Does Repeating Prompt Retreating? How the Structure of Initial Charitable Contributions Impacts the Magnitude of Subsequent Support

Jillian Hmurovic, University of Pittsburgh, USA
Cait Lamberton, University of Pittsburgh, USA

What donation structure maximizes generosity after the first charitable gift? We compare how donating the same total amount in a lump-sum versus recurring-gift format impacts subsequent charitable contributions. Three studies suggest that recurring donations reduce future support, consistent with an anchoring account, but inconsistent with prospect theory and self-signaling predictions.

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EXTENDED ABSTRACT

Charitable organizations routinely struggle with gift and donor attrition, and retention rates have averaged below 50% for the past decade (Levis et al. 2016). Thus, although the majority of charitable giving research has focused on antecedents of initial contributions, such as charitable appeals (e.g., Macdonell and White 2015; Smith et al. 2013), prosocial identity (e.g., Gneezy et al. 2012), and default amounts (e.g., Goswami and Urmansky 2017), it is critical to understand not only what motivates consumers’ donation behavior, but also what sustains it.

How can marketers shape consumers’ initial donation experience to increase the magnitude of future charitable gifts? We explore how a simple modification in donation structure (while holding the total donation amount constant) can impact charitable giving: whether the contribution is made as a single one-time, lump-sum gift or as a series of smaller gifts divided over time in recurring payments.

Past literature offers competing predictions about the effects of these two donation structures. On one hand, prospect theory (Kahneman and Tversky 1979) and hedonic editing (Thaler 1985) predict that consumers will derive greater happiness from segregating (versus integrating) positive events. This suggests that recurring, separate donations would heighten consumers’ donation happiness relative to lump-sum donations. Additional research shows that charitable giving serves as a positive self-signal of one’s prosocial character (e.g., Savary et al. 2015), which may be amplified by the greater frequency of making recurring gifts. Under either theory, recurring donors should experience more happiness or commitment to the charity, both of which would place upward pressure on their subsequent gift.

On the other hand, the anchoring literature suggests that recurring donations may decrease future donor support. Under this theory, the numerical value of one’s most recent donation amount would function as an anchor (Epley and Gilovich 2010). The most recent donation for recurring donors, however, is smaller than the most recent amount salient to lump-sum donors. Because consumers’ future decisions are often consistent with past behavior (e.g., Bentler and Speckart 1981; Ouellette and Wood 1998; Taylor 1975), recurring donors’ smaller anchor would result in smaller subsequent donations relative to lump-sum donors.

We conducted three studies to test these conflicting predictions. In Study 1, MTurk participants (n=159) imagined making an online charitable gift, totaling the same amount (i.e., $30): a one-time donation of $30; a recurring monthly donation of $5 for six months; or the same recurring donation, with notifications after each donation is made. Participants were asked if and how much they would donate after these initial gifts. Although the structure of the initial donation did not impact participants’ reported likelihood to make an additional donation (F(2,156)=.569, p=.567), it did impact the estimated size of their predicted future donation (F(2,156)=35.85, p<.001). Lump-sum donors predicted that they would give significantly more (M=$18.73; SD=$14.01) than both types of recurring donors (with notifications: M=$4.24, SD=$4.39, p<.001; without notifications: M=$5.92, SD=$8.05; p=.001), which did not significantly differ from one another. Thus, consistent with the anchoring account, recurring donations resulted in lower subsequent charitable support.

Study 2 replicates our prior effects and directly compares the competing processes. After completing an unrelated study, MTurk participants (n=149) learned that real donations would be made on their behalf and were randomly assigned to one of three donation conditions: a single $.50 donation made on the day of the survey; a recurring $.10 donation every other day for ten days; or the same recurring donation, with email notifications following each of the five $.10 donations. All donations were actually made, in accordance with participants’ charity selections. Ten days later, participants completed a follow-up survey and were given the opportunity to donate a portion of their participation payment ($.50) to the same charity.

Though all participants correctly recalled the objective amount of their total initial donation ($.50), lump-sum donors perceived their initial charitable contributions as subjectively larger (M=25.71; 0–Very Little, 100–Very Much) than those making recurring donations (with notifications: M=13.33, p=.010; without notifications: M=17.98, p=.091), which did not differ from one another. Moreover, differences in perceived contribution size mediated the size of additional donations ten days later, with recurring donors appearing to anchor on the perceived smaller magnitude of their initial donation when determining their subsequent giving, resulting in reduced charitable contributions relative to one-time donors (PROCESS model 4; 10,000 bootstrap samples; with notifications: b=-.027, CI$_{95}$=[-.060, -.006]; without notifications: b=-.016, CI$_{95}$=[-.042, -.001]). However, neither happiness about the donation nor commitment to the charity had any mediating effect on the subsequent donation amount.

Adapting Study 2’s paradigm, Study 3 modifies the initial donation to be both consequential and voluntary, with participants opting to spend time completing an unpaid task in order to make a donation to charity. Additionally, Study 3 manipulates the salience of donors’ total cumulative contribution prior to the charitable request (i.e., displaying their total amount given to date before their second donation decision was made). If recurring donors are anchoring on a smaller amount, then shifting attention to their total amount given (i.e., a larger anchor relative to the recurring amount) should increase subsequent charitable support. Replicating prior findings, one-time lump-sum donors again made marginally larger additional donations (M=$1.17, SD=$.16) than recurring donors (M=$1.1, SD=$.14) when the cumulative anchor was not presented (p=.082), but reminding recurrent donors of their cumulative charitable contribution mitigates this effect (one-time: M=$1.13, SD=$.18; recurring: M=$1.16, SD=$.18; p=.500).

This research suggests that a very simple and costless adjustment to donation structure may help charities boost giving of existing donors. Specifically, because donors anchor on the cognitively-accessible magnitude of their initial donation, it appears that lump-sum donations feel larger and, consequently, encourage larger subsequent contributions, in contrast to predictions derived from prospect theory and work on self-signaling. Whereas the current research shows that making separate, recurring donations reduces future charitable support, other work suggests that displaying disaggregated costs (e.g., “pennies-a-day”) increases compliance with charitable requests (Gourville 1998). Therefore, to understand the net-effect of lump-sum versus recurring donations, future research should consider how donation structure influences both the initiation and continuation of charitable contributions.
REFERENCES


