

# Are Gifts a Delight or an Overhead Cost? Impact of Donor Motivations on Preference for Gifts

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## **Abstract**

Evaluation of tools for donor retention is critical as charitable organizations suffer with nearly 70% donor-attrition. Not-for-Profits extensively use gifts as an incentive for donor acquisition and as a token of appreciation for donor retention. Yet, past literature has limited our knowledge to the impact of gifts as an incentive and not as a donor retention tool. Thus, we investigate the impact of gifts on donor retention and whether its impact varies based on donor's preference for gifts. Our study is the first to show that a significant proportion (35%) of donors reject gifts. Importantly, gifts had a negative impact in terms of higher donor attrition and lower donations on donors who rejected gifts and whereas it had a positive effect on donors who accepted gifts. We find that altruistically motivated donors and donors are averse to overhead costs are more likely to reject gifts are the most valuable donors for the charity. We also establish the mechanism for this phenomenon.

**Subject Areas:** *Consumer Services, Customer Relationship Management and Customer Satisfaction, Marketing Strategy*

**Track:** Public Sector and Non-Profit Marketing