Ep 133 - How charities can use anchoring, reciprocity, and overhead framing to boost donations

MichaelAaron Flicker: [00:00:00] Welcome back to Behavioral Science for Brands, a podcast where we bridge the gap between academics and practical marketing. Every week, we sit down and go deep behind the science that powers great marketing today. I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: And today, we're exploring how charities, donations, and behavioral science all intersect.

Let's get into it So Richard, as we were preparing this episode, one of the things that really stood out to me is how charities operate in maybe one of the hardest areas of behavioral change imaginable. Most brands are in the business of advertising, communicating something to then give the person receiving the message an immediate gratification.

"Pay for our product and you'll get it now, or it's gonna get shipped to you pretty soon." But charities [00:01:00] are often asking people to give away money for outcomes that they may never personally experience, and they're competing in the same attention economy as TikTok, Netflix, e-commerce brands, sports betting apps.

Everybody is com- is competing for that same share of wallet. And in preparing for today's episode, what was fascinating for, to me, w- I found a study released by the Fundraising Effectiveness Project, and they said that overall charitable giving ac- has actually increased by about 5% year over year, but the number of donors fell by 3.6%.

And that decrease in donors has been going on for multiple years now, I think they said since 2020. So fewer people are giving, but the people who do give are giving more. So it [00:02:00] creates this really fertile place for you and I to discuss. How do you motivate action in an environment where people are already stretched, their attention is stretched, their wallets are stretched, and how do you win for charities that are trying to do good in the world?

So I think it gives us a nice setup for today's w- challenge of how do we- Yeah ... learn from these charities that are doing it well, and how can we help charities who might be listening today do it more effectively?

Richard Shotton: Yep. Undoubtedly changing people's behavior is hard, maybe even harder in the world of charities.

But the great thing is applying some of these experiments that we're gonna scuss- discuss, applying some of the implications, makes it slightly easier. So it's not that it's gonna make your problems disappear, but I think gives you the best chance of success as a charity marketer.

MichaelAaron Flicker: And something we said in our book, Hacking the Human Mind, something [00:03:00] that you and I have said a lot, is we're really looking for these small ways to work more with human nature rather than against it.

So if we can reveal these, these biases that all of us are subject to, we can help the charities, and we can help marketers be a little bit more effective in what they're trying to achieve.

Richard Shotton: Absolutely. Absolutely

MichaelAaron Flicker: So we have this first bias that charities can apply, and it's around anchoring, which we've talked about before.

Richard Shotton: Yeah. So back on episode 21 for De Beers, we talked about the idea that if you throw out at the beginning of a conversation a large number, you can affect people's evaluation of what the right amount to spend is later on. So De Beers, the classic thing there is they go out and say, "You should spend two months of your salary on your diamond ring."

Now, [00:04:00] not many people spend that much, but by setting this anchor of eight weeks, people take that number, they adjust, but they don't adjust very far, and they spend on average, I think, six or seven weeks of salary. So the point here is you throw out a really large number in a negotiation, not that you expect to achieve that figure, but that people tend to take it as a starting place, and they repeatedly don't adjust far enough.

Now, that experiment has been really well proven in the charity sector. In fact, I think one of the best studies into anchoring has been done in the world of donations. So back in 2015, Sarah Smith at Bristol University, she looked at a donation website called JustGiving. So are you familiar with JustGiving?

Does this occur in America? Is it a worldwide one or?

MichaelAaron Flicker: It is not, but there are other- Other ... online platforms. I looked at JustGiving before we recorded today. Fine. Very similar. Okay. [00:05:00] So we have a GoFundMe is a very comparable US equivalent.

Richard Shotton: So someone wants to do a fun run, they set up their donation page, and then they send it out to all their mates, and those mates will hopefully come and give $10 or $20 or $30.

What Smith did is looking at JustGiving and Virgin Money's donation pages, she looked at these 10,597 pages, and she looked at how did early generous donations affect later donations. So what she means by that is if one of the first donors gives very generously, they give $50 or $100, how do following donations get affected?

And what she found is that for every $10 increase in early donations, there was a increase on average of later [00:06:00] donations by $2.50.

MichaelAaron Flicker: Fascinating.

Richard Shotton: So you get a really generous donation at the beginning and everyone raises what they would donate later on. And what's so good about this as a study is this is real money.

This isn't in a lab. This isn't asking people what they might do if they were in this situation. She is given access by JustGiving to an anonymized donation page, and she can see what the real world effect of these big donations at the beginning is

MichaelAaron Flicker: I think to me it's just this lovely example that we do not go to a donation page and act in pure isolation.

We look at what others have done before we look at ourselves and what we wanna give. And so it really can lead to an outsize effect, and you see these platforms really taking advantage of it. Top donor badges exist. [00:07:00] L- historically, live fundraising thermometers will track the progress.

You can feel the crowdfunding momentum of it all, and that affects the way we look at what we wanna give ourselves when we go to make that initial donation.

Richard Shotton: Yeah. There, there's often an argument that many of these behavioral science principles are particularly important in situations of uncertainty.

And what is a fair amount to donate is often uncertain. We often don't know how other people behave in the world of charities. Often people will be quite secretive about it. So when we go to a donation page and we see a very large donation, we fear that, oh gosh I'll, the $20 I was gonna give might make me look a bit mean, and we'll just edge it up.

Maybe now we give $25 or $30. People are very attuned to what others are doing. But it also works the other way around. Let's say you go to donation page and everyone else has [00:08:00] only given $5 and you were planning to give 20. What you might think is, " I might look like a bit of a sh- show off.

People might judge me as trying to rub their n- their noses in it if I'm giving four times as much." So people might edge down to 10 or 15. So we are deeply influenced by what others do. And that, I think, is a very practical finding, and it's practical on lots of different levels. So next time un- anyone is going out and trying to raise money, make sure that you get some of your most generous friends- Yes

to start off- Yes ... with their donations. They will affect later people. But on a brand level, think about what you ask for on your website. Normally you go to a charity, you land on their page, and there are normally three different donation levels. Knowing about the work of Sarah Smith, what I would suggest is the third [00:09:00] most generous donation level should be set well above what you expect to get.

The, the aim of that particular setting is not to generate maybe donations of that specific level, it's to make the next request, the next one down look that much more acceptable

MichaelAaron Flicker: We started the p- this study by saying that they look at their past donations. I wonder how much the amount you donated changes the way you feel about your own participation in the fundraiser.

$5 may feel incidental, $100 may feel like you're really committed to a cause. And I wonder if those large anchors can have a secondary benefit we haven't yet discussed, which it can change your self-perception- of how committed you are to that fundraiser. Yeah.

Richard Shotton: Yeah. Def- So- Definitely. Definitely Go ahead, please.

I think you're, I [00:10:00] think you're, I think you're right spot on there. There's some wonderful work by Jack Brehm, who I think was at Yale, like real classic work back in the 1950s. And he made the argument that too often people think that behavior change happens because attitudes are changed, and once attitude changes, then people will change their behavior to match that attitude.

And he said, " yeah, okay, that sometimes does happen, but it also happens the other way around, that if you can change someone's behavior, then their attitudes will follow afterwards." He said that people often define who they are by thinking, "What have I done in the past? That's who I am. I should probably be consistent with this."

So you're right. If you go to, I don't know, a donkey charity page and everyone else is giving $2 and you just give $5 when you look back in a year's time, you might think to yourself, " I don't care that much about donkeys. I only gave $5." You might forget that you were, your behavior was determined by what others had done.

But if you've gone to, [00:11:00] say, a kidney health charity page, everyone else was giving $100 and you ended up giving $75, then six months later when you think about that donation, you'd have forgotten the effect of the anchors, and you'll think to yourself, " I must really care about kidney health. I gave $75."

And that might lead you to volunteering, it might lead you to having a much more deeper involvement with that particular charity area. So I think you're absolutely right. There is this long-term benefit of trying to persuade people that their actions mean they must care about this particular cause.

MichaelAaron Flicker: To me, the critical the critical realization in what you just talked about is you forget about the anchors over time, but you don't necessarily forget about your actions, and whether that's buying, we talked about price anchoring many t- times ago with the Apple Watch and [00:12:00] their Hermès band, which was the $1,000 more than the same exact Apple Watch with a normal band. But you long after forget about that anchoring. You remember I got the Pro Apple Watch.

You know what I mean? You remember the action that you did. And I think it's even more immediately recognizable, and I don't remember why I gave 100, but it must mean that I really care. And I think people are less less detail-oriented when they go back through their past actions. I think they either see the number or they remember they gave maybe even an, a amount that felt a little bit of a stretch for them, and that's what they remember, that emotional feeling of giving- Yeah

not the actual logical, rational decision-making that-

Richard Shotton: Yeah. I think you're absolutely right. I think there might be two things. There might be because the actual donation level is the most important thing, [00:13:00] that's what sticks in memory. All the superfluous details- Yeah ... around the corners, that they get forgotten over time.

But then secondly, it's not just a factor of s- actual scale. It's also the story we tell ourselves. There's an idea called the fundamental attribution error, that most of us believe decisions are far more due to personality and character than context and situational factors. This belief that decisions are character-driven means that we assume the $100 donation was done because it must be important to ourselves.

We underplay the importance of those situational decisions like what kind of mood we're in, how much c- cash we had in our current account at the time, what other people were doing, what the anchor was. We forget about those or we underweight those situational factors.

MichaelAaron Flicker: I think that's a really great point to lead [00:14:00] into this second bias that we wanna bring out, this nuance that the order of the anchor, the ordering effects of the anchor can really matter.

Richard Shotton: Yes, and this is a lovely nuance 'cause it's often not applied. Certainly in Britain it is very rarely applied. So most charities, you go to their website, and there will be a low donation request, "Please give £5," a medium donation request, "Maybe you can consider 10," and then a big donation request, "Maybe you could consider 25 a month."

Now, a nuance of the anchoring research suggests there might be a better way than that existing approach. So the study's a 2012 study. It's from Suckley and Lichtenstein, three different psychologists, and over eight weeks they worked with a fancy craft beer bar. And when people went into those, when drinkers went into the bar, [00:15:00] they were given a menu of 13 beers.

Now, sometimes those 13 beers were ordered cheapest $4 beer at the top, progressively down to the most expensive $10 beer at the bottom. And in that scenario, people spent $5.78 on average. But other drinkers, they were given a slightly different menu, still had the same 13 beers, but the order was flipped, and now the most expensive beer was at the top, and the list worked its way down to the cheapest at the bottom.

Now, in that setting, drinkers spent $6.02 on average. So $5.78 if it's cheapest beer at the top, $6.02 if it's the most expensive beer on the top. $4 increase in expenditure.

MichaelAaron Flicker: A 4% increase.

Richard Shotton: Oh, did I say, what did I say, $4? Yeah, that really- Yeah ... would be a big effect. Yeah. 4%, sorry. 4%. Yeah. I've obviously been having too many craft beers before the the podcast.

So the ar- argument from the [00:16:00] psychologists is it's not just the presence of an high-priced item that matters, it's the order in which people see it. And the psychologists argue it's the first price that you see that is disproportionately important at setting expectations of what a reasonable amount to pay is.

And their argument is if you get a a menu that is organized in a column, like it was in this craft beer bar, people read from top to bottom. So if you want to maximize expenditure on beer, stick the most expensive beer at the top, stick the cheapest one at the bottom.

MichaelAaron Flicker: It's a costless Likely nearly imperceptible change that can make a big output.

Now, yes I... People will notice that the most expensive beers are at the top, but I don't believe they will notice that they're edging up their spending by 4% just because it's reordered that [00:17:00] way. So i- there's a real benefit, and it doesn't cost you anything to do. Why not take that 4% increase in AOV? Why not take that increase?

Richard Shotton: E- exactly. Exactly. And this doesn't just affect craft beer bars in America. If you are ch- a charity, you can think about this as well. So going back to our hypothetical example where it had from left to right, £5, £10, £25, this experiment would suggest you flipped that on its head and you went left to right, 25, 10, and then finish with five.

Because what you're essentially doing is reframing what that middle option looks like. If people see £5 first and then move onto the 10, it looks like it's a £5 increase. If people have seen £25 f- first and then they move onto the 10, it looks like they're saving £15. So exactly the same figure, £10, [00:18:00] in some scenarios looks like a £5 cost, other scenarios it looks like a £15 saving.

So yes, you can apply it in a a pub situation, but you can also apply it on your website.

MichaelAaron Flicker: It's making my mind go to a previous conversation we've had on the air

Richard Shotton: I thought you were gonna say it's making you feel thirsty.

MichaelAaron Flicker: Yeah, of course that's the case. We talk about the hesitation I have when we talk about this.

We'll just flip the order. Let's just put the most expensive up top, is my operator's inclination it says something about the organization. It says something that the most expensive stuff is up front, or that you're asking for the largest donation up front. And I was thinking about our episode on Costco when we talked about the $1.50 hot dog that they sell at a loss, or I think it was a $4.99 [00:19:00] rotisserie chicken that they sell at a loss amounting to $16 million a year in losses on just underpriced chicken.

So I wonder how you balance that. You wanna get every possible advantage. You wanna get that 4% uplift by putting the highest cost items first, the biggest donation first. But how do you balance that with something like Costco saying, "We're always gonna have $1.50 hot dog. We're always gonna have the best-tasting, best-priced rotisserie chicken, even if it comes to a harm for us"?

And that says something about the brand identity. I I, this is a little bit of a tangent, but to me they stand a little bit in contrast to one another.

Richard Shotton: Yeah. I would say that maybe what they're doing there is applying the peak-end rule at Costco, that from any experience, especially a trip to the supermarket, especially a, a huge supermarket, the argument being you cannot [00:20:00] remember everything of your experience.

There's so many different prices- and things. But the argument from the peak-end rule is we are disproportionately likely to remember the peak experience, that's the single best thing, and then the final experience of an event.

So what to me that amazingly value hot dog does, or the amazing value rotisserie chicken, that is your peak experience.

What you should do as a supermarket or a retailer is have one exceptionally good value item. It's far better when it comes to long-term memory to do that than rather reducing prices on everything by a very small amount. You want one standout item. So I think that's a very good way of setting memory.

But I wonder if it comes to the charity, where you're in quite a different situation, where people, you would hope, visit you once in their life. They give you their donation, and then that just runs on for months, if not years. [00:21:00] It's there, I think you wanna be maximizing that-

Revenue generator. And what you might wanna do is think, " how can we apply the peak-end rule in a slightly different way?

What is the one, you know, lovely kind of- touch that we could do. Maybe a recipient of the money send you a handwritten note afterwards. That would be my way of harnessing the peak-end rule. So you can maximize the revenue using anchoring and order effects of anchoring, but you're absolutely right.

You don't just for a maximum lifetime value wanna think about revenue, you also wanna think about keeping those people happy and having a very warm memory. But you might wanna do that in a slightly different way.

MichaelAaron Flicker: I think it's so helpful to hear you work through that because what we're really trying to do is raise multiple things.

We're not just trying to make initial revenue or initial donation go up. We're trying to extend the value of that person over time, and you can use different insights into human nature at different [00:22:00] moments to get what you want. And why give up a 4% increase here just because you're afraid it's gonna say the wrong thing about you?

Balance that somewhere else with maybe another insight or another tactic in order to get the best of both. I think that, that solves it for me, and I think it creates this it creates this nice balance that you're- Yeah ... addressing the right issues with the right with the right tactics.

Richard Shotton: On that point about lifetime value, there is an even nicer study that it might be worth talking about.

Because what a lot of charities will do is get you to make your initial donation, sign up for a monthly direct debit, and then later on they will try and upgrade you to being even more, more generous. And there is an absolutely brilliant study by Anna Bremen, who was at the time at the Stockholm School of Economics, I think now is the governor [00:23:00] of the Bank of New Zealand.

But at the time she was a an academic, and she worked with a Swedish charity called Diakonia on how you could apply the idea of present preference bias to increase willingness to upgrade. So present preference bias is the argument that people are very influenced by what is happening to them at the immediate moment.

Pleasure or pain that is in the distant future has a very attenuated effect. So we're influenced by what's gonna happen now. Don't really care what's gonna happen to us in in the future. So what Bremen did with Diakonia is they rang up 1,134 regular donors, and some of them got the standard spiel.

They were asked-- They were thanked, I think, for their generosity, but they were asked would they donate a bit more. And on average, those people increased their donations by 18 Swedish [00:24:00] krona. The other half of the regular donors were asked to increase their donations, but in a slightly different way. So what the psych- the, the researchers in the charity did was say, "Look, please can you increase your donation?

But we won't take any money out for the next two months. It's gonna come out in two months' time." That applies present preference bias, because the warm glow of feeling like a good citizen, a kind person, that still happens in the immediate term. But the pain of handing over money, that is thrown into the future, and therefore it is attenuated in people's minds.

So people became significantly more generous. Now they were donating 24, or nearly 25 actually, Swedish krona on average. That is a 32% improvement in donation levels.

MichaelAaron Flicker: Wow.

Richard Shotton: And even when they looked at things [00:25:00] after 12 months, there was no worse cancellation rate. It wasn't like people were canceling their increases 'cause they felt like they'd been too generous.

And the increase in donations was large enough to significantly offset the delay in actually getting the money. So it's a lovely example of an academic principle being applied with real money in the real world.

MichaelAaron Flicker: It reminds me of the chapter in our book, Hacking the Human Mind, Klarna, where you buy now and you pay later.

That insight that if you can push off the pain of payment, in this instance, push off the charity, the donation that you're giving even by just two months, you can get it to be much more valuable to the- Yeah ... To the, to, to the charity.

Richard Shotton: Y- and you're exactly right about Klarna. That is exactly what they're doing.

Now, they don't require people to pay, [00:26:00] say, $60 for a jumper in one hit. They now say, "Split it in three installments. You're paying $20 now, $20 next month, $20 in two months' time." People treat that expenditure as almost identical, as very different. They focus on what's coming out of my pocket today. They don't care as much as they should about those, those future payments.

So I would argue Klarna is an example of an amazing psychological company rather than just being an amazing example of a tech company.

MichaelAaron Flicker: And it gives us, as marketers, t- a fork in the road of which way we wanna use the present preference bias. On the one hand, we can say, how can we break down a cost into multiple payments to lessen the pain of that payment over time?

That's the Klarna example. Or how can we push off a future donation or a future incr- a bigger ask that we have, because then you can [00:27:00] get a larger donation over time, or you can have somebody do something more generous in the future. So I think it gives us a way to both decrease the cost of something, increase the giving, and it just gives us two ways to look at it.

Richard Shotton: Yeah. It's a lovely, simple tactic that if a, anyone here listening is responsible for a charity's marketing, first thing I'd be doing is trying to replicate that Diacono experiment, which was known as Give More Tomorrow.

MichaelAaron Flicker: We've talked about in the past the pennies a day effect. Is it in the same spirit of if you make small donations regularly, it will add up?

Or is that a... Or is it not exactly the same insight here?

Richard Shotton: Yeah. I think often you get these different insights, pennies a day effect versus present preference bias. They're not the same thing, but they are definitely [00:28:00] related. They might not be exactly the same, but they're siblings. So the pennies a day effect was first experimented on by John Gourville in the '90s when he was at Harvard, and what he essentially found was if you go out and ask people to donate £365 to a charity, you get very little uptake.

If you ask people to give a pound a day for a year, you get much, much higher uptake. So his argument was that you split the payment into smaller units, and that headline amount is what cr- creates an image in people's minds. So if I talk about $365 a year, the listener thinks, "Okay, $365, that could be, I don't know, a nice weekend away for me and my family."

If you say a dollar a day, people are thinking, "Oh, it's a a Dunkin' Donuts coffee." it's a trivial purchase. It's the image that's [00:29:00] created in people's minds that creates that feeling of expense or cheapness. What doesn't affect that feeling is the amount of times that the, the expenditure should be multiple, multiplied up by.

But I think you could also argue there's some present preference bias here, and maybe people are very fixated on a pound that's gonna go out of their, a dollar that's going out of their pocket today. But the dollar that goes out of their pocket in a year's time that's feels like it's someone else's problem.

So I th- I think the two are definitely interlinked. I think there's different ways of applying them, but they're definitely interlinked.

MichaelAaron Flicker: Very helpful. Thanks for going through that. So we have a third bias, which we have thought about how can we bring this in, and it's all around the idea of reciprocity, which is something that- Yeah

we feel very strongly about has a big impact.

Richard Shotton: Yes. So reciprocity is one of the [00:30:00] biases that Cialdini talks about in his book, "Influence." So in that book, he originally identified six key influences of behavior. He's now extended that to seven, but one of the original six was the idea of reciprocity, and it's the idea that if we receive a gift, whatever culture we're in, we feel a strong obligation to return that gift, and we often want to return the gift in a larger manner than we received.

So the experiment that's quite interesting here, it's a 2004 study. It comes from Armin Falk at the University of Bonn. And again, it is a real world study with real world money. He sent out 9,846 letters asking for donations. Sometimes people just got a letter with information about the charity. Other times people received a [00:31:00] postcard or a pack of four postcards which were labeled as being a gift from the children of Dhaka who were gonna be the recipients of any donation.

And what Falk found was that if people received a single postcard, they donated 17% more. I think it was 81% pence more. If they received a pack of four, their donations went up by 75%, so it went up by £3.84. So he argued this was an example of reciprocity. The recipient had got a gift from the charity, and they felt that there was a social obligation to return that favor and increase their donation level.

And what's interesting is that there is this asymmetry. The cost to the charity is probably, I don't know, pennies, five, 10 pence. One postcard, they got 81 pence back. Four postcards, when the cost [00:32:00] might be 20 or 30 pence, they got £3.84. So there is this asymmetry. The return generosity was out of kilter with the the original gift from the charity.

So it's a very profitable thing to do.

MichaelAaron Flicker: It reminds me growing up here in the United States in the '80s and '90s, very common to get from a charity a request, and in it comes like self-addressed labels, sticky labels. You didn't ask for them, but they already gave you a sheet that you can use. And the brilliance there is every time you use it, you think of the charity that, that, that gave it to you.

And I was thinking about, you know- Why do you not see that as much anymore? And one of the things you and I have talked about is even though you don't see it, th- even though marketers stop using it, doesn't make it any less effective than it was when it was in [00:33:00] vogue. So it may be out of vogue to give self-addressed stamped envelopes or not envelopes, self-addressed stamped labels to someone ahead of a donation, but that was very common i- in years past.

Richard Shotton: Y- yeah and I would argue human nature is remarkably consistent. The bias of reciprocity has not changed. Now, whether people still need those sticky self-addressed label thingies, I never knew what they were used for anyway, so that might change. The kind of... Th- there's cultural change, there's tech change, there's economic change.

But the b- underlying bias of reciprocity, that is something that can definitely still be harnessed.

MichaelAaron Flicker: When you think about it specifically for donors you and I looked at a study from 2013, the UK government and- Oh ... the behavioral insights team. Yeah, fantastic. And they tested eight different [00:34:00] messages based on behavioral science principles to boost organ donation, and of all of the tactics they used, reciprocity was the best performing message.

And they had this note in the study, if they had done it nationally, it would've led to 96,000 more registrations to become an organ donor over that year compared to the control. So just a very simple example, when you stack these up, reciprocity comes up at the-

Richard Shotton: Oh, I, I think this is a, a, a brilliant example.

So firstly, they didn't just assume which bias would be most effective at getting people to put their name on the organ donor list. They tested eight different things. Some of them were very powerful biases like social proof. Lots and lots of people are signing up for the organ donor list. But as you say, the most powerful line was one that drew on reciprocity, and it was this amazing bit of [00:35:00] copy.

"If you needed an organ transplant, would you have one?" Now, I would argue there is only one way to answer that. Of course every- Of course. Yeah ... virtually everyone, there might be some people with specific religious restrictions, but virtually everyone would say yes. Once you've answered yes in your mind, then the question is if so, please help others.

Join the organ donor register. It- it, we feel like others would give us a gift that we would definitely take, so how can we not offer that gift in return? That is a brilliant piece of marketing, and actually amazingly used by the British government. But I think lots of charities could think about applying that.

Try and get your audience to imagine what they would want the public to do if they were in perilous circumstances, if they were facing famine or if they were homeless. I think actually getting, asking that question If you were homeless, would you want a hot meal?" [00:36:00] that might be a much, much harder thing for people to ignore.

MichaelAaron Flicker: I think we should drop this in the show notes. We can show folks one of the examples of the ads, because I think it, i- as soon as you see it, you say, "Oh, okay." Yeah. "I can imagine how I could apply this in my charity or in my business."

Richard Shotton: Yes. But often we see these amazing examples of behavioral science in practice Sometimes as an industry, we have an allergy to copying.

It doesn't feel like it lives up to the creative aspirations of coming up with something completely novel and completely new. But there is, I think, a problem there that actually what really matters is are you doing something effective? And to me, this is an idea that should be copied far more for more widely, not just by medical governmental campaigns, but I think far more charitable campaigns could copy it.

MichaelAaron Flicker: And if you're feeling skittish on Richard's comment, I was giving a [00:37:00] talk recently and w- instead of using Guinness' good things come to those who wait campaign that explains the pratfall effect so well, I used Heinz Ketchup good things come to those who wait campaign. Literally the same verbiage- Yeah

was used in the '70s and early '80s by Heinz Ketchup at the and at the late '90s, early 2000s by Diageo. Yeah. It incredible how they how they use the same- Yeah ... insight, and both very effective. You and I talk about- Yeah. Yeah ... the GEICO gecko and the Compare the Market meerkat. Yeah.

Almost exact replicas of each other, and both wildly effective. So

Richard Shotton: may- maybe the Guinness line should have been, "Good things come to those who copy." Yeah.

MichaelAaron Flicker: But just, it-- Right? If the insight is right and it solves- Yeah ... the business [00:38:00] issue, why not use something that's clearly the best and highest purpose of that line?

Yeah. Why why try to put your own spin on it when what you really need is the most effective line in market? Yeah. So just trying- Yeah ... to lower that barrier for people to say if you really believe it solves your need, Yeah ...

Why not use it?

Richard Shotton: And you could argue, you can tweak things to fit your market, but I think people are averse even to taking the underlying idea and then replicate.

It it should happen far more. It's a, an absolute waste.

MichaelAaron Flicker: And we have one final- Yes ... bias.

Richard Shotton: Oh, yeah. A final gift.

Yes.

MichaelAaron Flicker: A final gift for our visitor- Yeah ... for our listeners.

Richard Shotton: So the bias that we wanna talk about is overhead aversion. The experiment was led by Uri Gneezy, who was a previous guest on the podcast.

Very good episode. Worth going back and listening to that. He's at the University of California San Diego, UCSD, [00:39:00] and in 2014, he worked with an educational foundation in the US who specialized in education. Sends out 40,000 letters, all of them asking for donations. Now, the people who received them had previously given to similar causes, so they were warm leads They randomize, the researchers randomize the recipients into four different groups.

The first subgroup get information about the charity, but there's no incentives offered, and that group donate $8,040 in total. The second group, which is called the kind of seed group, they get ex-exactly the same information about the charity, but they are told that a private donate- donor has already offered $10,000.

That group donate $13,220 on average. So remember 8,000 the control, we are now up to [00:40:00] $13,000. Now maybe the fact that someone very wealthy has decided to give shows that this is a a well-received project and that it's gonna happen because there's enough money to support it. Third group are what's called the matched group.

So here, the foundation give the same information about why the project is amazing. But this time they say a private donor has given $10,000. Every dollar that we receive, he will match the donation up to that $10,000 cap. Now, in that setting, there is a donation level of $12,210.

MichaelAaron Flicker: We've gone down.

Richard Shotton: We've gone down.

So we've gone... Control was eight, so we were up from eight, we're at 12. But compared to the seed, we have gone down by pretty much [00:41:00] exactly $1,000. That is quite counterintuitive. Most people would not expect that. You would think if this, there's this incentive, sh- every, every time I give $10, another 10 will come in.

You would think that would encourage more people to donate than even the seeded group. But I think what happens here is it gives everyone a very good reason to donate, but it slightly undercuts the rationale to donate a lot of money. If I think, let's say, hypothetically, $100 is a reasonable amount to donate, what could happen is if I'm told someone's gonna match my donation, I could drop to $50 and feel like I've given 100.

It could actually remove some of the incentive for me to be very generous. So there's a real watch-out here about matched donations because there's other studies that suggest there can be a backfire effect. But then the third, sorry, the fourth subgroup is [00:42:00] the one that we're really interested in.

Apologies, this study's going on forever. I'm sure we've only got two listeners now. One of them's probably Uri Gneezy.

MichaelAaron Flicker: They're coming back. No,

Richard Shotton: they're coming back. Yeah. No come back, guys. Wake up. This is what's called the overhead free group. So this subgroup, they are given information about the charity.

They're told there's been this really generous private donor. They've given $10,000. But crucially, they are now told that means there will be no overheads. So all the overheads of the project have been covered. Everything that you give as a new donor, that will go straight to helping those people who need kind of educational chances.

Now, in that setting, donations... Do you want to have a guess at this? What do you think donations go up to?

MichaelAaron Flicker: It's gotta be meaningful. Do

Richard Shotton: you think- Yeah, I wouldn't have gotten that excited about it if it wasn't. Yeah. Very good point. I

MichaelAaron Flicker: would say it goes up by 50%.

Richard Shotton: 50%. So that would be... Yeah, so from the seeded, that would be about 18, 19.

[00:43:00] Even more. So it goes up to $23,120. So remember the control was 8,000. Seed is 13. Matched is 12. Now we're up to 23, and that was the most successful one by far. Now, what maybe a donor should care about is what impact does my donation have? But actually, I think an awful lot of what people think about is how few-- how big or small the overheads are.

Because one theme of behavioral science is people, when they're faced with a complex question like, "Is this charity effective?" They ignore the complex, important question, they replace it with a simpler question that's almost as good. And the simpler question that's often salient, 'cause charities will tell you, is how much overheads they pay.

So the idea that every single overhead is being covered, your money's going straight to those in need without any being skimmed off, I think that is a very [00:44:00] appealing thing to tell a potential donor

MichaelAaron Flicker: It strikes me that it's grounded in a bigger point of contrast or a bigger point of concern for the donor than even the cause itself.

Meaning y- you reach out to these warm leads, these are people that are primed to donate, and so maybe even more important than the individual reason for donating is how far will my money go? Will this actually help people in need? And so to me, the brilliance of the overhead-free donation, which control 8,000, overhead-free 23,000, almost 3X improvement, is that it solves for an issue nobody was talking about.

It solves for a concern that really wasn't at the center of a normal communication. And so to me, that just reminds us [00:45:00] as marketers and as communicators that we have to think about the way the message is being received by the person, and what are really their biggest concerns.

Richard Shotton: Yeah. And I I think the interesting thing with all...

We've said this a c- a couple of times in previous episodes, is the study gives a, often gives a very clear finding. How you then interpret that study, that becomes a bit more subjective. I also wonder if there's something about ambiguity versus definiteness, if that's even a word. There is an ambiguity of what effect an intervention will have.

This overhead matching is, there is definite remove, unless the charity was completely lying, and I don't think people are gonna suspect that, there is a definite removal of the overheads. And I think there might be a greater impact because the matched message definitely removes overhead. When you talk about the control messages where this is ambiguous, " we're gonna try and make things better," there might be [00:46:00] uncertainty and therefore lack of trust in those, though, the success.

MichaelAaron Flicker: And as it, as you would expect listening to our podcast for a long time, w- what we're really talking about is, so how do you better frame what you're saying to the potential donors? So if you have large donors, you can ask them to cover the overhead costs- Yeah ... of raising money for the campaign so that the small donors can hear a message like it is overhead free and make their money go farther and more directly to the cause.

So you can use these frames to make your asks more specific and to be more likely to get the best outcomes in the market. It's all in the way you design it and the way that you frame it.

Richard Shotton: Absolutely. Absolutely. That is yet another nice experiment with an impact on the bottom line. The researchers have spent an awful lot of money and time and effort [00:47:00] coming to a conclusion.

Now, if you're a charity marketer, you can take that study and apply it without those research costs. So th- it really is worth harnessing some of these, these experimental learnings.

MichaelAaron Flicker: Lovely. So as we come to an end of today's episode, Richard- Yeah ... can you help remind us of the big topics we covered today?

Richard Shotton: So yeah, we've covered an awful lot of experiments on, in this episode. First one we talked about was anchoring. This is the idea that if you throw out a large number at the beginning of someone's deliberations, it affects their ultimate decision. So when it comes to a charity, you want to make sure that if you are doing some personal fundraising, when you ask people to donate, you need to make sure you've got some really generous amounts as your first donations.

They will affect what later people donate. If you look after the marketing for a much bigger national charity you can apply this in the website design. Make [00:48:00] sure that if you offer people three donation levels, one of them is a very large amount. Its role is to make everything else look a bit better value.

We then talked about a nuance into that idea, the order effect of anchoring. So that was the Sutcliffe and Lichtenstein study. It's not just the presence of an anchor that can make people more generous. It's the order in which people see it. You want people to see your most generous request first, and then you follow up with the, the smaller ones.

We moved from getting original donors for the first time to be generous into how do you increase the generosity of existing donors. And there we talked about present preference bias. The brilliant study by Anna Bremen. She rang up regular donors, didn't just ask them to donate more today. For half the people she rang up, she asked them to donate more in two months' time.

That was the more [00:49:00] successful intervention because people still got the warm glow of generosity in the current moment The cost of donation that was pushed into the future and the whole argument of present preference bias is that we care much more about what's happening to s- to us today than in the future.

We then moved into reciprocity. That's a series of experiments showing that across cultures, if you receive a gift, there is a cultural pressure to return that favor, often in an asymmetrically large way. So we talked about how charities, by giving a small gift upfront to a potential donor, they can recoup the rewards.

And then finally, and this could have had an episode in itself, there were so many variations. We talked about overhead aversion the Uri Gneezy study, where people really dislike the idea that the money they give to a charity is taken up in overheads. So if you can go out and get someone to [00:50:00] cover those costs, and then you communicate that to other donors, you communicate that every single cent or penny they give goes straight to the cause, that is a very effective way of getting people to be more generous.

MichaelAaron Flicker: And with that, we've covered a number of big experiments and a lot of insights, not just for how charities can do better with their donations, but how all of us as brand marketers can learn from that and use in our own businesses and brands. If you found today's episode interesting, please share it with others and and comment on our feeds.

It helps us reach more people just like you. And until next time, I'm MichaelAaron Flicker.

Richard Shotton: And I'm Richard Shotton.

MichaelAaron Flicker: Thanks so much for listening