. Wardell, whose company raises funds for 200 groups, including Ashoka, GiveDirectly, and GlobalGiving. "Still, an online appeal can reach someone new who will then be exposed to what a group does. One thing we've learned is that the ladder of engagement starts on the ground. Don't exclude people who are only capable of giving a small amount, especially millennials. They could become more valuable as time moves on."

## **Everyone Wants to Make a Difference**

Inspired by economic game theory, some researchers have used their laboratories to test whether there is more to activating the warm fuzzies than the mere prospect of giving. They have learned that if the warm-glow theory has a corollary, it is that donors should be made to feel that their gift is central to a campaign's success.

"The second ingredient in this is based on psychology and confirmed by experiments: People need to believe their donation is pivotal, that it makes a real difference," says Shachar Kariv, a professor of economics at the University of California at Berkeley and co-founder of Give2gether, another for-profit online platform.

Charities should do as much to inspire the lower-level donor as a larger donor. They should also keep their campaigns limited to a certain amount of time so there is some sense of urgency and offer minimum and maximum donation levels that aren't too far apart.

Taking such measures will encourage donors and allow organizations to reach their campaign goals faster, he adds, citing a decade of research involving tens of thousands of experimental subjects.

"There is a nontrivial correlation between the amount the nonprofit is looking to raise, the warm glow a single donor will get from participating, the donations range, and time frame," Mr. Kariv says.

Give2gether, a company that lists dozens of charities as fee-paying clients, claims 100 percent success by using Mr. Kariv's research to reach its clients' campaign goals.

The Connecticut Humane Society started raising money through Give2gether in November 2013, replacing a typical online donation page with the company's platform. Since then, the charity's online donations have more than doubled, says Alicia Wright, who is in charge of coordinating email blasts made through Give2gether. She adds that the company continues to advise the charity on the best language to use in its campaigns, what images would work best, and the ideal time to send out email notices to prospective donors.

"They're very clear that all of their advice is backed by research and that we should take advantage of that," says Ms. Wright.

Since the company got rolling in 2012, Mr. Kariv has used its 100,000 transactions with donors as experimental data. Among other things, he has learned that online donors make decisions about whether to give within a mere 15 seconds.

Arnon Shafir, chief executive at Give2together, says much of the research conducted by Mr. Kariv, an old friend, preceded the company's start-up.

"We got this going to really crack the code as to why people give," he says, explaining how the company got started. "We thought if we did that, we could change the fundraising world."

The development of medical-research technologies has also aided the quest to learn why donors behave as they do. William Harbaugh, a professor of economics at the University of Oregon, used functional magnetic resonance imaging to confirm that certain parts of the brain react similarly when people give and when they drink alcohol or eat a rich meal. Giving may be as natural to us as seeking more hedonistic pleasures, science is discovering.

Another type of impure altruism, in which donors seek higher social status or prestige from making gifts, has also been measured using fMRIs.

"When people give money away, they get a lot of activation in areas of the brain that usually deal with private concerns," Mr. Harbaugh says. "But you end up getting social benefits even as you receive private ones."

In other words, we get a high from being perceived as generous by others.

## **The Science Behind a Pitch**

Newer studies that use magnetic resonance imaging are now under way to determine whether genuine altruism (as opposed to its impure version) changes as one goes through life.

Research by Russell James, director of graduate studies in charitable planning at Texas Tech University, has found that older people considering charitable bequests are more likely to follow through when certain areas of their brain show the highest levels of activation under fMRIs.

People prompted by Mr. James's team of researchers were more likely to make such gifts when the questions led them to recount their life stories.

Two areas of the brain — the precuneus, where autobiographical memories are stored, and the lingual gyrus, a center of visual memory — would light up as they told their stories. That information, coupled with demographic research Mr. James has produced showing that childless people are much more likely to plan for bequests, offers a compelling picture of a bequest donor, he says.

"The neuroscientific information can help frame the 'ask' conversations," Mr. James says. "We've also learned through other research that by using certain phrases, fundraisers can increase their chances of getting bequests."

For example, donors who are asked about causes that have been important to them throughout their lives will be more likely to support those causes in a bequest, even if they haven't given to those causes before.

## **Brain Chemicals and Trust**

Warm-glow research has further branched out into how the body's hormones can affect the reward-giving dopamine levels in our brains that create feelings of generosity and trust.

Oxytocin, a powerful dopamine-system neurotransmitter that calms the heart and is responsible for the emotions involved in breastfeeding, can factor into whether an individual views charity positively. Because of genetic variations, oxytocin levels can differ from person to person.

Research by Sarina Saturn, an assistant professor of psychology at Oregon State University, has found that oxytocin can increase not only eye contact and trust levels but charitable behavior as well. A rush of oxytocin can sway people toward doing generous acts, including giving to charity.

But there are limits to the findings. Though the prospect of handing out oxytocin pills to get people to act more generously might seem tempting, increasing a person's levels of the hormone might not only spike a person's warm regards for those in his or her social group but also promote anger at other groups, ethnocentrism, and gloating.

"Every time I do a talk, people ask if I have a bottle of this stuff," says Ms. Saturn. "I tell them they may not want all that comes with it. It's not this warm, fuzzy cure-all."

What's more, tapping into the dopamine system to persuade people to give might have a waning effect over time. Some researchers who focus on the psychology of happiness say that human beings' propensity for adapting to everything they do can work against a charity that feels like it has found a magic bullet.

"Charities might be better off having people do different things over time," says Sonja Lyubomirsky, a professor of psychology at the University of California at Riverside. "The sad truth is you don't get the same boost from giving or volunteering if you do it in the same way every time. Organizations should spice up how they ask for money. Instead of just having a Christmas appeal, they should have different types of campaigns, different levels of contact, and different incentives."

## Research Money Lacking

While researchers continue to do mostly low-cost studies on the nature of giving, some wish they could expand their work to include more people or have more significant sums of money on hand so they could increase the amount they give to subjects to handle in experimental simulations.

But little is forthcoming, researchers complain. Though some federal dollars trickle into labs, "nonprofits and foundations aren't very willing to help fundraisers get smarter," says Mr. James.

"This is a real challenge for the field. There's almost no money going into research," he adds.



NICOLLE CLEMETSON

THE CHARITY RUSH: Oxytocin, a neurotransmitter, can help persuade people to give, researcher Sarina Saturn found.



His work has been endowed by the CH Foundation, a local grant maker. But his case is rare. And with the exception of Templeton's backing of the Science of Philanthropy Initiative, researchers are often on their own when bankrolling their studies.

Says Mr. James: "It's something that's definitely holding back the professionalization of charitable fundraising."

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