Does Heart or Head Rule Donor Behaviors in Charitable Crowdfunding Markets?

Rob Gleasure & Joseph Feller

To cite this article: Rob Gleasure & Joseph Feller (2016) Does Heart or Head Rule Donor Behaviors in Charitable Crowdfunding Markets?, International Journal of Electronic Commerce, 20:4, 499-524, DOI: 10.1080/10864415.2016.1171975

To link to this article: http://dx.doi.org/10.1080/10864415.2016.1171975

Published online: 20 Jun 2016.

Submit your article to this journal

Article views: 335

View related articles

View Crossmark data
Does Heart or Head Rule Donor Behaviors in Charitable Crowdfunding Markets?

Rob Gleasure and Joseph Feller

ABSTRACT: Crowdfunding has matured into a meaningful online marketplace, both for traditional e-commerce activities and for charitable fundraising. For charities, crowdfunding presents novel donation behaviors, including those where donors may proactively seek out causes and give (often anonymously) to help others with whom they share little social connectivity. Understanding these behaviors is challenging compared to traditional fundraising behaviors, where charitable giving is partly explained by factors such as guilt avoidance, reciprocity, image, vicarious enjoyment, and group-level benefits. This suggests that some subset of charitable motivations is brought uniquely into focus in crowdfunding marketplaces. These marketplaces are often inhabited by fundseeking individuals and larger formal organizations. This adds further complexity, given that donors traditionally perceive and interact differently with charitable organizations and less formal fundraising entities. This study explores donation behavior in charitable crowdfunding based on the distinction between “pure altruism” and “warm glow” motivations. We offer a discriminatory model of donation behaviors toward individuals and organizations, which is then tested in a large-scale field study of Razoo.com. Findings suggest that donations to organizations are more influenced by outcome-related factors, such as fundraising targets and the likelihood of meeting that target, while donations to individuals are more influenced by interaction-related factors, such as the level of dialogue around a campaign.

KEY WORDS AND PHRASES: Charity, crowdfunding, nonprofit organizations, online charity, pure altruism, warm glow.

Crowdfunding describes funding behavior in which funders provide money to fund seekers in the absence of banks and other conventional financial intermediaries, typically through the medium of web-enabled information systems [12, 34, 56, 66]. This phenomenon has emerged within the broader landscape of crowdsourcing, in which ideas, effort, and other resources are obtained from crowds of individuals through web-based solicitation, to support individual and organizational activities and endeavors [43, 51, 54, 92, 95]. As the crowdsourcing domain has matured, finance-specific platforms have emerged and grown rapidly, though many sites focus on markedly different areas. For example, sites like Zopa and Lending Club focus on brokering personal unsecured loans from the crowd, sites like CrowdCube and FundedByMe broker donations in exchange for business equity in small to medium-sized enterprises, and other sites like Kickstarter and SellaBand facilitate rewards-based donations to support creative projects and business
endeavors. These platforms facilitate a novel form of ecommerce transaction within the emerging “social commerce” space (cf. [57]). Yet behind such transactions is an increasingly nuanced tapestry of social relationships [91, 96]. For this reason, perhaps the most psychosocially interesting crowdfunding websites are those like Pledgie, Fundrazr, CauseVox, and Razoo, which broker altruistic donations to charitable causes in exchange for little or no material reward.

In some respects, the idea of charitable crowdfunding is not new. Charitable organizations have been seeking donations from societies to fund specific projects or philanthropic causes for centuries, perhaps millennia. However, contemporary web-enabled charitable crowdfunding markets differ from traditional fundraising contexts in three ways that challenge standard explanations of altruistic giving. First, many charitable donations on crowdfunding websites are given anonymously [16], meaning explanations that rely on an individual’s concern for their social image are of limited applicability (e.g., [7]). Second, while geography and social proximity plays some role in predicting crowdfunding donations, many donations are nonetheless made by individuals with little if any social connection to fundseekers [1]. This, in combination with the level of anonymous donation, challenges reciprocity-based explanations of giving (e.g., [33, 36]). Third, and most striking, is the proactivity of charitable donors on crowdfunding websites, many of whom do not passively wait for donation requests but rather take it upon themselves to seek out specific causes. This proactivity is surprising, given that previous research on charitable giving has reported that individuals often endeavor to avoid contact with charities. For example, Andreoni, Rao, and Trachtman [5] found that many people avoided a specific entrance to a grocery store where charitable volunteers were requesting donation. Those authors attribute this avoidance to a desire to avoid the “empathetic stimulation” that might create a guilt-related prerequisite for charitable giving. Such avoidance is ostensibly made easier in electronic charitable crowdfunding markets.

This question of why individuals should give in electronic charitable crowdfunding markets has been explored at length in existing research on “microfinance,” a paradigm in which personal loans are made at low or 0 percent interest rates to individuals in developing and impoverished regions in order to jumpstart regional economic development (cf. [6, 7, 37, 61, 62]). A study of lender profiles on Kiva.org suggests that more active lenders are likely to mention claims of general altruism, group-specific altruism, religiousness, and support for the core principles of microfinance [59]. Other studies have shown that donors prefer female borrowers (suggesting they view microfinance as a means to assimilate women into the workforce and thus to accelerate overall economic development) and demonstrate a preference for specific industries or goals, such as manufacturing or education (suggesting that donors are mindful of the outcomes from their investment) [42, 60]. Preferences have also been found by donors toward recipients with whom they share cultural or social similarities (suggesting that they may also be susceptible to personal biases) [15, 17, 76, 78, 79]. The body of research on microfinance provides many valuable insights and highlights several psychosocial factors influencing donation behaviors. It also demonstrates the potential
insights available from analysis of online donation behaviors, wherein new types of data are available to shed light on the act of giving. Yet it does not explain how these psychosocial factors relate to more general underlying mechanisms for altruism identified in the economics and psychology literature. This creates ambiguity in the underlying theory for this form of social commerce, so challenging the ability of scholars to create a cumulative knowledge base [57]. Further, it makes it challenging to determine if and how donation behaviors in electronic charitable crowdfunding markets differ from other fundseeking contexts. Thus, the first research question for this study:

1. In the absence of obvious guilt, image, or reciprocity-based explanations, what underlying mechanisms explain donation behaviors in electronic charitable crowdfunding markets?

Despite the focus of existing research on microfinance, charitable crowdfunding is not limited to donations to individuals in disadvantaged areas, but is also leveraged by larger bodies looking to support specific causes, such as nonprofit organizations [2] and artistic and cultural groups with an ideological component, for example, the documentary film industry [81], artists [11], cultural heritage projects [65], and scientific research [89]. Previous research illustrates that donation behaviors toward organizations may be affected by different influences, such as donors’ perceptions of administrative wastefulness [87], donors’ levels of antisociability [50], and donors’ perceptions of corporate brand personality [85]. It also demonstrates that competition between charitable organizations plays an important role in broader online fundraising activities [68]. This suggests that donation behaviors on crowdfunding websites toward individuals and organizations may be subject to different challenges. Yet it is not clear exactly how these challenges and behaviors vary, due to the aforementioned ambiguity regarding the underlying mechanisms that motivate charitable donation behaviors in crowdfunding contexts. Thus, the second research question:

2. How do donation behaviors in electronic charitable crowdfunding markets differ when giving to individuals and organizations?

Addressing these questions has the potential to create a cohesive theoretical foundation linking the subset of underlying psychosocial mechanisms applicable to crowdfunding markets. Such a theoretical foundation promises meaningful practical implications for the management of communication and interaction to the benefit of fundseekers and donors. To determine exactly what these implications may be, a third research question is presented:

3. How do different types of information sharing and interaction activities impact specific donation behaviors toward individuals and organizations in electronic charitable crowdfunding markets?
Identifying the Underlying Psychosocial Mechanisms Responsible for Donation Behaviors in Electronic Charitable Crowdfunding Markets

The essence of altruistic or charitable giving is the idea that individuals will act to help others, even when doing so comes at some personal cost (cf. [84]). The explanation for altruism has been investigated by numerous neoclassical economists seeking to balance seemingly selfless behaviors with a rational *homo economicus* view of behavior [13, 82, 85, 86]. An extensive review of existing altruism research [47] divides theories of altruism into rationalistic and normative streams.

**Rationalistic Models of Altruism and Charitable Giving**

Khalil [47] divides rationalistic perspectives on altruism according to whether they attribute altruism to reciprocity, vicarious enjoyment, or as a natural-selection-based consequence of our evolution as social animals. Each of these accounts has some explanatory strengths and weaknesses.

Reciprocity-based accounts (e.g., [24, 33]) explain many market behaviors and have also been applied with success in the arena of rewards-based crowdfunding [93]. Yet they struggle to account for instances of anonymous altruism or altruism in one-off interactions. This is demonstrated in the “dictator game,” a classic game theoretic experiment in which one “proposer” subject is given a sum of money, then asked to split that sum with another “responder” subject (who will accept whatever the proposer decides to share) (cf. [55]). Results from the dictator game show that many proposers offer reasonably fair splits, even when they have the power to keep the entire sum and no potential compensation exists via reciprocity [46].

Accounts based on vicarious enjoyment (e.g. [45]) do account for altruism in situations where reciprocity is not anticipated, however they fail to account for situations where vicarious enjoyment could be obtained without giving, such as when someone else would give if they refused. They also jar somewhat with situations where individuals impose negative sanctions at the immediate expense of both parties. This is seen in another seminal game theoretic experiment referred to as the “ultimatum game.” Unlike the dictator game, in the ultimatum game the responder can reject the offer, in which case neither player receives any money [55]. Findings from the ultimatum game demonstrate that many responders reject low offers, even though this means neither party can enjoy the benefits [39].

Natural-selection-based accounts (c.f. [40, 70]) argue that although altruism requires self-sacrifice, it is beneficial at a group level because a group of altruists is better equipped for survival than groups of selfish individuals. Such a cooperative view of altruism is demonstrated in a third seminal game theoretic experiment, namely the “prisoners’ dilemma” [55]. The prisoner’s dilemma places two subjects in a situation where they must decide whether to cooperate or betray one another, without those subjects being able to communicate. If
neither player betrays the other, then both players receive a small punishment. If both players betray each other, then both players receive a medium punishment. However if the first player betrays the second but the second does not betray the first, then the first player receives no punishment and the second player receives a large punishment (and vice versa). Results from the prisoner’s dilemma support the natural-selection-based account as they show that many subjects do not betray the other, despite this being, ostensibly, the optimal self-serving strategy [49]. Further, because the natural-selection-based account predicts greater levels of altruism when the recipient is also perceived to be altruistic (rather than a member of a selfish group), support is also observed in dictator games that increased the “deservingness” of the responder by replacing them with a reputable charity such as the Red Cross [30] or a charity of the proposer’s choice [20].

Each rationalist view of altruism has some limitations but, taken together, they offer significant explanatory and predictive power. Yet they all model and justify altruism in terms of social incentives, and thus assume that the altruist is (at least partly) embedded within a sustainable community of recipients, such that said altruist may later come to benefit from delayed returns (see Figure 1). As noted already, this does not easily map with crowdfunding markets where donations are often made anonymously to individuals with little social connectivity. Thus, the applications of a rationalist view are limited for electronic charitable crowdfunding markets.

**Normative Models of Altruism and Charitable Giving**

Unlike rationalism, the normative view of altruism is not based on delayed external rewards but on attributes of altruistic behavior and charitable giving to intrinsic motivations. The need for such a normative perspective reflects a general consensus that the evidence for altruism exceeds what could be explained solely by social incentives [32]. The most established normative model of altruism is that proposed by Andreoni [3], which distinguishes
between idealist (“pure altruism”), self-esteem-based (“warm glow”), and a hybrid of idealism and self-esteem (“impure altruism”).

_Pure altruism_ occurs when individuals give solely because it improves the circumstances of the recipient and serves the public good. While this idea lacks the predictive power of alternative accounts of altruism, it is nonetheless necessary to explain phenomena such as “crowding out,” that is, situations whereby the presence of some investment intended to encourage a charity serves to actually discourage other donors, who feel that charity’s needs are already being met (cf. [4]). Such crowding out has been observed in both rewards-based crowdfunding [52] and in crowdfunding for public goods [15]. Thus, _pure altruism_ must be assumed to play a part in donor motivations in electronic charitable crowdfunding markets.

_Warm glow_ accounts of altruism differ, in that they attribute altruism and charitable giving to a boost in self-esteem for the giver [31, 41]. This idea explains why altruists continue to give to recipients when they could “free ride” and wait to see if others will give instead [3]. It also explains why crowding out is not an absolute phenomenon, as one would expect if _pure altruism_ were the sole explanation [64]. It is noteworthy that despite the nomenclature, _warm glow_ giving is not objectively any more selfish than _pure altruism_, it merely relaxes givers’ critical analysis of the recipient [36, 60].

In practical terms, it has been argued that most normatively motivated altruistic giving combines elements of both _pure altruism_ and _warm glow_, in what is often termed “impure altruism” [3, 23, 25, 45, 48]. Nonetheless, the distinction between _pure altruism_ and _warm glow_ giving offers a useful means of differentiating between different dimensions of normative altruism. Taken together, these motivations attribute giving to an individual’s internal self-perceptions and sense of morality, that is, normative accounts suggest that donors in crowdfunding markets contribute because (1) they feel good about the outputs of some fundraising campaign, and/or (2) they personally feel good about supporting the campaign. This is illustrated in Figure 2.

Figure 2. Normative Motivations for Charitable Giving
It has already been observed that obtaining socially enacted rewards may be challenging in crowdfunding markets, given that donations are often made anonymously to socially distant individuals [18]. Thus, this ability to explain charitable giving without relying on socially enacted rewards is valuable for electronic charitable crowdfunding. This is supported by several existing studies of electronic crowdfunding markets that have peripherally leveraged the principles of pure altruism and warm glow to support analyses (e.g. [15, 75, 87]). For these reasons, a normative pure altruism/warm glow perspective is also preferred in this study.

**Pure Altruism and Warm Glow Giving Toward Individuals and Organizations**

Having determined that donor motivations based on pure altruism, warm glow, and impure altruism are especially salient in an electronic charitable crowdfunding market, it must be considered whether the level of each may vary when a fundseeker represents an individual or an organization.

Extending these psychological motivations to actual behaviors, a review of literature on altruism by Loewenstein and Small [60] suggests that decisions to give are ultimately motivated by two information-processing behaviors: deliberation and sympathy. This distinction posits that sympathy is determined by givers’ personal state, past and vicarious experience, proximity, in-group/similarity/nationality, the problem’s newness, and the presence of identifiable victims. Conversely, deliberation is determined by comparatively rational considerations, such as the scale of the problem and the likely impact of giving. Those authors argue that “Giving that occurs in the absence of sympathy—that is driven entirely by the deliberative system ... would seem to more closely meet the qualifications of ‘true’ or ‘pure’ altruism in the sense that it does not confer any obvious immediate hedonic benefit” [60, p. 122]. The argument that warm glow giving can be characterized according to a dependency on empathy, that is, a giver’s ability to connect psychosocially with a recipient during the giver–receiver interaction, resonates with findings from other research explaining patterns in blood donation [35, 44] and patterns of charitable giving among the wealthy [63]. Empathy during such interactions increases positive feelings from giving as well as negative guilt-related feelings from refusing to give [5, 69]. By contrast, pure altruism occurs in contexts where neither socially enacted rewards are anticipated, nor are hedonic and empathy-based warm glow benefits [3, 60, 21]. Put differently, pure altruism (by a process of exclusion) is concerned only with the eventual outcomes of some action, that is, the deservingness of a cause [20, 30].

This distinction between empathy-dependent warm glow and outcome-dependent pure altruism predicts different types of donation behaviors for organizations and individuals in electronic charitable crowdfunding markets. For example, research has shown that larger groups of recipients may depersonalize the act of giving by dividing gifts across more individuals and lowering personal responsibility [6, 82]. This explains why individuals
seeking micro loans receive more donations than comparable groups because larger groups create a less intense personal connection between giver and recipient (cf. [37, 79]). Thus charitable organizations, simply by virtue of scale, are less likely to generate hedonic *warm glow* benefits from the act of donation.

The diminished capacity for charitable organizations to attract *warm glow*-based donation behaviors implies a greater reliance on *pure altruism* (and thus perceptions of deservingness). This is supported by general observations that donors’ attitudes toward charitable organizations are heavily influenced by perceptions of efficacy and trustworthiness [85, 88]. There is also evidence that nonprofit organizations struggle to attract online funding without some form of third-party certification (cf. [68]). Such scrutiny is rarely found (or available) for fundseeking individuals, seemingly because donation behaviors favor different underlying mechanisms. To take an example, this suggests that donation behaviors toward an individual in need of money for a medical procedure will be more influenced by donors’ ability to relate to and empathize with that individual, while donation behaviors toward an organization seeking to provide medical procedures to a group of individuals will be more influenced by the perceived ability of that project to actually heal people.

Thus, in crowdfunding markets where fundseeking individuals and organizations are mixed, it appears that *warm glow* motivations are more likely for the former (due to the greater capacity for empathy) and *pure altruism* motivations are more likely for the latter. The following section considers the implications of this difference for donation behaviors.

### The Impact of Communication and Interaction Activities on Donation Behaviors toward Individuals and Organizations

Building on the discussion of *pure altruism* and *warm glow*, five key information-related factors are hypothesized to influence donations to charitable crowdfunding campaigns. These factors were selected for two reasons. First, they are commonly available across the range of charitable crowdfunding platforms, increasing the analytical generalizability of findings. Second, taken collectively they allow for a balanced set of hypotheses to be developed relating different types of information to both *warm glow* and *pure altruism* motivations. Specifically, two factors are predicted to influence donations motivated by *pure altruism*, two others are predicted to influence donations motivated by *warm glow*, and one is predicted to influence both (albeit in different ways). This is illustrated in Figure 3.

The first factor hypothesized to influence donations motivated by *pure altruism* is the *fundraising target*. This represents the amount of financial resources needed to achieve the proposed goals put forward by an organization. Assuming these goals are a key means of determining an organization’s deservingness, donors motivated by *pure altruism* should therefore give more or less as needed. For example, if one organization wishes to build a well in a developing country at a cost of $1,000 and another organization a water treatment plant at a cost of
$500,000, donations toward the latter are more likely to exceed $1,000 (assuming both campaigns are otherwise equally deserving). This is supported by observations of rewards-based crowdfunding campaigns designed around specific projects, which show a tendency among funders to increase or decrease funding to meet the demands of those projects (e.g. [52]). This is in contrast to donations motivated by warm glow, for which the hedonic value of giving is less dependent on the accomplishment of eventual goals. Thus, a higher fundraising target is hypothesized to predict a greater level of donations toward organizations, while it should make little or no difference for donations toward individuals:

**Hypothesis 1:** The fundraising target set by an organization for a charitable crowdfunding campaign will have a positive impact on the amount of donations it receives.

**Hypothesis 2:** The fundraising target set by an individual charitable crowdfunding campaign will not impact the amount of donations it receives.

The second factor hypothesized to impact donations motivated by pure altruism is the rate of donation. Further studies of rewards-based crowdfunding suggest that it is not solely overall targets that influence donors, but also whether a fundraising campaign has the perceived momentum to reach those targets [72, 80]. The same outcome-oriented behaviors are likely in charitable crowdfunding campaigns where donations are motivated by pure altruism, as this momentum increases the odds that valued public goods will materialize. Note that observations of crowding out discussed in previous sections also suggest this relationship may take an inverted-U shape, as fundraising is also likely to decrease once funding targets are met. Nonetheless, the net effect of rate of donation is predicted to be positive, based on the assumption that only a minority of fundraising campaigns will exceed their fundraising target. As with the fundraising target, the outcome-orientation of this impact for rate of donation means it is less relevant for donations motivated by warm glow, thus the following hypotheses:

**Hypothesis 3:** The rate of donation for a charitable crowdfunding campaign run by an organization will have a positive impact on the amount of donations it receives.
Hypothesis 4: The rate of donation for a charitable crowdfunding campaign run by an individual will not impact the amount of donations it receives.

The first factor hypothesized to impact donations motivated by warm glow is the level of campaign dialogue. This hypothesis is based on two assumptions: (1) the hedonic benefits from warm glow giving are derived in the act of giving, rather than from specific outcomes. Thus, greater information sharing and interactivity between donors and fundseekers should increase the richness of the interaction, and so heighten the sense of satisfaction for donors (2) research on social identity has demonstrated that it is through ongoing discussion that individuals come to feel connected with a group (cf. [14, 22, 77]). Greater campaign dialogue between donors and fundseekers should afford donors a more personal connection with both the fundseeker and other donors, hence greater empathic stimulation. Such hedonic benefits are not obviously relevant from the point of view of accomplishing goals, suggesting donations motivated by pure altruism will be less influenced by campaign dialogue. Thus the following hypotheses:

Hypothesis 5: The level of campaign dialogue in a charitable crowdfunding campaign run by an individual will have a positive impact on the amount of donations it receives.

Hypothesis 6: The level of campaign dialogue in a charitable crowdfunding campaign run by an organization will not impact on the amount of donations it receives.

The second factor hypothesized to impact donations motivated by warm glow is the level of campaign imagery. Evidence from studies of peer-to-peer lending suggests that pictures and images have a significant impact on lending behavior, due to their ability to convey subtle social cues [29, 71, 73, 74]. On many crowdfunding platforms such imagery may be complemented by embedding videos into fundraising campaigns. These videos may play an important complementary role, given evidence that the use of video imagery can communicate significantly more social information than the use of static images [27]. The social information provided by such imagery may afford donors a greater sense of connection to fundseekers, helping them to empathize and thus increasing hedonic benefits in terms of warm glow. These social benefits are less likely to be important to donations motivated by pure altruism, thus the following hypotheses:

Hypothesis 7: The level of campaign imagery used in a charitable crowdfunding campaign run by an individual will have a positive impact on the amount of donations it receives.

Hypothesis 8: The level of campaign imagery used in a charitable crowdfunding campaign run by an organization will not impact the amount of donations it receives.
The final factor hypothesized to impact donations is the level of campaign disclosure. This factor is predicted to influence donations motivated by both pure altruism and warm glow, albeit for different reasons. For those donations motivated by pure altruism, the communication of goals and the rationale behind them is a key determinant of success. Greater levels of campaign disclosure are more likely to allow the communication of such information [53], and should thus predict greater levels of donation motivated by pure altruism. For those donations motivated by hedonic benefits from warm glow giving, the ability to establish a social connection capable of generating empathy is crucial. As with campaign imagery and campaign dialogue, greater campaign disclosure should afford a richer interpersonal connection, and therefore also predict greater levels of donation motivated by warm glow. Thus the following hypothesis:

**Hypothesis 9:** The overall level of disclosure in a charitable crowdfunding campaign run by an individual or an organization will have a positive impact on the amount of donations it receives.

**A Field Study of Razoo**

To achieve our research objective we conducted an in-depth exploration of a charitable crowdfunding website. The platform selected for data gathering was Razoo, which was chosen for two key reasons. First, since it was launched in 2006 to encourage e-philanthropy, Razoo has raised over $270 million, of which $100 million was raised in 2013 alone [19], making Razoo the fastest-growing dedicated electronic charitable crowdfunding website at the time of writing. This means that this platform can be viewed as a market leader in the area of charitable crowdfunding, rather than an outlier. Second, Razoo caters to fundraising for both “projects” and “fundraisers,” whereby a “project” is a campaign run directly by a nonprofit organization while “fundraisers” are campaigns run independently by individuals. This explicit distinction between fundraising individuals and fundraising organizations makes Razoo an ideal platform to investigate differences in donation behavior toward these individuals and organizations. An example of a typical Razoo project page is illustrated in Figure 4.

To limit any moderating effects of platform maturity that might compromise the internal consistency of the data, records were gathered from a single year, 2013. Likewise to maximize the rigor of the analysis, an exhaustive set of records (i.e., all the campaigns) from this period were gathered (N = 42,143). Indicators for each factor predicted to influence donation behavior are illustrated in Figure 5.

Three explanatory factors were measured with a single indicator. These were the fundraising target, which was measured according to the total fundraising sought for each campaign, campaign dialogue, which was measured according to the number of comments, and the campaign disclosure, which was measured according to the number of characters in
the campaign description on the homepage. Rate of donation was measured according to two indicators, each of which was necessary for donors to predict whether campaigns will reach their set target. These were the overall number of donations (from which donors can infer the
level of interest from the community) and the number of donations per day (from which donors estimate the ability of the community to meet targets before the fundraising campaign expires). Lastly, campaign imagery was measured according to the number of images and the number of videos. Note that these indicators were in no way meant to be exhaustive. Rather they were selected as the simplest means by which to test the predicted donation behaviors toward individuals and organizations.

The level of fundraising was measured according to the overall amount of funding raised. It is noteworthy that an alternative metric considered was the amount of funding raised/the fundraising target. This metric was not appropriate for Razoo because fundseekers are not subjected to a penalty for failing to meet fundraising targets. As a result, these targets were expected to adopt complex symbolic qualities that would complicate the interpretation of findings if embedded into the dependent variable.

Findings

The average amount raised by campaigns was $499.32, the distribution of which demonstrated a negative skew, as illustrated by a five-figure summary of ($0, $0, $0, $250, $230,235.98). A large number of campaigns existed that had not attracted any funding (N = 21,339). These campaigns were not included in the analysis because it was not clear whether some were acting as unpublicized placeholders for administrators. Thus, their inclusion could have been misleading if they had not actually been exposed to the Razoo community. Furthermore, because the distribution of amounts of money raised for each campaigns was negatively skewed, a logarithmic transformation of these values was used as the dependent variable for subsequent multiple regression analyses to maintain the integrity of statistical assumptions. Although this transformation makes it less reliable to draw conclusions based on the size of specific relationships, it allows for greater reliability in detecting the presence or absence of positive or negative relationships (cf. [9, 67]).

Of those campaigns attracting some funding, more than three-quarters were fundraisers, rather than projects (76.5 percent) and campaigns typically lasted just over three months (M = 105.36 days). The average number of donations was 11.44, taking place at a rate of 0.41 donations per day. Campaign descriptions had an average of 1,295.9 characters in the main body of text on the campaign home page and the average number of comments made on campaigns was almost 2 (M = 1.97). The average number of images was for a campaign was between 2 and 3 (M = 2.31), with considerably fewer videos (M = 0.4). The distribution of fundraising targets also illustrated a negative skew ($0, $500, $1,250, $5,000, $2,147,483,647). In the total set of campaigns receiving some fundraising (N = 20,804), 1,713 did not set any target (290 projects and 1,423 fundraisers), 18,996 set a target between $0 and $499,999 (4,559 projects and 14,435 fundraisers), and 91 set targets > $500,000 (40 projects and 51 fundraisers). Given that the highest amount raised by any campaign was $230,235.98, those 91 fundraising targets
$499,999 were assumed to be outliers and removed from the analysis. A summary of descriptive statistics is presented in Table 1.

To explore proposed differences in donation dynamics for projects and fundraisers, multiple regression analysis was repeated separately for each type of campaign on Razoo. The adjusted $R^2$ for these multiple regression analyses for projects was 0.283 ($p < .001$) and for fundraisers was 0.342 ($p < .001$). A breakdown of the output is presented in Table 2.

H1 and H2 were supported, as fundraising target was a predictor of donations to projects but not fundraisers. This diverging association was anticipated, although the predictive power of the variable was lower than other independent variables (with the exception of the number of videos). This supports the assumption that specific outcome goals related to pure altruism are more important for donation behaviors toward organizations than individuals.

### Table 1. Summary of Descriptive Statistics.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding raised</td>
<td>$1,010.84</td>
<td>$4</td>
<td>$230,236.98</td>
</tr>
<tr>
<td>Target set</td>
<td>$5,615.75</td>
<td>$0</td>
<td>$485,000.00</td>
</tr>
<tr>
<td>Number of donations</td>
<td>11.44</td>
<td>0</td>
<td>2,077</td>
</tr>
<tr>
<td>Donations per day</td>
<td>.41</td>
<td>0</td>
<td>91</td>
</tr>
<tr>
<td>Number characters in description</td>
<td>1,295.90</td>
<td>0</td>
<td>5,000</td>
</tr>
<tr>
<td>Number of images</td>
<td>2.31</td>
<td>0</td>
<td>137</td>
</tr>
<tr>
<td>Number of videos</td>
<td>.4</td>
<td>0</td>
<td>32</td>
</tr>
<tr>
<td>Number of comments</td>
<td>1.97</td>
<td>0</td>
<td>736</td>
</tr>
</tbody>
</table>

*Note: Only includes campaigns where some funding was raised.*

### Table 2. Regression Output for Razoo Split Population (Project (Org) vs. Fundraiser (Ind), dv = log$_{10}$ (Amount Raised)).

<table>
<thead>
<tr>
<th>Factor</th>
<th>Indicator</th>
<th>Beta ($R^2 = .283$, $p &lt; .001$)</th>
<th>Projects</th>
<th>Fundraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising target</td>
<td>Target set</td>
<td>.032*</td>
<td>-0.006 (p=.405)</td>
<td></td>
</tr>
<tr>
<td>Rate of donation</td>
<td>Number of donations</td>
<td>.622***</td>
<td>.440***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Donations per day</td>
<td>.083***</td>
<td>-0.036***</td>
<td></td>
</tr>
<tr>
<td>Campaign disclosure</td>
<td>Number characters in description</td>
<td>.132***</td>
<td>.086***</td>
<td></td>
</tr>
<tr>
<td>Campaign imagery</td>
<td>Number of images</td>
<td>.089***</td>
<td>.079***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of videos</td>
<td>.030*</td>
<td>.055***</td>
<td></td>
</tr>
<tr>
<td>Campaign dialogue</td>
<td>Number of comments</td>
<td>-.313***</td>
<td>.168***</td>
<td></td>
</tr>
</tbody>
</table>

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$. 
H3 and H4 were supported, as rate of donation is associated with increased donations to projects, for which the number of donations per day is a positive predictor, but not fundraisers, for which the number of donations per day is a negative predictor. This supports the proposition that donors motivated by pure altruism are encouraged by signs that a project will meet fundseeking needs and be able to achieve stated goals. In contrast, it appears that donors are less likely to donate toward fundraisers where other donors are contributing with high intensity. This is consistent with warm glow explanations of such donation behaviors, as such intensity dilutes the personal connection between individual donors and fundseekers.

H5 was supported, as campaign dialogue had a positive association with donations to fundraisers, due to the increased richness of the interaction between donors and fundseekers. Surprisingly, campaign dialogue had a negative association with donations to projects. H6 had predicted the benefits of campaign dialogue would not apply to projects, thus a lack of impact from this information. However, the negative association takes this further, suggesting not only that the benefits from campaign dialogue were lost but also that this dialogue was part of some harmful effect. One possible explanation for this is that commentary for projects is more functional in nature, rather than social. This would mean that such comments were intended to ask questions and clarify details of outcomes and deliverables, rather than simply to encourage fundseekers or establish interpersonal relationships. Thus, prolonged or ongoing discussion may be a symptom of a lack of clarity in the information provided, or of donors questioning the validity of specific goals.

H7 was supported, as campaign imagery was associated with greater donations to fundraisers. H8, however, was not supported, as a positive impact was also observed from campaign imagery for projects. It was proposed that the value of this factor would result from the ability to convey subtle social cues and enhance connectivity between fundseekers and donors, hence it would benefit warm glow. However, on reflection the added information content of such “rich” media (cf. [26]) also offers fundseekers further opportunity to convey goals and desired outcomes, thus appealing to pure altruism. Therefore, it is not entirely surprising that campaign imagery also shares a positive relationship with fundraising for projects.

Lastly, H9 was supported, as campaign disclosure (in the form of the number of characters in the campaign description) was associated with increased donations to both projects and fundraisers. This supports the assumption that disclosure of campaign details allows for greater explanation of goals, thus appealing to pure altruism, and a greater connection between fundseekers and donors, thus appealing to warm glow.

Projects that raised some funding raised more on average ($M = 1,570.73$) than fundraisers ($M = 839.09$), which is not surprising given that such projects are being run directly by many nonprofit organizations with significant visibility and reputational weight. More interestingly, five-figure summaries demonstrate that donations to projects (excluding projects with no donations) are considerably more skewed ($4, 100, 390, 1,292, 230,238.98$) than those to fundraisers (excluding fundraisers with no donations) ($10, 95, 260, 797, 95,166.26$). This suggests that greater discretion is applied when choosing
whether to donate to a project than a fundraiser, which is consistent with the greater role of pure altruism explanations as a motivation for donation behaviors.

This suggestion of increased discretion among donations to projects is further supported by three follow-on analyses. First, a Levene’s test confirms that fundraising variance among projects (SD = 5,302.93) is significantly higher than that of fundraisers (SD = 2,679.83), $F = 305.391$, $p < .001$ (again, excluding projects or fundraisers with no donations). Second, a significantly greater proportion of projects received no donations (61.8 percent) than fundraisers (45.7 percent), $\chi^2(1, N = 42,132) = 925.23$, $p < .001$. Third, separate linear regression tests investigating the impact of the number of donations on the transformed amount of funding raised show a smaller effect for projects ($R^2 = .199$, $p < .001$) than for fundraisers ($R^2 = .286$, $p < .001$). Thus, donations to fundraisers are more numerous but smaller in size, while donations to projects are fewer but larger in size. This supports the proposition that donations to fundraisers were more influenced by the act of giving than donations to projects.

**Discussion and Conclusions**

This study makes three major contributions to the fields of information systems (IS) and e-commerce research, with implications for both future research and practice.

The first and primary major contribution is evidence of theoretically diverging donation behaviors for charitable giving to individuals and organizations in electronic crowdfunding markets. This offers an important insight into how the use of crowdfunding technologies impacts the nature of charitable giving. By demonstrating the contrasting impacts of fundraising target, rate of donation, and campaign dialogue, we offer new insights on this matter that are important for IS and e-commerce researchers if they are to make sense of differences in the organization/crowd and individual/crowd relationships. We thus contribute to the bedrock of underlying theories necessary to understand crowdfunding as a form of social commerce (cf. [57]).

The second major contribution is the bilaterally beneficial role of campaign disclosure and campaign imagery in crowdfunding campaigns on Razoo. Further investigation is warranted to determine how the quality and content of disclosure, not simply the quantity of information, affects donation behavior in these environments. However it appears that, regardless of donors’ specific motivations, other things being equal—greater transparency from individuals and organizations is appreciated.

The third major contribution is the evidence suggesting that both warm glow and pure altruism play an important role for donors in electronic charitable crowdfunding markets. The distinction between warm glow giving and pure altruism is well-established in economics literature, yet aside from supporting roles in a handful of studies (e.g. [15, 16, 75, 87]) has played little part to date in explaining donation behavior in electronic charitable crowdfunding contexts and none in differentiating between donations to individuals
and organizations. This is wasteful, given that such a perspective offers significant potential in explaining why donors actively seek out different types of opportunities to give in electronic charitable crowdfunding markets.

**Implications for Research**

We have shown in this study that donors in electronic charitable crowdfunding markets behave differently toward organizations and individuals. This raises further possibilities regarding how donation behavior is mediated by the type of crowdfunding platform on which interactions take place. We thus call for future research that directly compares donation behavior across dedicated charitable platforms and hybrid charity/commercial platforms. As part of this future research, it will be important to understand the extent to which user populations for such platforms overlap. A key question for IS and ecommerce research arises regarding whether donors on Razoo also use other charitable platforms and, if so, whether they also use rewards-based crowdfunding websites that cater to charitable crowdfunding. One possibility is that different platforms attract a discrete donor base, drawn to some platform because of specific characteristics of its technology or community. Another is that donors visit a range of platforms, yet visit some with different motivations and expectations than others. A third is some combination of this, whereby the users of any platform are divided into a fringe user base that drifts from one platform to another and a dedicated user base with high levels of commitment to some specific platform. To the authors’ knowledge, no study to date has investigated this topic, which grows more salient in light of findings from this study.

One of the foremost challenges for scholars of e-commerce is to understand the relationship between infrastructure, services, and products and services in e-commerce markets (cf. [94]). To this end, the *warm glow/pure altruism* perspective developed in this study also lays some foundation for theoretical comparisons between dedicated charitable crowdfunding websites (like Razoo) and hybrid commercial/charitable platforms (see Figure 6). On the surface, charitable crowdfunding appears similar on each of these types of platform. Yet this study suggests that there may be significant differences in terms of the donors they are each likely to attract. Donors on dedicated charitable platforms are arguably more likely choosing to visit the site with *no expectation of material rewards*. Thus, this study’s findings suggest that much of the explanation for giving will be normative in nature—for example, a sense of personal satisfaction (*warm glow*) and concern for the greater good (*pure altruism*). In contrast, donors on hybrid charity/commercial platforms may approach such sites with no initial charitable intent, and may be exposed to calls for donation made by both charitable individuals or organizations and commercial and creative projects. This raises questions as to whether the motivations for the donors on Indiegogo for example, may be dramatically different from those donors on Razoo. If this is true, informational disclosures of individuals and organizations are likely to be interpreted differently.
Furthermore, this study has implications concerning the issues of transparency and social interaction. This need for transparency has the potential to raise tensions with the desire of campaign administrators to manage public perceptions and maintain professional boundaries. This is especially true for nonprofit organizations, which are typically under pressure to maintain a strong public perception of both honesty and efficacy [28]. This issue of impression management has been studied in several contexts within IS—for example, as regards the effectiveness of multimedia and text [58], the intentions of the information presenter [83], the ability of websites to generate positive impressions [90], and even to explain entrepreneurs’ resistance to crowdfunding new ventures [38]. Yet there is clearly much more to be said about the role of transparency in developing community engagement on platforms such as Razoo. We thus recognize a pressing need for research in understanding the management and impact of transparency and information sharing, and the related issue of stimulating and leveraging community interaction, particularly in light of possible crowding out effects where discourse replaces donations.

We would also like to acknowledge two significant limitations of this study. The first is that it is not clear the extent to which similar differences should be expected in charitable donation behaviors directed toward individuals or organizations outside of electronic charitable crowdfunding markets. Such contexts may allow greater socially enacted rewards, thus diminishing the relative importance of pure altruism and warm glow giving. It is therefore difficult to predict how (if at all) the findings from this study can be extrapolated to more traditional fundseeking activities outside of crowdfunding. This remains an open question for future research. The second limitation concerns the quantitative approach to analysis adopted in this study. This approach reflected a desire to draw on a wealth of existing psychological and economic research and identify high-level behavioral patterns in donation behaviors that may have been less visible at the level of individual campaigns. However, having identified such high-level behavioral patterns, this study offers an opportunity to investigate more domain-specific or situational patterns at a qualitative level, for example,
through in-depth content analysis of individual campaigns. We thus call for such research as a means of drilling down further into different donation behaviors and adding theoretical richness to the findings from this research.

**Implications for Practice**

We are cautious about drawing prescriptive conclusions based on an exploratory study. Nonetheless, it would appear that the findings reported above have implications for both campaign administrators and the designers of crowdfunding platforms.

First, campaign administrators must be aware of the differing informational interests and donation behaviors for potential donors who (1) give on different platforms and (2) give to individuals vs. organizations, if they are to engage in mutually beneficial relationships with those potential donors. Specifically, the findings suggest that crowdfunding campaigns run on dedicated charitable platforms by individual campaigners should consider warm glow donation behaviors for their potential donors. Thus, while a focus on the goals of a campaign may be useful to a point, this focus needs to be balanced with the human face of the charity and the means to empathize with the eventual recipients, for example, the background of the fundseeker, personal stories that illustrate the need, and personal accounts of goals already reached. Conversely, while fundseeking by charities may benefit from such a human face, they are comparatively more likely to be judged on their efficacy, and must thus ensure that they maintain a greater degree of goal-centric dialogue with donors.

Second, the designers of crowdfunding platforms must also be aware of the varying interests and motivations of donors. Among other things, this means being mindful of the impact of whether a platform is positioned as a charitable platform aimed at fundraising for individuals or organizations, or even whether commercial projects are also housed. Such details may ultimately determine the nature of the interaction between donors and campaign administrators, as well how these interactions are shaped for charitable organizations and charitable individuals. For example, sites such as Razoo and Indiegogo have mechanisms in place to allow donors to filter crowdfunding campaigns according to those run by individuals or those run by verified nonprofits. This mechanism does not exist on the majority of other platforms, for example, hybrid charity/commercial platforms such as iPledg and FundAnything, or dedicated charitable platforms such as Fundly, Fundrazr, and StartSomeGood. Yet the findings from this study suggest that this distinction is likely to benefit both donors and campaign administrators not only by more closely aligning them with like-minded users but also by enabling the fundamentally different information structures and layouts that may be appropriate for these two classes of campaigns. These could include more scope for discussion of preexisting organizational accomplishments for campaigns run by organizations to validate their “deservingness,” or more
scope for personal information in campaigns run by individuals to reduce the empathetic distance between them and donors.

Acknowledgment

This research was funded by a grant from The Lewis Charitable Foundation (California).

REFERENCES


42. Heller, L.R., and Badding, K.D. For compassion or money? The factors influencing the funding of micro loans. Journal of Socio-Economics, 41, 6 (2012), 831–835.


Appendix

Table 1A. Correlation Matrix for Campaign Information Variables on Razoo (Full Population).

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goal set</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Number of donations</td>
<td>.058***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Donations per day</td>
<td>.004</td>
<td>.462***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Number of characters</td>
<td>.077***</td>
<td>.117***</td>
<td>.033***</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Number of images</td>
<td>.045***</td>
<td>.180***</td>
<td>.088***</td>
<td>.213***</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Number of videos</td>
<td>.033***</td>
<td>.145***</td>
<td>.077***</td>
<td>.156***</td>
<td>.235***</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7. Number of comments</td>
<td>.025***</td>
<td>.706***</td>
<td>.224***</td>
<td>.076***</td>
<td>.107***</td>
<td>.078***</td>
<td>1</td>
</tr>
</tbody>
</table>

*p < 0.05; **p < 0.01; ***p < 0.001; NS—not significant.

ROB GLEASURE (r.gleasure@ucc.ie; corresponding author) is a lecturer in the Cork University Business School, University College Cork, Ireland. He received his Ph.D. in business information systems from University College Cork in 2013. His research focuses on the impact of less-conscious influences and social biases on online behavior, particularly on crowdfunding. His work has been published in a range of journals and conference proceedings, including Journal of Information Technology, Journal of the Association for Information Systems, and the International Conference for Information Systems.

JOSEPH FELLER (jfeller@ucc.ie) is a professor at the Cork University Business School, University College Cork, Ireland, where he directs the Ph.D. program in Business Information Systems. His research focuses on how individuals, organizations, and societies can use information technology to leverage collective intelligence, action, and resources. His work has appeared in Information Systems Research, Journal of Strategic Information Systems, European Journal of Information Systems, and Information Systems Journal. He is the founding president of the Special Interest Group on Open Research and Practice (SIGOPEN) of the Association for Information Systems, and an associate editor of Information Systems Journal.