The Impact of Anchors on Donors' Behavior: a Field Experiment

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We ran a large field experiment in which a charity solicited 50,000 of its donors, and tailored suggested donation amounts based on their past behavior. Two anchoring mechanisms were manipulated, the size of the first amount on the donation grid relative to the previous donation (the left end of the grid), and the rate of the increase of the amounts on the rest of the donation grid (the right end). As expected, both anchoring mechanisms have positive influence on donation amounts, but only the size of the first amount on the donation grid negatively influences likelihood of donation.

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EXTENDED ABSTRACT
A recurring and important challenge facing managers working in the fundraising sector is how much they should ask for when soliciting donations. The effectiveness of any campaign to solicit donations depends upon compliance rates as well as the magnitude of the help. A standard practice in donation requests is to present a set of suggested amounts, hereafter referred to as a donation grid. As we will show in this paper, designing the appropriate donation grid requires strategic trade off as the donation amounts that are too high might lead to relatively low compliance rates whereas those that are too low might negatively impact the average amount donated.

Anchoring is an extremely robust phenomenon that appears in many contexts, even among experts as well as with important decisions (cf. Wansink, Kent, and Hoch, 1998). Donation grids have been shown to act as de facto frames of reference, directly altering judgment (Schwarz et al. 1991). Fundraising organizations use donation grids to artificially influence donation amounts. When faced with a request for donation, one must decide whether to respond at all, followed by the decision about the amount to be donated. How a consumer makes a decision about the donation is affected partly by the way in which information is presented and partly by his/her own internal characteristics (Lynch, Chakravarti and Anuaree, 1991; Tversky and Kahneman, 1981). While several mechanisms have been identified to positively influence likelihood of donation as well as amounts donated, there is little research that has shown that some anchoring mechanisms might have adverse consequences on consumers’ donation decisions.

The purpose of this study is to explore how different designs of donation grids affect the likelihood to donate and the magnitude of donations. In addition, we also explore how donors’ individual characteristics impact their compliance with the donation grids. This study makes several contributions to the literature: we identify different donation grid designs that positively as well as negatively impact donation behavior, we show that donors with strong internal reference points are less influenced by the donation grids per se, and finally, our results have both internal and external validity by use of a controlled field experiment.

We ran a large field experiment in which a charity solicited 50,000 of its donors, and tailored suggested donation amounts based on their past behavior. The nonprofit organization and the research team manipulated donation grids to study their impact on actual donation behavior. The manipulations were twofold. First, we manipulated how the donor’s internal reference point (i.e., her last donation amount) was embedded in the donation grid. The reference point (the first amount, or left end of the grid) was manipulated as follow:

- **Lower**: the first suggested amount (the left end of the grid) is actually lower than the donor’s last gift;
- **Equal**: the first suggested donation amount is equal to the donor’s last gift;
- **Higher**: the first suggested donation amount is higher than the donor’s last gift.

Second, further suggested amounts were proportionally increased (influencing the right end of the grid), and the steepness of this increase was manipulated, as follow:

- **Low**: suggested donation amounts were increasing at a 20% rate;
- **Medium**: suggested donation amounts were increasing at a 50% rate;
- **High**: amounts were increasing at an 80% rate.

Our final sample consisted of 50,208 donors. The summary of results is as follows: Increasing the left end of the donation grid seems to discourage donations, consistent with out theoretical development. Manipulating the steepness of the donation grid, however, does not affect the likelihood of donation, and none of the differences across conditions achieve statistical significance, consistent with our hypothesizing.

Of the 50,208 solicited donors, 4,539 (9.0%) made a donation. As expected, both anchoring mechanisms affect donation amounts, although changing the reference point (the left end of the grid) has the greatest effect.

Regarding the proposed moderating effects, we suggested that donors who have made in the past numerous donations to the charity might have developed a strong internal reference point, and that this reference point might counterbalance the influence of anchoring mechanisms, hence reducing their amplitude. Data confirm this hypothesis. Furthermore, it was hypothesized that for recent donors, the donation behavior would be more vivid in the memory, and would serve as a strong internal reference point which anchoring mechanisms might not be able to influence. This hypothesis is confirmed when it comes to likelihood of donation but not donation amounts. Finally, we found that the less generous donors were much more influenced by anchoring mechanisms, whether the manipulation was the reference point or the steepness of the donation grid than more generous donors.

While our results confirm that both anchors (manipulating the left end and the right end of the donation grid) increase donation amount, we showed that manipulating the left end of the donation grid also decreased the likelihood of donation, hence adversely affecting overall donations. We also showed that the amplitude of these effects predictably varied based on donors’ characteristics. Donors who have strong internal reference points, either due to frequent donations or to large amounts donated, were not influenced by the donation grids. What our study results suggest is that fundraising managers should not only use donation grids to facilitate donations, but as an active tool to optimize them. For example, frequent and/or generous donors could be contacted with a donation grid that includes amounts at high as their previous donation amounts or higher. This paper is important both for academics and practitioners, demonstrating for the first time in a large-scale experiment the potentially adverse consequences of anchoring mechanisms on donation likelihood, and the need for future research in this area.

REFERENCES


