

## THE PSYCHOLOGY OF GIVING: Why It Does and Does Not Matter to Your Nonprofit

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~The Nonprofit Provocateur~

“But history will judge you, and as the years pass, you will ultimately judge yourself, in the extent to which you have used your gifts and talents to lighten and enrich the lives of your fellow men. In your hands lies the future of your world and the fulfillment of the best qualities of your own spirit.”

— Robert F. Kennedy (speech at Berkeley, 1966)

Nearly five decades ago, Robert F. Kennedy suggested that charitable giving and volunteer work might be motivated, at least in part, by thoughts of how history may judge us and by how we judge ourselves.

In the years since then, social scientists and charitable organizations have poured a lot of thought and analysis into the issue. We now have studies and statistics to inform us about how to appeal to people’s emotions in an effort to increase their charitable giving. But does it matter? Does knowing about charitable intentions lead to influencing action on the part of prospective donors?



*One view of the psychology of fundraising*

A number of lists exist which purport to show the leading drivers of charitable giving. One such list comes from *Network for Good*:

1. Someone I know asked me to give, and I wanted to help them
2. I felt emotionally moved by someone’s story

3. I want to feel I'm not powerless in the face of need and can help (especially true during disasters)
4. I want to feel I'm changing someone's life
5. I feel a sense of closeness to a community or group
6. I need a tax deduction
7. I want to memorialize someone (who is struggling or died of a disease, for example)
8. I was raised to give to charity – it's tradition in my family
9. I want to be "hip," and supporting this charity (e.g., wearing a yellow wrist band) is in style
10. It makes me feel connected to other people and builds my social network
11. I want to have a good image for myself/my company
12. I want to leave a legacy that perpetuates me, my ideals or my cause
13. I feel fortunate (or guilty) and want to give something back to others
14. I give for religious reasons – God wants me to share my affluence
15. I want to be seen as a leader/role model

See [www.fundraising123.org/article/secret-getting-people-give-15-reasons-why-people-donate](http://www.fundraising123.org/article/secret-getting-people-give-15-reasons-why-people-donate).

*Network for Good* goes on to explain, "There are many reasons why people give. When you're crafting your next fundraising appeal, take this list out and ask yourself if you've tapped into these reasons."

Hmm.... That does suggest an interesting approach to fundraising: use the list of reasons people give as a checklist, and try to structure fundraising appeals and events to trigger as many of those motivations as possible. For example, find a person who knows the prospective donor to make the request (point #1); find a way to include an emotional appeal in the funding request (point #2); have the fundraising appeal explain how a donation will be effective in addressing a need (points 3 and 4); let the prospect know they'll be entitled to a tax deduction (point #6); and find a way to make donors feel hip and be seen as leaders when they give (points 9 and 15).

Compassion International presents a competing list of the top five reasons why people give:

1. Because they are asked to or are presented a giving opportunity.
2. Compassion for those in need
3. Personal belief in the cause
4. Affected by the cause
5. To give back to their community

See [www.compassion.com/poverty/charitable-giving.htm](http://www.compassion.com/poverty/charitable-giving.htm)

This list, regardless of its accuracy or inaccuracy, seems substantially less helpful in terms of designing and implementing fundraising appeals or events. It's more about the intrinsic qualities of donors, such as whether they're already affected by a particular cause or already have a personal belief in a cause or possess a sense of compassion. Those may be true statements, but they don't provide guidance for how to trigger or enhance giving, other than point #1: making the request for funding or assistance.

## **MATCHING GIFTS – WORTH THE TROUBLE?**

What about the strategy of seeking matching gifts? We've all seen charitable organizations use that tactic, but it doesn't seem derived, in an obvious way, from the lists above.

"Never underestimate the power of a challenge gift" is what one textbook, *Conducting a Successful Fundraising Program*, advises, adding that "a richer challenge greatly increases attractiveness."

Is this really true? Do matching challenges really work?

According to a 2008 New York Times article by David Leonhardt, in late 2004, John List (a professor of economics at the University of Chicago) and Dean Karlan (an economics professor at Yale), tested different solicitation letters for an advocacy group. The letters were similar except for the part that mentioned (or didn't mention) a match. In one letter, sent to the control group, there was no match. Another letter said that a donor had agreed to match any gift, dollar for dollar. In a third, the match was increased to two to one, and in a fourth it was three to one.

The existence of a matching gift did matter. In the List/Karlan experiment, 2.2 percent of people who received the match offer made a donation, compared with only 1.8 percent of the control group. That may seem like a small difference, but it's significant — a more than a 20 percent gap between the two response rates.

But the size of the match in the experiment didn't have any effect on giving. Donors who received the offer of a one-to-one match gave just as often, and just as much, as those responding to the three-to-one offer.

The lesson: always try to find a lead donor who's willing to make a matching gift, and don't get hung up on the ratio of the match (as it relates to the new donors you're soliciting—it still matters to the overall funds to be raised).

## **EFFECT OF A TAX DEDUCTION ON CHARITABLE GIVING**

What about the promise of a tax deduction for donors? Does it really matter?

Economists began studying the tax deduction for charitable giving in the 1970s. They found that it clearly affected how much people gave. When tax rates were higher—and deductions were thus more valuable—people gave more. (See [www.nytimes.com/2008/03/09/magazine/09Psychology-t.html](http://www.nytimes.com/2008/03/09/magazine/09Psychology-t.html)) Thus, do not neglect to mention the tax benefits of a donation to your organization.

## WHAT'S MISSING?

Unfortunately, all these lists of factors and studies about donor motivations are terribly lacking in terms of providing guidance to nonprofit organizations on how to fundraise. Why?

Because these factors, by themselves, ignore (1) the type of organization you manage; (2) the type(s) of donor(s) you're pursuing at any given moment; and (3) the fundraising mechanisms at your disposal.

### Type of Organization

If you are doing fundraising for an environmental group, your approach to fundraising needs to be different than if you're doing fundraising for a church. There may be many commonalities between religious and secular fundraising, but the differences couldn't be more stark. Just look at the overall levels of giving to churches in comparison to environmental causes: churches receive 32 percent of American charitable dollars while environmental groups (broadly defined) receive a mere 2.6 percent. This suggests that there are dramatically different motivations in play.

### Type of Donor

Perhaps even more important than the type of organization you are fundraising for, you need to be cognizant of the type of organization or individual you are soliciting funds from.

There are four main categories of funding sources for nonprofit groups: (1) individuals; (2) foundations; (3) corporations; and (4) government support.

#### I. Individual Givers

It's important to note that the majority of charitable giving comes from individuals. Specifically, in 2012, individuals gave roughly \$223 billion (72%), representing a 3.9% increase over 2011, according to the *Annual Report on Philanthropy* by Giving USA 2013.

Within the category of individual giving, there probably are about five main subsets, which include (A) mega-givers; (B) major donors; (C) loyal but smaller givers; and (D) opportunistic or "special-circumstance givers."

A. Mega-Givers: An example of mega-givers includes the corporate CEO who drops \$50 million on his or her alma mater for the construction of a new science building. Another example is the person who supplies \$50,000 per year to a nonprofit over the course of several years to enable that organization to hire and retain its first staff member(s) during an early stage of the group's existence.

According to fundraising consultant David Allen from the consulting firm Development for Conservation, there are at least a couple primary motivating factors for those who make mega-gifts to charitable organizations, including belief in the mission and strong staff leadership (i.e. a belief that the organization can "get it done").

Allen dismisses several other commonly-considered factors as irrelevant, including guilt, slick fundraising materials, memorial opportunities, tax considerations, and meeting a match from another donor.

While I generally agree with Allen's assessment of mega-donor motivations, I tend to disagree with several of the factors he discounts. Specifically, I am aware of anecdotal evidence that suggest that meeting a match from another mega-donor, tax considerations and guilt may play heavy roles in some of the largest fundraising projects. For example, from insiders I know of multiple instances in which one or more million-dollar-level donors to capital campaigns have cajoled fellow millionaires into helping them reach a fundraising target, implicitly in exchange for being open to similar persuasion when the tables are turned and the other person is the lead donor. This seems to become more about maintaining social status and avoiding guilt, coupled with the benefit of the tax deduction, to bring about some of the subsequent million-dollar gifts. The lead donor likely is motivated primarily by a belief in the mission, but the subsequent mega-donors may be more along for the ride. (That, of course, does not mean that mega-donor-followers will still make the gift in an instance in which their values contradict those of the organization soliciting the funds.)

In any event, most day-to-day fundraising by nonprofit organizations does not involve mega-donors, and many nonprofits never approach that stratosphere of giving.

B. Major donors: Organizations are free to define what a "major donor" is to them. For example, some groups may consider a \$250 giver as "major." Why? Because most people who write a \$250 check to a charity have the capacity to donate significantly more. Other groups may set a \$500 or \$1,000 threshold.

The exact dollar amount does not matter. What matters is that major donors may be different, both in motivation and capacity to give. Also relevant is the amount of time the organization should spend cultivating such donors. More on that later.

C. Loyal But Smaller Givers: These folks are at your organization's core of support. They're the folks that consistently give \$30 or \$50 or \$75 per year. They may resist giving larger amounts, but they tend to keep giving—perhaps for decades. They are true believers in the cause. Keep them in the loop. Help them feel valued through your organization's communications. Create events where they'll feel welcome and appreciated. And regularly supply them with information about planned giving opportunities. Some of them may have a large bequest in their wills for your organization. You may discover that the retired school teacher or nurse who appears to be of very modest means has a million bucks with your group's name on it.

D. Special-circumstance givers: Many nonprofit organizations raise the bulk of their individual gifts, or at least a significant portion, from people who don't necessarily care about, or are largely indifferent to, their cause. An example of this includes groups that utilize a run/walk event as their primary fundraiser.

Also, I know of a particular Red Cross chapter that held a local "Dancing with the Stars" type event and developed a track record of raising between about \$80,000 and \$123,000 per year over the course of several years. The donations that were solicited by the dance

couples did not necessarily come from people who otherwise would be motivated to donate money to the Red Cross. Rather, these gifts are really about the teams creating social pressure on their friends and acquaintances to give. A similar situation exists with Girl Scouts selling cookies, either through the scouts themselves knocking on doors in their neighborhood or through their parents soliciting donations from co-workers and friends.

## II. Foundation Support

Some nonprofits may draw a large portion of their operating and/or capital budgets from foundation grants. The factors motivating foundations can be similar to some of the motivations of individuals, but the differences are too significant to include an analysis here.

## III. Corporate Gifts

Like with support from foundations, corporate giving can be motivated by some of the same factors that influence individuals. However, “corporate philanthropy” is much more of an exchange relationship. Many corporate gifts are doled out as part of advertising budgets. The business is looking for some marketing bang for the buck, in many instances. Other times, the motivation may be more about conveying a message to the employees or to make customers feel good.

It’s not surprising that some of the largest corporate contributors to environmental causes are companies that have a large environmental impact. One example of this is Dow Chemical partnering with The Nature Conservancy, which many may consider to be “greenwashing.” (Just don’t forget the saying, “The only thing wrong with tainted money is there tain’t enough of it.” -Grantsmanship Center News)

In allocating your nonprofit’s resources toward fundraising, be aware that corporate philanthropy represents only 6 percent of total giving in the U.S. (although giving by corporations rose 12.2 percent in 2012).

## IV. Government Support

Government grants can be a lot like foundation grants, in terms of when and why they’re made to nonprofit organizations. While there’s generally strict and specific criteria for the award of such grants, don’t completely discount human and, especially, political motivations. Government grant decisions can be every bit as fickle and biased as a contribution from a corporation, an individual or a foundation. Effective marketing by the nonprofit, conveying a sense that the nonprofit is competent, effective and popular, are factors that should not be discounted.

### Type of Fundraising Vehicle

In addition to considering the type of organization for which you’re fundraising and the type of donor you’re pursuing, you need to give thought to the range of fundraising vehicles available to your nonprofit. You’ll want to use different fundraising mechanisms for

different types of donors, and you'll want to tailor an individual method (such as a solicitation letter) to the type of donor you're reaching out to.

There are many types of fundraising activities to consider: traditional fundraising letters, fundraising events, formal grant proposals, sales of merchandise and fee-for-service work.

A fundraising event, such as a community fun-run, may be the perfect vehicle to appeal for corporate support. Contributors can get their company logos placed on the back of T-shirts, on event websites and print materials, for example, which can make for good marketing for the donor company.

## TAKE-AWAY LESSONS

Donor psychology can be important for your nonprofit organization to consider in your fundraising efforts. But being effective at fundraising is much more than simply understanding donor motivations. You need a *fundraising system* that includes a range of fundraising activities to capture support from the plethora of funding opportunities that exist. Make sure you regularly reach out to your base of loyal donors. Take time to personally cultivate relationships with major donors. Create opportunities for mega-donors to take your organization to the next level. Seek out grants and corporate funding.

Most of all, remember that *people give to people* (make a personal connection), and if you don't ask for the money, you probably won't get it! You have to take time to ask.



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