

MENTAL BUDGETING AND CHARITABLE GIVING: MATCHING MOTIVES WITH BUDGETS TO MAXIMIZE GIVING

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ABSTRACT

For the second straight year, American corporations, foundations and individuals donated over \$300 million in charitable gifts (Wasley 2009). In Canada, fundraising continues to reach record levels. According to the 2007 Canadian Survey of Giving, Volunteering and Participating (CSGVP), Canadians donated \$10 billion, a 12% increase in donations over the previous survey conducted in 2004 (Hall et al. 2009), while 84% of adult Canadians reported making a financial, charitable contribution during the year. Other data is not as positive. The average number of gifts Canadian donors made in 2007 fell to 3.8 annually from 4.3 gifts in 2004. Additionally only 25% of Canadians donated more than \$364 a year to charitable organizations. The remaining 75% donate, on average, less than one half of one percent of their income to charity. In the U.S., the number of new donors has fallen by 13.8% (Hall 2009). Thus, while fundraising continues to grow in both participation and donation magnitude, there appears to be a significant amount of unrealized potential for nonprofit organizations to increase fundraising.

Significant previous research has examined the incentives donors have to make gifts to organizations (e.g., Barnes and McCarville 2005, Schervish 1992). In general, these incentives can be divided into extrinsic (i.e., material incentives, social incentives) and intrinsic (i.e., warm-glow, identification with cause) categories. One common reason given by Canadian residents for not giving more was displeasure with the manner in which they were asked to make a gift (CSGVP). Incorrectly matching the gift incentives with a donor's motives for giving may be one reason for such displeasure. A donor motivated by extrinsic, material incentives is not likely to respond to a gift request that has no self-benefit. Alternatively, many donors wishing to support a cause are upset by what they perceive as misallocated resources when an organization offers some form of tangible or economic benefit back to the donor. These donors would prefer to see the entire gift used to benefit the intended target.

Another research stream has sought to clarify how people allocate and expend their monetary resources according to "mental budgets" (e.g., Heath and Soll 1996). Mental budgeting is defined as "a cognitive form of book-keeping that individuals use to keep track of expenses and control consumption" (Cheema and Soman 2006). How people frame any particular expenditure in terms of self-constructed budget categories has been found to significantly influence resulting behavior. According to the CSGVP, another of the most common responses from donors as to why they do not give more is that they cannot afford it. Qualitative research has suggested that donors may allocate their gifts to different mental budgets depending on the extrinsic or intrinsic philanthropic nature of the gift (Stinson and Howard 2009). This research conceptualizes that targeting different mental budgets can make more resources salient to the donor when making a gift decision. Subsequently, an increase in salient resources may increase giving, overcoming the "I can't afford it" barrier.

The integration of donor motivations, incentives and mental budgeting produces five propositions that are offered to guide future research:

1. By targeting multiple mental budgets of a donor, a non-profit organization can increase the donor's perceived capacity to give.
2. If perceived capacity to give can be increased, it will result in additional and/or larger gifts to the non-profit organization.
3. Organizations can provide incentives directed at different motives in an attempt to secure gifts from donors out of different mental budgets.
4. Using incentives to target multiple donor motives leads to increased giving and/or retention of donors.
5. Donor motives, and as a result the potentially effective incentives offered by organizations, change as the donor develops more experience and/or involvement with the organization.

Research on these propositions will be the first to examine donor motives, incentives and mental budgeting in the same study. Academically, the research will contribute by integrating previously independent research streams. The practical application of the research findings will help nonprofit organizations better attract and grow donors, increasing the level of fundraising support available.

References Available on Request.