Can information on a charity's efficiency and effectiveness be presented in a way that will increase donations and retention?

David Reinstein literature review for Donors Voice Research Group

Below, I survey the empirical work related to whether (and when and how) presenting information on a charity's impact (amount of good done per dollar spent) will have a positive effect on amounts raised, and donation propensity. I try to prioritize studies that are closest to the relevant field setting (CRS mailers), and thus require fewest assumptions to be generalized.

Executive summary

The evidence (from the Economics/Behavioral Economics literature) is largely mixed and indeterminate. There has been only a single strong field trial (Karlan) in a particular context, which itself reported mixed (null overall, positive for some subgroups, negative for others), and some underpowered results. Laboratory experiments (with real donations) by Small et al find that giving to an identifiable victim is *reduced* when statistics are also presented and "priming analytic thinking reduced donations to an identifiable victim relative to a feeling-based thinking prime." Further evidence from lab experiments is mixed and limited, with some studies (Fong and O) *apparently* finding that exogenous information about recipient increases donations (although they do not report this), and another underpowered study (Metzger and G). There is some evidence from observational studies that 'charity ratings' boost giving, at least for smaller charities (Yoruk), but these ratings do not measure impact. Further review should explore the psychology (see., e.g., Verkaik), marketing, and nonprofit management literatures. There is some speculation, but again, mixed evidence, that individuals already in a "system 2" (deliberative) frame are more likely to be positively affected by impact information. There is also a distinction to be further explored between "output information" (how the donation is used) and "impact information"; the former is seen to increase generosity in several studies.

Provision of information in natural charitable-appeal settings

Karlan, Dean, and Daniel H. Wood. "The effect of effectiveness: Donor response to aid effectiveness in a direct mail fundraising experiment." Journal of Behavioral and Experimental Economics (2016).

> Abstract: … Freedom from Hunger … direct marketing solicitations, varying letters by whether they include a discussion of their program's impact as measured by scientific research. The base script… included a standard qualitative story about an individual beneficiary. Adding scientific impact information has no effect on average likelihood of giving or average gift amount. However, we find important heterogeneity: large prior donors both are more likely to give and also give more, whereas small prior donors are less likely to give. This pattern is consistent with two different types of donors: warm glow donors who respond negatively to analytical effectiveness information, and altruism donors who respond positively to such information.

This is the closest I have seen to a natural field experiment in this area. However, there are some important limitations (as well as the specificity of any particular marketing situation/donor pool).

- Treatment may be entangled with "Yale researchers" effect; a previous draft suggests this had a substantial negative affect on donations but they dropped this

- Multiple hypothesis testing, uncorrected, not pre-registered

Overall effect on *propensity* to donate is a very precise zero:

- – 0.00035 on prob donating, s.e. 0.0062, baseline 0.14 prob.

Less precise estimates of impact on amount donated; lack of power in spite of large sample size.

- est +2.35, std dev 1.98, baseline 5.85;
  - windsorised est -.074, se 0.82, baseline 5.32

Charity ratings, field data

Ratings (Charity Navigator) seem to have small effects in some contexts (impact on donation choices, Yoruk, 2016). Note: Yoruk finds an effect for the smaller charities, and there is a case to be made that he is capturing a lower bound. Several other papers find a stronger effect. (These papers make inferences about causality requiring econometric assumptions about independence of certain error terms; in Yoruk's case this involves an RD strategy.)

Lab evidence on provision of information about deservingness/efficiency

Small et al: Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims

"Study 3:""individuals who faced an identifiable victim donated more than those who faced victim statistics, $p < .01$, and also donated more than those who faced an identifiable victim in conjunction with statistics, $p < .05$."""

Study 4: "Priming analytic thinking reduced donations to an identifiable victim relative to a feeling-based thinking prime. Yet, the primes had no distinct effect on donations to statistical victims, which is symptomatic of the difficulty in generating feel- ings for these victims."

Note that the latter non-effect appears tightly bounded.

Information seems to sometimes be used as an "excuse" to give less/not give at all (e.g. Exley, 2016b)

Fong & O, '10:

> "Dictators [charitable giving] who acquire information mostly use it to withhold resources from less-preferred types, leading to a drastic decline in aggregate transfers"

However, there are selection effects here. Looking at their tables, the exogenous provision of information seems to *increase* donations overall.

Also note that this is concerning evidence on the deservingness of the recipients, not really on impact of a charity itself.

Metzger/Gunther "Making an impact? The relevance of information on aid effectiveness for charitable giving. A laboratory experiment.":

> …the demand for information about aid impact is lowest, and it is highest for information about the recipient type.

> … exact information about aid impact did not lead to a significant change in average donation levels, while information about the exact recipient type and administrative costs led to a significant change in donation levels.
>
> In the recipient type group, informed participants donated significantly more than uninformed participants because they "rewarded" the preferred recipient with higher-than-average transfers. In the administration costs group, informed participants donated significantly less than uninformed participants because they used the information to "punish" NGOs with high administration costs.

DR: It is not clear to me when they are reporting on the self-selected groups and when they report on the sample overall, or in a way that deals with the self-selection.

Looking at their one clearer result, we see a lack of power.

Average don: 2.45 CHF

Aid impact group coef: -.231 (.45)

This looks like an underpowered study. They can perhaps rule out an effect greater than around half of the average donation, but no more precisely.

From Verkaik (2016)

> While previous studies have convincingly shown that providing output information, informing donors of how their donation is used, increases generosity (Cryder & Loewenstein, 2010; Cryder, Loewenstein & Scheines, 2013; Aknin, Dunn, Whillans, Grant & Norton, 2013), the evidence on the effects of impact information are more mixed, with mainly null effects (Metzger & Günther, 2015; Karlan & Wood, 2014; Baron & Szymanska, 2010; Caviola, Faulmüller, Everett, Savulescu & Kahane, 2014; Berman, Barasch, Levine & Small, 2015)

In more depth: Theories, mediators, analytical considerations

Key barrier: Presenting analytical/impact information switches off system 1;

Related issues

2a: Do people care about impact? "Efficiency" versus impact.

- Overhead aversion

See: Gneezy2014, brown_etal_2016, Chhaochharia_Ghosh_08?, Kinsbergen_tolsma_13

2b. Barriers: Biases in perceiving impact

Individual beneficiary vs large group ('identifiable victims effect'); related to 'Scope insensitivity''- learning about identifiable victims bias- moderators of identifiable victims bias, Overhead aversion, c - Present small 'base group' -

2b. Barriers: Avoiding information, motivated reasoning in processing it (combine with a previous section?)