

USING ACKNOWLEDGEMENTS TO INFLUENCE ALUMNI GIVING

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ABSTRACT

Colleges and universities are increasingly becoming dependent on philanthropic contributions to meet their financial needs. A major component of higher education philanthropy is the donations made by alumni to their institution. This paper reports the results of a study that was undertaken to gain a better understanding of factors that influence alumni giving. A field experiment, using alumni that donated to an institution's annual alumni fund, was conducted. Adjusting the manner in which the institution acknowledges past donations was found to affect future giving behavior.

BACKGROUND

Research in the area of alumni support has included a wide array of topics. Much of this research has focused on explaining donations by examining factors associated with the solicitation program, characteristics of alumni donors, or on the nature of the exchange process. The success of solicitation programs was found to be directly related to the resources expended (Harrison, Mitchell and Peterson 1995; Parsons and Wethington 1996). Programs that directly linked the need for funds to specific programs or departments were also more effective in generating alumni donations (Belfield and Beney 2000, Okunade and Berl 1997; Parsons and Wethington 1996). Alumni were also more receptive to solicitations that were able to convey a clear picture of how their contributions would be used by the institution (Hartmann and Schmidt 1995). Direct contact from the institution and the use of personal appeals were also found to be more effective than impersonal contact (Belfield and Beney 2000; Parsons and Wethington 1996).

Belfield and Beney (2000), studying the donation patterns of alumni at two UK doctoral granting institutions, identified three areas impacting the size of the alumni gift and the probability of giving. These factors included student (alumni) characteristics, solicitation program factors, and institutional characteristics. Their research found gender, life cycle, age, and income of the alumni to be correlated with the size of the donations and the probability of giving. Similar factors and relationships were also identified in research conducted by Hunter, Jones, and Boger (1999),

Okunade and Berl (1997), Okunade (1996), and Lindhal and Winship (1994).

Another area that research has focused on in attempting to explain alumni donations is the exchange process between the alumni and the institution. Economic and social motives of the alumni have been offered as explanations. Some researchers view the exchange as an economic transaction whereby the giver (alumni) provides something of monetary value, and in return receives something of value (Harrison, Mitchell and Peterson 1995). In this explanation, alumni are providing the institution remuneration for what they believe is the value of their education and experiences at the school. An added inducement that may enhance the value of the contribution for the alumni may be tax incentives for the donation (Kitchen and Dalton 1990; Grant and Lindauer 1986).

Research Questions

Previous studies indicated that the balance between donor and recipient's perception of gifts leads to a long-term mutually satisfying relationship. Institutions of higher learning, wishing to develop long-term giving relationships with alumni, may be able to manage the alumni's perceptions of the value they receive in exchange for their donations. Institutions usually provide alumni with an acknowledgement expressing appreciation for the gift. This acknowledgement process provides the institution with an opportunity to manage the alumni's perception of value and can help to create a perception of balance between giver and receiver. Research investigating the impact of various forms of acknowledgements on alumni-college relationships is however, lacking. This study examined the effect of managing an acknowledgement program on alumni giving.

Specific questions this research addressed included:

1. What is the impact of multiple acknowledgements on future alumni giving behavior?
2. Do personalized acknowledgements have an effect on giving behavior?
3. What effect do tangible gifts have on future giving behavior?
4. Does the age of the alumni have an effect on giving?

5. Does the previous history of giving influence future giving behavior?

METHODOLOGY

To evaluate the research questions, a field experiment, involving alumni of a four-year private college was conducted. A randomized block design was used to evaluate the acknowledgement programs and to isolate the impacts of the age of the alumni and their history of giving. The experimental design required the development of different levels of acknowledgements. The acknowledgement levels incorporated the current acknowledgement program, personalized and non-personalized acknowledgements, and peer recognition acknowledgement. Table 1 provides a description of the treatments used in this study.

Three levels of acknowledgement, involving five separate acknowledgement programs, were incorporated into the experiment. The first level, which was the standard acknowledgement used by the institution, was used as the control (Program 1). This acknowledgement was a one-time communication with alumni and involved sending a thank-you letter from the alumni office, a college decal, an alumni membership card, and a tax receipt within two weeks of receipt of the alumni pledge or donation.

A second (moderate) level of acknowledgement included two separate communications with alumni. Two different acknowledgement programs were used. These programs incorporated the standard acknowledgement, which was followed up with an additional communication approximately one month after receiving the standard acknowledgement. The first program in the moderate level acknowledgement (Program 2), included a tangible gift (a coffee mug or ballpoint pen bearing the College name and emblem), in addition to the "standard" package. The second program in the moderate level acknowledgement (Program 3), included a personalized letter from a faculty member in one of the institution's academic departments thanking the donor and explaining how the gift was to be used.

The third acknowledgement level included three separate communications with alumni. This level was designed to provide the alumni with peer recognition, based on the belief that they would perceive greater value from the donation by receiving peer recognition. Two programs were included in this level. The first program (Program 4), included the "standard" acknowledgement, a tangible gift, and a detailed "Fund Report" that identified their participation in the annual alumni fund. The second program (Program 5), included the "standard" acknowledgement package, a personalized letter, and a detailed "Fund Report." This report was sent to the donors approximately two weeks before the annual fund drive ended, and six weeks before the institution's solicitation for the next annual alumni drive.

FINDINGS

Table 2 provides summary statistics for all alumni in the study, grouped by acknowledgement programs. Table 3 presents the summary statistics for alumni grouped by the covariates of age and giving history. The average gift for all subjects increased from \$52.04 in the initial alumni fund to \$52.44 in the second alumni fund; an increase of only 0.8%. However, subjects in the control group increased their average gift from \$56.82 to \$65.73; an increase of 14.4%. For subjects that contributed to the second alumni fund (retained alumni), the increase in average gift size was from \$55.91 to \$80.13; an increase of 43.3%. The retention rate for alumni was 64.0%. The average percentage increase in gift size for alumni that gave during the second drive was 60.4%.

The data was then examined in terms of the research questions. The first question concerns the effect that acknowledgement programs that use more communication with alumni will have on alumni giving. Two measures of alumni giving behavior were examined, retention of alumni in the next alumni fund, and change in the size of the alumni gift. To evaluate the impact on retention, retained alumni that received the standard acknowledgement (one communication), a moderate level of acknowledgement (two communications),

Table 1
Overview of Experimental Design and Acknowledgement Levels

Acknowledgement Level	Experimental Test Group	Program Description
First (Standard)	Program 1 (Control)	Thank you letter, Alumni card, Receipt, Decal
Second (Moderate)	Program 2	Standard level + Tangible gift
Second (Moderate)	Program 3	Standard level + Personalized appreciation letter
Third (Elaborate)	Program 4	Standard level + Tangible gift + Fund report

Table 3
Summary Measures - Covariates (by cell number)

Alumni Factor	Program 1 (Control Group)	Program 2	Program 3	Program 4	Program 5	Total
Pre-1971 graduates	1	5	9	13	17	
Donors, 1997-1998	59	65	63	55	65	307
Donors, 1998-1999	43	42	51	40	45	221
Retention Percent	72.9%	64.6%	80.3%	72.7%	69.2%	71.9%
Average Gift, 1997-1998*	\$84.36	\$46.08	\$52.01	\$62.39	\$61.21	\$67.49
Average Gift, 1998-1999	\$126.28	\$50.60	\$127.94	\$69.88	\$89.00	\$94.48
Average Change / Subject	49.0%	30.4%	92.5%	31.8%	50.7%	52.7%
Post 1970 graduates	2	6	10	14	18	
Donors, 1997-1998	84	80	88	88	85	425
Donors, 1998-1999	57	49	52	47	53	258
Retention Percent	67.9%	61.3%	59.1%	53.4%	62.4%	60.7%
Average Gift, 1997-1998*	\$46.40	\$44.91	\$37.61	\$57.13	\$45.59	\$46.09
Average Gift, 1998-1999	\$67.89	\$65.66	\$66.83	\$75.64	\$63.87	\$67.84
Average Change / Subject	68.8%	76.4%	83.2%	58.2%	47.9%	66.9%
Non-loyal donors	3	7	11	15	19	
Donors, 1997-1998	49	49	54	51	53	256
Donors, 1997-1998	26	22	25	25	26	124
Retention Percent	53.1%	44.9%	46.3%	49.0%	49.1%	48.4%
Average Gift, 1997-1998*	\$46.73	\$34.55	\$40.61	\$55.60	\$57.50	\$47.37
Average Gift, 1998-1999	\$75.00	\$64.43	\$93.60	\$69.00	\$103.85	\$81.71
Average Change / Subject	72.9%	119.4%	100.0%	58.8%	78.3%	84.9%
Loyal donors	4	8	12	16	20	
Donors, 1997-1998	94	96	97	92	97	476
Donors, 1997-1998	74	69	78	62	72	355
Retention Percent	78.7%	71.9%	80.4%	67.4%	74.2%	74.5%
Average Gift, 1997-1998*	\$68.36	\$48.91	\$45.53	\$61.15	\$61.11	\$58.99
Average Gift, 1998-1999	\$99.32	\$56.88	\$98.21	\$74.60	\$65.14	\$79.58
Average Change / Subject	55.8%	34.7%	83.8%	40.9%	38.6%	51.8%

Table 4
Chi-Square Test of Retention Rate

Original Donors vs Retained Donors in terms of...	n	χ^2	df	Significance
Control vs Moderate and Elaborate Treatments	732	1.961	1	0.375
Control vs Personal Treatment Conditions	294	0.101	1	0.750
Control Group vs Both Tangible Treatment Conditions	288	2.345	2	0.310
Age Covariate Contrast (Pre-1971 vs Post-1970)	732	10.03	1	0.002
Giving History Covariate Contrast (Established vs New Donors)	732	50.30	1	0.000

personalized approach (Program 5), resulted in a larger increase than the program that used a tangible gift (Program 4). Based on these results, we believe that an acknowledgement program using a personalized approach will result in larger increases in gifts than either a non-personalized approach or an acknowledgement program using a tangible gift.

The last questions addressed in this study concerned the impact of the age of the alumni and their prior history of giving. Chi-Square analysis was used to assess the impact of both variables on retention, and analysis of variance was used to assess the impact on the size of the donation. The Chi-Square analysis, presented in Table 4, indicates that both age and history of giving have a significant impact on retention. An inspection of the retention rates in Table 3 indicates that older alumni have a higher retention rate than younger alumni, 71.9% compared to 60.7%. Therefore, we conclude that older alumni are retained at a higher rate than younger alumni. Table 3 also indicates that retention for alumni with a previous history of giving is higher than for alumni without a previous history of giving, 74.5% compared to 48.4%. Therefore, we conclude that alumni with a prior history of giving are retained at a higher rate than those without a prior history of giving.

The Analysis of Variance, presented in Table 5, demonstrates that neither age nor history of giving have a significant effect on the size of the gift. However, the interaction effect of both age and prior history of giving with the acknowledgement programs are significant. Inspection of the change in the size of donations of previous givers and non-previous givers, presented in Table 3, indicates that for non-previous givers the average gift size increased for alumni that received a moderate level of acknowledgement. This group then returned to the pattern of the control group for an elaborate level of acknowledgement. For previous givers, however, with the exception of Program 3, there is a drop in the gift size from the moderate to the elaborate acknowledge level.

The data presented in Table 3 also indicates that for the age covariate, the percentage increase in gift size is greatest for older alumni for programs that included personalized acknowledgements. However, for younger alumni the percentage increase in gift size was greatest for programs that did not include personalized acknowledgements. For alumni with a limited previous history of giving, acknowledgement programs that included a tangible gift resulted in decreases in gift size. We therefore believe that both age and history of giving influence the effectiveness of an acknowledgement program.

DISCUSSION AND IMPLICATIONS

The study suggests the following:

- More frequent contact with existing donors did not significantly affect their participation in the next donation drive.
- Acknowledgement programs that included a tangible gift produced the lowest retention rates.
- Significant difference in retention rates was found between different age groups and for groups with different histories of giving.
- Using a personalized program or using tangible gifts did not improve retention.
- A personalized program was found to have a positive influence on the size of the donation.
- Age and prior history of giving influence the impact the acknowledgement program has on increasing the size of the alumni gift.

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Table 5
ANOVA – Change in Size of Gift

Source of Variation	df	F	Significance
Program Levels			
Control/Moderate/Elaborate	2	1.358	0.258
Individual Programs	5	5.708	0.000
Age (graduation date)	1	1.640	0.201
History (donor status)	1	0.954	0.329
Age interaction	4	5.359	0.000
History interaction	4	5.709	0.000
All interactions	5	4.213	0.001

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