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Study: Charitable donors motivated by VIP treatment

Pittsburgh Business Times - by [Beth Murtagh](#)

Never mind altruism — donors feel the strongest pull to give charitably when they feel like VIPs.

Such is the conclusion of a recent joint study by economists from the University of Pittsburgh and Carnegie Mellon University.

Donors are motivated to give money when organizations promise to reward them by inviting them to exclusive or high-profile events, conferring greater status on them, the authors wrote.

This is because those with high levels of wealth may have a greater incentive to seek such occasions for social networking, author Holger Sieg of CMU's Tepper School of Business wrote, and these people place a much higher value on the private benefits associated with their giving levels.

"These individuals are key to the sustainability of nonprofit organizations, so it is more important than ever to appeal to what motivates such donors to give," Sieg wrote.

The study analyzes donor information from 2004-2005 playbills, annual reports and programs from the Pittsburgh metropolitan area's 10 largest cultural and environmental organizations, including the Carnegie Museum, Pittsburgh Symphony Orchestra, Phipps Conservatory, Children's Museum, Pittsburgh Ballet Theatre and Pittsburgh Opera.

Sieg and Pitt co-author Jipeng Zhang simulated the impact of organizations changing their donor benefit strategies. Adding one dinner party for donors in the Carnegie Museum's highest tier of giving would raise an additional \$197,425 annually. But an extra donor event would only raise \$11,019 more for the Children's Museum, a smaller organization.

This variation emphasizes the power of a charity's status in the community as "a central influencer of donor contributions," the authors wrote. In general, the study's simulations found that organizations that already rely heavily on private benefits to attract donors would see much lower giving levels if these benefits were eliminated.

Lawrence Tamburri, CEO of the Pittsburgh Symphony Orchestra, called the study "important," but added that it raises "more interesting questions than it answers."

For example, the authors used an incomplete data set of only 668 donors when analyzing the PSO, Tamburri said, which he said skewed their data for the organization toward the upper end.

It also does not address "utilization of benefits," or how many donors did, in fact, take advantage of these offered exclusive events, Tamburri said.

The PSO, for example, offers dinner on stage with some of its principal musicians, though "only a percentage" of eligible donors take advantage of the benefit. One of the most significant factors in people's willingness is not the velvet rope of exclusivity, but instead whether they were raising in "a culture of giving," Tamburri said.

Harris Ferris, executive director of the Pittsburgh Ballet Theatre, agreed.

"I applaud the work for them to take on the study using publicly available data," he said. "(But) I have to say it creates almost a dangerously incomplete picture of donor behaviors." By boiling donor motivation down into only the "warm glow" of altruism versus donor benefits, the authors leave out "half a dozen sociological or psychological motivators that apply," he said, such as civic pride, involvement in the arts and a sense of belonging.

"I am concerned it puts forth a rather shallow image," he said.

The study's main takeaways are that a variety of factors motivate donors to give, said Kate Dewey, principal of Downtown-based nonprofit consultancy Dewey & Kaye, a division of accounting firm McCrory & McDowell.

"In these competitive times, it is extremely important for all nonprofits to understand their donor, whether its a large or small giver," she said. There are donors to larger organizations whose giving stems from other reasons than altruism, she said, "and therefore it's going to become increasingly competitive to not only secure those donors, but keep them engaged. Organizations are going to need to be more creative and thoughtful in how they do that."

The study is available online at www.andrew.cmu.edu/user/holgers/papers/sz_11_08.pdf

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