Asking Too Much? Measuring the Collateral Costs of Fundraising
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Consider the perspective of a non-profit firm trying to decide whether to make fundraising calls to a list of potential donors. Empirically they will see increased revenues but why? If the calls make it easier for solicitees to give, or advertise the firm’s efforts, they could be raising demand for the charitable good, increasing willingness-to-pay and revenues. Another possibility is that donors merely substitute away from other types of giving (Cairns & Slonim, 2011), implying little-or-no change in overall demand. Both of these channels at least assume that by giving, donors reveal a preference to contribute to that particular cause - a third possibility is that donations are merely concessions to social pressure, since donors would rather not say "no" (DellaVigna et al., 2012; Flynn & Lake, 2008). Social pressure theory uniquely predicts that solicitations might reduce overall giving. Previous research has typically been unable to address these questions because they observe only revenues within the fundraising drive itself. Furthermore, lab experiments (and "cold calls" in the field) ask for donations from people who otherwise would not have given anything, so any decrease in willingness to give would be unobservable.

We present results from a natural field experiment (Harrison & List, 2004) conducted during a non-profit's fundraising drive among its own volunteers. The firm's mission is to provide financial advice to low-income households, and, facing budget cuts, they decided to ask for money donations from their pool of volunteer tax preparers (n=1694). They made fundraising calls across a four-month window when all volunteers were signing up weekly for time shifts as tax preparers. We merely randomized the time at which each volunteer was called, and observed both the results of the fundraising calls and each volunteer's weekly time contributions across the entire four-month window. We use these data to estimate the effect of the fundraising call on the hours each volunteer contributed, both within-subject (before and after the call) and between-subjects (on a given week among those who had and had not yet been called).

The hours data were compiled in a panel regression model (cluster-adjusted, see Bertrand et al., 2004) that estimates treatment effects for each individual, adjusting for secular trends in shift scheduling. The average treatment effect is robustly negative – that is, volunteers donated 15% fewer hours after being called than before, across every volunteer the firm attempted to call (intent-to-treat). This effect is even stronger among those who actually picked up the phone (treatment-on-the-treated). This result is particularly interesting when contrasted with the fundraising results – in direct contradiction to substitution theory, those who donated money actually increased their shift sign-ups afterwards. The decrease in hours was entirely driven by those who did not donate.

These results suggest two distinct effects of fundraising – among donors, the calls unquestionably increased demand for the charitable good. However, among non-donors, we see that fundraising suppressed future giving. We interpret this second effect as evidence of collateral costs imposed by the fundraising drive. Collateral costs are particularly important because most fundraising drives have low donation rates (<5%), and firms that rely on fundraising appeals must balance the revenues culled from donors against the collateral costs among the many non-donors. This affects the welfare impact of fundraising at the margin, and is particularly important for firms (like ours) who have long-term relationships with solicitees, as they might also bear the consequences of these collateral costs down the road.

Our model emphasizes the role of pre-screening and selective solicitation – even simple applications of the firms' ex ante data can differentiate volunteers who are likely to donate from those who most are likely to experience collateral costs. These results also cast doubt on previous research interpreting substitution effects in aggregate data – by analysing individual-level changes in giving, we show that an aggregate substitution effect can be observed even when no one person's behaviour matches the theory's predictions. Finally, this study lends further evidence to the case for social pressure in charitable giving – more broadly, we remain skeptical that revenues alone can be taken as proof that a fundraising drive increased demand for the charitable good.