

# Microgiving with Digital Platforms\*

Xiheng Jiang

Jianwei Xing

Jintao Xu

Eric Zou

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## Abstract

Microgiving, a new form of digital fundraising, operates by soliciting minuscule donation amounts that are typically not viable in traditional settings. This paper considers the scaling up of microgiving via platform integration, whereby small donations are bundled with high volume of economic activities that are naturally occurring on digital platforms. We evaluate a charity subscription program run by Alibaba, one of the world's largest retail platforms, which allows sellers to pledge a tiny portion of a product's revenue (2 cents per order at minimum) to charity, with donations made automatically as transactions take place. We document that, between 2018 and 2020, the program attracted more than 2 million Alibaba sellers and generated 1.2 billion yuan of charitable funds, representing one of China's most successful online fundraisers. We pinpoint three forces that jointly create a self-fulfilling incentive for platform sellers to engage in microgiving: First, intense competition motivates sellers to link their products with charitable causes, even though the signaling value of the linkage is small; Second, due to low financial commitment, sellers rarely discontinue their giving once subscribed to the program, which ensures stable streams of charitable funds; Third, the program provides sellers with the joy of giving at a low cost, and this "warm glow" effect further reinforces participation. The success of the microgiving scheme hinges on features that are shared by many digital platforms, and its success is potentially applicable on a broader scale.

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\* Jiang: China Center for International Knowledge on Development (email: [jiang.xiheng@cikd.org](mailto:jiang.xiheng@cikd.org)); Xing: China Center for Economic Research, National School of Development, Peking University (email: [jerryxing@nsd.pku.edu.cn](mailto:jerryxing@nsd.pku.edu.cn)); Xu: China Center for Economic Research, National School of Development, Peking University (email: [xujt@pku.edu.cn](mailto:xujt@pku.edu.cn)); Zou: Department of Economics, University of Oregon and NBER (email: [ericzou@uoregon.edu](mailto:ericzou@uoregon.edu)). We thank Dan Bernhardt, Karen Brandon, Shengmao Cao, Matt Kotchen, Michael A. Kuhn, Jacob LaRiviere, John List, Xuqian Ma, Benjamin Marx, Lucy Msall, Ed Rubin, Jingyuan Wang, and seminar participants at BFI China and the University of Oregon for helpful comments. We thank data scientists Peng Li and Xiangfang Hu for data support, Fei Xu and Cheng Zhang (Ali Research) and Jing Zang and Yawei Xu (Alibaba Foundation) for research support. This paper sources data from fully de-identified sales records, all analysis codes are executed by Alibaba's data scientists through encrypted access to aggregated data files stored on a secured workstation maintained by Alibaba, and the reporting of all findings is compliant with customer privacy protection requirements. Rongyu Cui, Xiyuan Liu, Haoran Ni, Jiming Wang, and Yushuai Zhang provided excellent research assistance. All errors are our own.

# 1. Introduction

Charitable giving – one of the most important social mechanisms for economic redistribution – is shifting online.<sup>1</sup> A unique feature of online charitable fundraising is the ability to process donations of very small amounts that would not have been feasible in traditional contexts. Examples include digital apps that allow users to round up purchase payments, and applications that allow online shoppers to donate a dollar at check out.<sup>2</sup> This new form of fundraising scheme, which we call “microgiving,” presents an appealing complement to conventional charitable fundraisers which often rely heavily on large-value contributions from a small group of donors. It has the potential to unlock the donating capacity of many individuals who have a willingness to make small donations but are hindered by frictions such as high transaction fees, information barriers, or hassle costs in conventional settings.

The main challenge of scaling up microgiving is how to design a scheme that can incentivize a sufficient volume of donations, so that small donation quantities can be aggregated into a substantial sum. This paper examines the potential solution of *platform integration*, whereby small donations are bundled with high volume of activities that are naturally occurring on digital platforms. We do so by evaluating a microgiving scheme that has been integrated into one of the world’s largest online retail platforms.

We study the “Goods for Good” program (“**gong-yi-bao-bei**”, henceforth **gybb**) operated by Alibaba, China’s largest online marketplace that registers an annual active user base of 500 million people (36% of the Chinese population) and a reported transaction volume of 3 trillion yuan in 2017 (3.7% of GDP), where sellers can pledge a tiny portion of a product’s sales revenue to a charity of their choice. The program uses a subscription mechanism through which an interested seller makes a one-time decision to subscribe a product to charitable giving; donations are then made out of the product’s sales automatically as transactions occur. The default, lowest-acceptable donation amount is 0.02 yuan (\$0.003 in 2022 dollars) for each transaction for an associated product. For the typical product on the platform, this quantity represents 0.05% of the sales revenue (or \$5 for every \$10,000 in revenue).<sup>3</sup> Though Alibaba does not reward charity-linked products explicitly (e.g., through product recommendation), contributing products

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<sup>1</sup> A recent estimate shows that 8.7% of total fundraising in the U.S. nonprofit sector came from online giving, with the share growing at a high speed (Blackbaud Institute, 2019). For example, from 2018 to 2019, online charitable giving grew by 6.8%, compared to a growth rate of 1% in overall giving during the same period.

<sup>2</sup> Example apps that adopt rounding programs include the [Roundup App](#), [Payroll Giving](#), and Lyft. Other microgiving examples include [ShareTheMeal](#), one of the first charitable crowdfunding mobile apps, which enables users to make small donations (typically a monthly contribution of 80 cents) to the United Nations World Food Programme to fight global hunger; [Pennies](#) integrates voluntary small giving with point-of-sale machines; [AmazonSmile](#) (a separate portal from the main Amazon marketplace) donates 0.5% of the price of eligible purchases to users’ preferred charities.

<sup>3</sup> Given the tiny contribution rate, we do not expect sellers to micro-raise product price to pass through the donation cost to the consumers.

are given a charity label (❤️) that is visible to consumers. To reduce search cost and to foster donor trust, Alibaba employs a vigorous vetting process to determine which charities may receive donations from the program. Sellers are provided with a menu of trustworthy charities that they can choose from when subscribing their products.

Our evaluation of the microgiving program is based on Alibaba's administrative sales database, which provides transaction-level information for the universe of sellers, products, consumers, and their interlinkages (e.g., who sold what products and who bought them) from 2018 to 2020. Our analysis data contain information about 400,000 randomly selected sellers who participated in the program, their sales records at the product-by-month level, and information on more than 260 million consumers who bought these products. The data allows us to construct panel information on both seller and product-level pricing and sales activities, and to measure changes in a product's underlying customer pool.

In the **first part of the paper**, we document the aggregate fundraising performance of the microgiving program, both in absolute figures and in contrast with peer fundraising schemes that do not adopt a microgiving approach. Between 2018 and 2020, over 27.9 billion product transactions from over 2.5 million sellers contributed to the program. The vast majority of sellers chose a low contribution rate, with a median donation of 0.05% of revenue (mean = 0.17%, IQR=0.02% to 0.13%); fewer than 2% of sellers contributed more than 1% of product revenue. During the three-year study period, the program generated a large amount of charitable funds (1.2 billion yuan, or about 190 million USD), fulfilling fundraising goals for nearly 200 charitable projects.

We use two sets of comparative analyses to argue that the program's fundraising outcomes are impressive in comparison to peer fundraisers that do not use microgiving. We first compare the program's performance with all 11 other online platforms eligible for hosting charitable fundraisers in China – none of which adopted a marketplace-integrated microgiving approach like gybb did. Gybb featured a uniquely low average donation value of 0.05 yuan (compared to the next-lowest of 2.4 yuan) but a uniquely high donation volume of 6 billion donations (compared to the next-highest of 203 million). The program ended up as the third-highest in total funds raised, and it accounted for 12% of China's overall online charitable sector in 2017. Our second comparative analysis contrasts gybb with the Alibaba Online Charity Stores (OCS) program, a separate charitable fundraising operation on the same retail platform that features a similar set of charities as gybb, but adopts a conventional fundraising method where charities operate "stores" on their own and take active donations from consumers. We document that during the same time period (2018-2020), the OCS program also generated a remarkable 207 million yuan in charitable funds – a figure that is nonetheless a fraction of the 1.2 billion yuan raised by the gybb program. Both comparative

analyses suggest that microgiving with retail platform integration can be a competitive model of fundraising in the digital sphere.

What made platform microgiving work? The **second part of the paper** pinpoints three forces that contribute to the gybb program's fundraising performance.

**First**, sellers have incentives to engage in microgiving as a means of product promotion. Large retail platforms are characterized by intense product competition, and sellers use various methods to set their products apart. Prior research shows that linking products to charitable donation may provide a "charity premium" (Elfenbein and McManus, 2010; Leszczyc and Rothkopf, 2010; McManus and Bennet, 2011). For example, Elfenbein, Fisman and McManus (2012) studied eBay's Giving Works program where sellers can choose to contribute between 10%-100% of their product auction revenue towards charity. They found that sellers use charity linkage to signal product quality, particularly for new sellers who lack other options to demonstrate quality.

We show that Alibaba sellers' decision to link product to charity is consistent with profit-seeking behavior. In the context of microgiving, however, sellers do not use the charity link as a signal for products with short sales histories;<sup>4</sup> instead, they tend to link their *best-selling* products to charitable giving. The timing of seller's charity subscription is strategic: by analyzing "switcher" products that had a transaction history as a non-charity product but later subscribed to the program, we find that sellers ramp up promotion activities – such as offering price discount or digital coupons – by nearly 30% immediately after subscribing the product to charity. This pattern is *only* observed for switcher products and not for other products offered by the same seller. The exact coincidence in the timing of the charity subscription and product promotion indicates that sellers' decisions are partly motivated by revenue-seeking motives. Put differently, the decision to associate the product with charitable giving is likely a margin used alongside price promotion to boost sales. As a piece of collaborating evidence, we show that charity subscription rates also spike on major platform-wide consumption festivals, such as the November 11<sup>th</sup> Singles Day when sellers vigorously promote their products, which further supports the idea that sellers intend to promote charity-linked products.

**Second**, small donation amount and the subscription model lead to stable participation. Once subscribed, charity subscriptions are rarely canceled, and they are remarkably robust against business shocks. Over 95% of subscriber products were still in the program by the end of the first year of subscription.

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<sup>4</sup> In the context of the gybb program, the charity subscription's signaling value is likely to be minimal because the cost of signaling is almost zero. In addition, most Alibaba sellers are long-term vendors that already have established sales histories whose revenues come from repeated sales of relatively fixed product lines. Furthermore, Alibaba sellers have access to various platform tools that promote credibility in quality-contingent contract enforcement, such as reviews from verified purchases and no-questions-asked return policies.

We find no evidence of significant subscription changes during the COVID-19 outbreak which took a major toll on consumer spending. In fact, sellers do not unsubscribe or adjust contribution levels in response to revenue shocks *in general*.

The stable participation is despite the fact that the impact of the charity link on product revenue is rather ambiguous. Our econometric evidence shows that product revenue does increase after charity subscription, but the effect is primarily explained by the price promotion itself. The remaining effect of the charity label, if any, would be minor and unlikely discernible from the perspective of an individual seller. To gain further insights, we conducted interviews with a small number of participating sellers.<sup>5</sup> Several responses emerge that corroborate our econometric findings. Sellers indeed mention that the initial decision to participate in the program was partially motivated by the hope that the charity label would help promote the subscribed product. For example, some sellers mention the hope that linking their product to a charity program will give consumers a sense of warmth or that the charity label may be appealing to some consumers. Sellers acknowledged that the actual impact on sales was often unclear or too small to be noticed. Nevertheless, they continue to participate in the program because the donation amount is so small.

Together, these two forces create a *self-fulfilling* incentive for sellers to participate in the microgiving program: sellers care enough about their product revenue to engage in microgiving, even though the signaling value of the charity link is likely small due to the tiny donation amounts; at the same time, *because* the donation amounts are tiny, the financial stakes are low enough that sellers are unlikely to withdraw even if the actual effect of the charity link on their revenue is unclear. With this incentive structure in place, microgiving participation is plentiful and stable, allowing the program to fully capitalize on the substantial transaction volumes occurring on the platform. As a result, small amounts of donation accumulate rapidly into significant sums.

We also identify a **third** factor that may further explain gybb's fundraising performance: the "warm glow" of microgiving. In interviews, when asked why they continued to subscribe (and in many cases add new products to the program) despite believing the charity label had minimal impact on revenue, sellers cited the emotional fulfillment they derived from being able to act in a charitable manner at minimal cost, i.e., the "warm glow" effect ([Andreoni, 1989](#)). Importantly, we note that the sellers we interviewed often mentioned *both* revenue-seeking and warm glow motives: the former drives sellers' initial decision to participate in the program, and the latter motivates them to keep participating even after they saw little evidence that a charity subscription has raised product revenue.

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<sup>5</sup> Merchants are often hesitant to participate in interviews regarding their business practices and details, partly due to the intense competition on Alibaba. With the assistance of the Alibaba Foundation team, we were able to conduct telephone interviews and gather comprehensive responses from nine participating sellers.

Inspired by these responses, we conduct further analysis of seller behavior and provide evidence that suggests that sellers' motivation may indeed include a pro-social component. Linking participating sellers to their own consumption accounts on Alibaba, we show that, after sellers began participating in the program, their own purchasing habits changed to increasingly favor charity-linked products (a 0.7 percentage points increase in the share of spending on charity-linked products from a mean of 31 percent). We interpret this data as evidence that sellers' contributions are partially explained by a preference for charitable behavior per se (rather than by purely strategic revenue-maximizing considerations), and that this in turn makes them appreciate similar behavior of other sellers. Additionally, analysis of sellers' consumption account reveals that their out-of-pocket, active donations under the aforementioned Alibaba OCS program also increase after participating in the microgiving program. Note that the OCS program is exclusively aimed at consumers; when sellers donate to the program, they do not receive any recognition from the platform that could benefit their business. In other words, OCS donations can be viewed as being made without any revenue-seeking motives. We interpret this as evidence that the microgiving program serves as a "prompt", e.g., a reminder of the joy of giving to charitable causes.<sup>6</sup> This evidence also suggests a lack of substitution effect, where individuals replace donations to one program for donations to another, in the microgiving context (e.g., [Gee and Meer, 2020](#)).

What is the potential for the microgiving scheme to be applied more broadly in the digital realm? We assess external validity in the **third part of the paper**.

Though this is to our knowledge the first paper that studies a large-scale microgiving program, we believe what we have documented in this paper is a digital scale-up of a long-existing idea. The core of microgiving is the *integration* of small-scale donations into routine economic activities. An example of this is the use of a tipping jar, where customers are expected to give tiny amounts of money as a tip while completing an economic transaction, such as purchasing a cup of coffee. As we mentioned at the beginning of the paper, an emerging number of digital applications explore similar concepts, such as payment roundup apps.

We argue that the fundamental features that facilitate a successful integration of microgiving and platform transactions are commonly found in other online retail platforms. These features include: the platform's ability to increase transparency by vetting and selecting trustworthy charities, reducing the search costs of individual sellers; intense competition that incentivizes sellers to promote their products; large user bases and huge transaction volume; and the ability to process very small donation amounts due to low

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<sup>6</sup> We also find that the increase in sellers' active donations is only temporary, and returns to pre-gybb levels after a few months. This supports the notion that fundraising efforts that rely on individuals' active donations are difficult to sustain in the long-term.

transaction cost and the easy divisibility of digital money. Note that many of these features are already present in many retail platforms anyways, and our research suggests that these desirable features, which have proven effective in private business settings, can also help to promote pro-social causes and enhance corporate social responsibility.<sup>7</sup> In the language of [List \(2020\)](#), the components that sustain the microgiving program involve activities that are *naturally-occurring* in retail platform contexts, and our findings may therefore be relevant for many other platforms today that share similar features.

*Related Literature.* Our analysis of microgiving connects with and adds to several strands of the existing literature. First, lower expected donation quantity increases the chances that individuals make a donation ([Karlan and List, 2007](#); [Meier, 2007](#); [Spencer et al., 2009](#); [List 2011](#); [Meer 2014](#)). The gybb program leverages the platform economy to further push expected donation quantity down to levels that have not been pursued as feasible in conventional fundraising settings.

Second, *how* to ask for donation matters in addition to how much to ask.<sup>8</sup> Our research is among the first to feature the subscription mechanism – a widely used customer retention technique in the streaming and gaming industries (e.g., [Danaher, 2002](#)) – where interested donors only need to make a one-off decision to donate. The automated nature of the subscription method, combined with small donation quantities, helps achieve high rates of recurring donations even in difficult economic times.<sup>9</sup> This feature contrasts sharply with the characteristics of traditional fundraising operations, whose charitable donations are affected by general economic conditions and/or idiosyncratic factors, such as occurrence of natural disasters ([List, 2011](#); [Meer, Miller, and Wulfsberg, 2017](#); [Deryugina and Marx, 2021](#)). For many organizations that work in non-disaster relief contexts such as education and child/elderly care, the sheer stability and regularity of the flow charitable funds could be valuable for day-to-day operations.

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<sup>7</sup> Many intermediary functions of the digital economy are designed to reduce frictions and encourage frequent trades. In various contexts, platform features have been shown to reduce moral hazard ([Liu, Brynjolfsson, and Dowlatabadi, 2021](#)), increase transparency ([Donaker, Kim, Luca, and Weber, 2019](#); [Fradkin, Grewal, and Holtz, 2021](#)), encourage trade ([Brynjolfsson, Hui, and Liu, 2019](#)), attract more consumers ([Dai, Kim, and Luca, 2023](#)), and improve consumer welfare ([Brynjolfsson, Collis, and Eggers, 2019](#)). See also [Haltiwanger and Jarmin \(2000\)](#), [Garicano and Kaplan \(2001\)](#), [Rysman \(2009\)](#), and [Agarwal et al. \(2020\)](#).

<sup>8</sup> A rich line of prior literature studies the social and behavioral aspects of what influences people's decisions to give. Factors related to this research include trust ([Taniguchi and Marshall, 2014](#); [Adena et al., 2019](#)), suggestions and default options ([Edwards and List, 2014](#); [Goswami, and Urminsky, 2016](#); [Altmann et al., 2019](#)), and reminders ([Sonntag and Zizzo, 2015](#); [Knowles and Servátka, 2015](#)).

<sup>9</sup> This addresses a practical challenge of fundraising that we believe is less emphasized in the economics literature: in both offline and online settings, less than 25% of first-time donors give a second time ([Sargeant, 2013](#); [Althoff and Leskovec, 2015](#); [Blackbaud Institute, 2019](#)), and cultivating recurring donations among first-time donors is difficult ([Ryzhov, Han, and Bradic, 2016](#)). As we note in Section 2.1, about 26% of charitable funds in China came from individual donations, compared to a rate of 70% in the U.S. Cultivating donation habit thus seems particularly important in the China context.

Third, we corroborate previous findings that charitable actions can reflect profit-seeking motives (e.g., [Strahilevitz and Myers, 1998](#); [Fong, 2017](#); [Khadjavi, 2017](#); [Bertrand et al., 2020](#); [Bertrand et al., 2021](#)), and in particular, linking products to charitable causes may provide a charity premium ([Strahilevitz and Myers, 1998](#); [Elfenbein and McManus, 2010](#); [Gneezy et al., 2010](#); [Leszczyc and Rothkopf, 2010](#); [McManus and Bennet, 2011](#); [Elfenbein, Fisman, and McManus, 2012](#); [Elfenbein, Fisman, and McManus, 2019](#)). In an experimental study by [McManus and Bennet \(2011\)](#), consumers responded positively when their merchandise choices could generate revenue for a charitable cause, particularly so for small (\$1) donation pledges. We show that similar motives manifest even when the monetary value underlying the charity link approaches zero – and therefore the potential signaling value for such link is low. We add to this literature by showing that, when the cost of charity linkage is extremely low (both in terms of the direct donation cost and the hassle cost of continuing), warm glow value of the donation may prevail, which helps retain giving even if the perceived revenue effect of the donation turns out to be low.<sup>10</sup>

Several caveats are worth discussing. Our understanding of seller motives is based on descriptive evidence. In particular, we show that sellers often promote products in concert with charity subscription, which we interpret as evidence of strategic motivation; we find that both sellers' active donations and their own purchase share from gybb-linked products increase after they get involved in the program, supporting the idea that they genuinely value the act of giving, as also stated by some sellers in interviews. To further pin down the extent to which the decision to start and maintain a subscription is driven by revenue-seeking versus a warm glow, it would be useful to estimate the *pure effect* of the charity label on product sales without the presence of product promotion. This causal parameter, however, is challenging to estimate from observational data as we lack quasi-experimental variation in gybb participation status.<sup>11</sup> Another approach would be to study microgiving behavior in situations where there is no incentive for product promotion, for example, by examining instances where the charity subscription is only revealed after the consumer has made a purchase. These might be useful directions for further research.

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<sup>10</sup> Previous literature has shown that people give for a variety of reasons, which can be mixed and complex. Factors related to our study include true altruism ([Smith, Kehoe, and Cremer, 1995](#); [Ribar and Wilhelm, 2002](#); [Andreoni, 2007](#); [List and Samak, 2013](#); [Echazu and Nocetti, 2015](#)), warm-glow preferences ([Andreoni, 1989](#); [Andreoni, 1990](#); [Crumpler and Grossman, 2008](#); [Mayo, and Tinseley, 2009](#); [Null, 2011](#); [Ottoni-Wilhelm, Vesterlund, and Xie, 2017](#)), mixed altruism and warm-glow ([Harbaugh, Mayr, and Burghart, 2007](#)), empathy ([Andreoni, Rao and Trachtman, 2017](#)), social pressure ([DellaVigna, List, and Malmendier, 2012](#)), and reciprocity and profit/strategic motives ([Strahilevitz and Myers, 1998](#); [Fong, 2017](#); [Khadjavi, 2017](#); [Elfenbein, Fisman, and McManus, 2012](#); [Bertrand et al., 2020](#); [Bertrand et al., 2021](#)). See [Andreoni and Payne \(2013\)](#) for a comprehensive review.

<sup>11</sup> A limitation of the sales events database we use is that they do not contain detailed product information beyond broad product category for us to match gybb and non-gybb products based on observable characteristics. A within-product design that exploits timing of gybb subscription will confound with strategic product promotion, as we have discussed.

Another natural question is whether the program could potentially lead to a decrease in welfare, for example, if some sellers invest in the program under the false assumption that it will bring in significant revenue increase, and/or do not cancel their subscription due to inertia. We do not measure the potential impact on welfare in these scenarios, but we believe that the effect, if any, would be minimal due to the small donation amounts (typically less than 0.05% of product revenue).

On the consumer side, one potential concern is whether the charity label may distort consumer choice, for example, if sellers were to use it to advertise overpriced or low-quality products that consumers would not have chosen otherwise. However, our empirical evidence suggests sellers tend to subscribe popular products that consumers *already* preferred prior to microgiving participation. As discussed later in the paper, we also analyze changes in a product's consumer pool before and after its charity subscription, and we found no evidence of a significant shift in consumers age, gender composition, or overall purchasing ability, suggesting a lack of substantial change in the general consumer base. Instead, we observe a slight increase in the proportion of consumers who are more inclined to purchase more charity-linked products (as measured by their entire purchase history during the study period). This suggests that, if anything, the program may have provided a new way for certain consumers to act on their preference for charitable actions by purchasing products that are committed to charitable contribution.

The rest of the paper is organized as follows. Section 2 provides institution background and describes the data. Section 3 sketches a conceptual model of microgiving. Section 4 documents program outcomes. Section 5 analyzes seller motivations. Section 6 examines external validity. Section 7 covers additional aspects of the program evaluation, including issues related to donation substitution and welfare implications, before concluding the paper.

## **2. Background and Data**

### **2.1. Charitable Giving in China and the Digital Economy**

The charitable sector is a small but growing part of the Chinese economy. Domestic charitable donations have grown at an annual rate of 8% from 84.5 billion yuan in 2011 to 151 billion yuan in 2019 (about 0.15% of GDP), or 108 yuan in per capita terms. A majority, 69.2% of gifts are monetary; the rest are in-kind donations. About 26.4% of donations are made by individuals, while the rest largely comes from

companies.<sup>12</sup> As is usually the case in the context of charitable giving, contributions are concentrated: in 2018, 23% of business donations came from top-100 companies, and 48% of individual donations came from just 100 individuals (China Charity Alliance, 2018).

Online charitable fundraising began to grow in popularity in the 2010s. In September 2016, the Chinese government established the first regulation of the sector, requiring any charitable fundraiser to be registered and hosted by one of the 11 platforms designated by the central government.<sup>13</sup> These platforms include what were by then the largest players in various electronic enterprises in social media (Tencent and Sina), the online marketplace (Alibaba), and payment vehicles (Alipay). In general, individual fundraisers negotiate terms with the platform and are subject to platform’s own policies.<sup>14</sup> In 2018, over 21,000 fundraising projects from 1,400 charitable foundations were on online platforms. These fundraisers attracted an estimated 8.5 billion clicks – about 10 clicks per internet user – and about 0.37 yuan of actual giving per click. Government statistics show that the online charitable sector grew from less than 2 billion yuan before 2017 to over 5.4 billion yuan in 2019.

## 2.2. Alibaba’s Charitable-giving Program

**Overview.** We study the online charity program offered by Alibaba through Taobao.com, its customer-to-customer platform, and Tmall.com, its business-to-customer platform. For brevity, we refer to these as the Alibaba platform. The Alibaba platform is China’s largest online marketplace. In 2017, the reported transaction volume was 3 trillion yuan (3.7% of GDP), with an annual active user body of over 500 million people (36% of the Chinese population).

The main focus of our study is the Goods for Good program (“公益宝贝”). We use the phonetic abbreviation “**gong-yi-bao-bei**”, or **gybb**, to refer to the program. The program was conceived by Alibaba in 2006 as a fundraiser for Zhou Lihong, an elementary school teacher who was diagnosed with an end-stage breast cancer. A single parent to her then five-year-old child, Zhou decided to sell garments on Alibaba in hopes of earning extra income to provide for her family. Zhou’s story was publicized on the internet by the physician who handled her case, calling for people to purchase from Zhou’s Alibaba shop. The call was initially encountered with internet commercial censorship, yet it eventually received

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<sup>12</sup> This fraction of contribution from individual donors is small relative to the U.S. (about 70%). Many individuals have not developed the habit of giving and do not know where to donate, which makes cultivating charitable giving important.

<sup>13</sup> [http://www.gov.cn/xinwen/2016-08/31/content\\_5104095.htm](http://www.gov.cn/xinwen/2016-08/31/content_5104095.htm) (民发〔2016〕157号)

<sup>14</sup> The list of platforms has expanded over time. In 2021, 32 platforms were eligible to host online charitable fundraising.

widespread attention by netizens and strong support among fellow sellers on Alibaba. In response, Alibaba set up the first version of the gybb program, giving all platform sellers the option of voluntarily donating as little as 0.02 yuan per order to support Zhou's family. The initiative has since expanded to fund thousands of charitable projects, and it is now an important part of Alibaba's Corporate Social Responsibility plan. By 2020, the program generated annual charitable funds on the order of 400 million yuan contributed by more than 2.5 million sellers. Below we describe several specific aspects of the program that are relevant to our study.

**Charity Vetting.** Alibaba employs a stringent vetting process to determine which charities are eligible to receive gybb donations. Most projects that Alibaba considers are operated by the largest charitable foundations in China. To be included, charities must agree to revelation clauses such as separate budgeting, book-keeping, and third-party auditing for charitable funds received through the gybb program, as well as reporting of any relevant partnerships and business relationships. Various rules govern how much money a charity may raise through the program and how these funds may be spent. For example, a charity's income from the gybb program in any given year cannot exceed 50% of the total funds raised in the foundation's previous fiscal year across all venues. For recurring fundraisers (e.g., projects that raise funds for schools on an academic-year basis), charities must provide detailed spending reports, and no new rounds of fundraisers can be held until over 70% of funds raised in the previous round have been spent properly.<sup>15</sup>

**Subscription Process.** Appendix Figure B.1 provides an example interface sellers use when subscribing a product as a source of contributions to the charity program. Sellers first decide which product(s) to link to the gybb program, and which charitable project to contribute to. For each candidate project, the seller observes the charity classification (poverty alleviation, environmental protection, etc.), and a brief description of the purpose of the project. After selecting one of the eligible charity projects, the seller then specifies how much to donate for each transaction. Contributions can be set as a fixed amount (0.02 yuan, 0.1 yuan, or 1 yuan per transaction) or customized as a proportion of the transaction value at levels beginning 0.1%. The default option is to donate a fixed, 0.02 yuan per transaction. Using a similar procedure, the seller can unsubscribe a product from the program at any time.

**Consumer Interface.** Once a product is subscribed to the program, it earns a charity label, which is visible to consumers. Appendix Figure B.2 provides an example consumer interface, showing screenshots of a toy that is subscribed to the program. The left panel is the product summary screen, showing information on price, current promotions, and general product attributes. The bottom of the screen shows that the product is linked to the charity program. The right panel shows the product detail screen. Above

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<sup>15</sup> The 2019 version of the gybb program participation rules can be accessed here: <http://www.zggyw.org/huodong/content-128-4471-1.html> (in Chinese).

the main exhibit, the consumer can see the charity program badge along with an explainer. In this case, the consumer is told that each transaction leads to a donation of 0.02 yuan to support a charity project called the “New Future High School Student Fellowship Program,” and that a total of 726 transactions have been made so far.

It is worth emphasizing that it is the seller, not the consumer or the platform, who bears the statutory incidence of the donation. In a traditional context, sellers can raise price of the product to partially pass on the cost of donation to consumers. However, given the tiny contribution rate, we do not expect sellers to micro-raise product price in the microgiving context.

In addition to providing gybb products a charity label, consumers can also use “gybb linkage” as a filter criterion to display only gybb-linked products (Appendix Figure B.3). At the time of this writing, the platform had not provided any additional rewards to gybb participants, such as search priority.<sup>16</sup>

**Tax Implications.** While donations made through the gybb program are tax deductible, we believe tax considerations are unlikely to be important in our study context. By law, sellers with monthly revenues of less than 30,000 yuan (or annual revenues of less than 360,000 yuan) are exempt from paying taxes.<sup>17</sup> To receive tax benefits, sellers with revenues above these thresholds can request donation receipts from the charitable foundation; the receipts can then be filed with the tax bureau for a deduction. In practice, tax deductions are a negligible matter because contributions to the program constitute only a tiny fraction of sellers’ overall revenue (less than 0.4% of revenue for over 95% of sellers); even the largest 5% of sellers contribute only 1,263 yuan on average, meaning the resulting tax deductions for which they would be eligible would also be very small. Our conversation with a charitable foundation that receives donations through program corroborates this, suggesting that receipt requests are indeed rare.

**Program Promotion.** It is our perception that Alibaba has largely adopted a conservative approach in promoting the gybb program. An intricate balance needs to be maintained between promoting the program so that more sellers can learn about the program and contribute, and preventing the program from evolving into a pure competition/signaling tool. So far, Alibaba has mostly promoted the program in a low-key manner through background push notifications to sellers in lieu of platform-wide campaigning. Many designs of the program can also be seen as measures to maintain user trust. The vetting process is extraordinarily stringent so that only the most trustworthy, well-functioning, and financially transparent charities can receive donations. There are no direct rewards for products subscribed to the program, except

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<sup>16</sup> As a piece of indirect evidence on revenue-seeking motives, “whether gybb can increase consumer traffic” is a common question that sellers ask on online forums. See one example thread here: <https://www.zhihu.com/question/268263697> (in Chinese).

<sup>17</sup> <http://www.chinatax.gov.cn/n810341/n810755/c1151131/content.html> (财税〔2014〕71号). The revenue threshold was raised to 1.2 million yuan annually in 2019.

for a charity label of arguably low visual salience. The extremely low expected levels of contribution may also make the commitment too small to be perceived as an effective competition tool (especially given a range of alternative, high-salience competition/signaling tools sellers have available, such as free return policies and customer ratings). Alibaba has also organized “charity field tours” for its contributors to visit the actual charity project sites, and to offer donors a chance to learn about the impacts of their giving.<sup>18</sup> A majority of participating sellers we interviewed cited their trust in Alibaba (both in terms of the charitable intention of the program in general and in terms of Alibaba’s ability to pick trustworthy charities) as an important reason for participating in the program (see Section 5.5).

In Appendix Table B.1, we compared basic summary statistics of a random sample of 10,000 gybb sellers with that of 10,000 non-gybb sellers from the platform. The gybb program attracts sellers who feature larger transaction volumes but sell lower-priced goods. The average age of gybb sellers is similar to that of non-gybb sellers, and there is a higher male presence among gybb sellers. We did not observe any significant differences in overall economic conditions, such as the size or level of economic development of the seller’s residence city.

### 2.3. Data

Our analysis uses de-identified data coming from the universe of Alibaba’s administrative sales records for 2018, 2019, and 2020. Each record in the database contains information on a sales event: a product offered by a seller was sold to a consumer and when. The empirical analysis uses four main data files derived from the sales records database. This section briefly describes how each file was generated and the interlinkages among the files. We note that our analyses are done using aggregated variables derived from the underlying sales records (e.g., the average age across all consumers underlying a given product’s transactions within the month). To further protect consumer and business privacy, all of our analysis scripts are executed by a designated data scientist at Alibaba Research, while we only observe log files of the scripts subject to privacy screening. We also note that the raw sales records database maintained by Ali Research is already fully de-identified using scrambled seller, consumer, and product IDs, and hence even the data scientist himself cannot observe the true underlying identifiers of any individuals or products.

**Seller File.** We first identify a list of all Alibaba sellers who participated in the gybb program at any time between 2018 and 2020 – that is, sellers who had subscribed at least one product to the program

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<sup>18</sup> See news coverage of a 2019 event here: <https://posts.careerengine.us/p/5f5b9e1c4d278a173a543182>.

during the study period. From this list, we draw a random sample of 400,000 sellers.<sup>19</sup> For each of these sellers, we use the full sales records to aggregate the information to the monthly level. For each seller-month, we observe total revenues and quantities (i.e., how many units of the product were sold) across all products, including both those that are and are not part of the program. That is, we have total sales figures, the total number of transactions, and, for products enrolled in the program, the total number of charitable contributions and the amount contributed. We have information on the seller's basic characteristics including age and gender. We also have the date of first product's subscription to the program made by each seller. The seller file is the basis for calculating the distribution of annual donations (Figure 1), estimating revenue shocks (Figure 9), measuring the time of the seller's first product subscription (Figures 13 and 14), and for any other calculations requiring representative information on the program's participating sellers and their business performance.

**Product File.** Because sellers often offer many products, product-level data are massive in size. Because we primarily use product-level data to conduct an event study-style comparison (Section 5.2), we focus on the subset of sellers in our Seller File who first participated in the program between November 2018 and March 2020. This ensures that we can construct a balanced panel of products for 10 months before and 10 months after gybb program subscriptions began. Note that we use the full universe of sales records for these sellers, which means we also have sales information on these sellers' products that were never subscribed to the program – a feature that is important for us to construct comparison groups. The Product File covers 162,840 sellers and 17.8 million products. We observe revenues, quantities, and the amount contributed to the program, all at the monthly level. We also observe number of intra-month price-change incidents. In our analysis we call these incidents *promotions* because they are predominantly associated with price discounts or the issuance of promotional coupons. (See an example in Appendix Figure B.2.)

Because our data are drawn from the sales events database, we do not observe product characteristics except for a broad sector classification (e.g., garments, food). This means we cannot control for or conduct matching with detailed product characteristics when we undertake treatment-control comparisons. Instead, we leverage the panel nature of the data to conduct parallel trends tests to help assess unobservable selection issues. (See Section 5.2 for more detail on this process.)

**Product Buyer File.** For each product-month in the Product File, we gather information on the universe of underlying consumers who purchased a given product using anonymized consumer identification numbers associated with the sales event. In total, this involves more than 260 million

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<sup>19</sup> The sample size reflects the computational capacity allocated to our research project. We use the period from 2018 to 2020 as our focal study period because sales databases for older years were already archived when we started the project, making those data difficult to access.

consumers throughout our study period. The Product Buyer File allows us to characterize changes in the composition of the buyers of a certain product. For each product-month, we use the associated cross section of underlying consumers to calculate their average age, the gender mix, the average amount they spend (over the study period), and the average share of their total spending on charity-linked products on the platform. We use these data to assess compositional changes in the types of consumers that the same product attracts before and after it becomes charity-linked (See Section 5.4.)

**Seller’s Consumption File.** We examine changes in the purchasing behavior of sellers themselves after they began contributing to the program. We use anonymized seller and consumer account identification numbers to link sellers in our Seller File to their Alibaba consumption accounts; we are able to identify 54% of the 400,000 sellers in the Seller File with consumption records between 2018 and 2020. For each linked seller, we calculate the share of total monthly spending on charity-linked products in the program.

Our analysis makes use of two additional data files provided by Alibaba.

**Gybb Charitable Project File.** We observe total gybb contributions received for every charitable project ever listed through the program between 2018 and 2020. We observe each project’s name, the parent charitable foundation with which it is affiliated, and the project’s classification (e.g., education, disaster relief, child support).

**Alibaba Online Charity Stores File.** We obtain the universe of de-identified consumer donation records that come through the Alibaba Online Charity Stores program between 2018 and 2010. For each donation event, we observe the amount donated as well as the demographic information about the donor. The Charity Stores program provides an opportunity to study a different philanthropy operation that does not use some of the key features of the gybb program, such as the linkage with product sales and subscription-based contributions. We will use the Charity Stores program as a comparative case study to contrast its performance with that of gybb.

### 3. Microgiving: A Conceptual Model

We briefly outline a model of charitable giving where heterogeneous agents face fixed costs in making donation decisions, and we detail a platform-based microgiving scheme can reduce frictions and expand the set of agents who will end up donating. We begin with an agent  $i$  who splits endowment  $E_i$  between numeraire consumption  $C_i$  and charitable donation  $D_i$ . The consumer’s utility maximization problem is:

$$\begin{aligned} & \max_{C_i, D_i} U(C_i, D_i; \theta_i) \\ & \text{s. t. } C_i + D_i + \mathbb{I}_{D_i > 0} \cdot FC \leq E_i \end{aligned}$$

where the preference parameter  $\theta_i$  captures the agent's innate inclination to donate (pro-social preference). In addition to the donation amount  $D_i$ , making a positive donation also involves a fixed cost  $FC$ , which represents the agent's effort in finding a trustworthy charity or the cost associated with traveling to a physical location to make a donation. We assume that the agent's utility function is differentiable at least to the second order and satisfies the following regularity conditions:

$$U_C > 0; \quad U_D > 0; \quad U_{CC} < 0; \quad U_{DD} < 0; \quad U_{CD} = U_{DC} \geq 0; \quad U_{D\theta} > 0$$

In particular, we assume utility is increasing in donation to capture the notion of warm glow, and we assume that the marginal utility of donation is increasing in pro-social preference  $\theta_i$ . The agent will therefore choose to donate a positive amount if  $U(E_i - D_i^* - FC, D_i^*; \theta_i) \geq U(E_i, 0)$ , where the optimal donation level  $D_i^*$  is determined by the first-order condition:<sup>20</sup>

$$U_D(E_i - D_i^* - FC, D_i^*; \theta_i) - U_C(E_i - D_i^* - FC, D_i^*) = 0$$

With the model setup, higher values of  $\theta_i$  correspond to a higher optimal level of  $D_i^*$ . By the envelop theorem, higher value of  $\theta_i$  also corresponds to higher values of  $U(E_i - D_i^* - FC, D_i^*; \theta_i)$  when  $D_i^* > 0$ , which means that more pro-social agents are more likely to participate in giving. Put differently, our model set up ensures that more pro-social agents exhibit stronger donating behavior both on the extensive and the intensive margins. We are now ready to analyze the impact of several key components of platform-based microgiving schemes.

**Reduced Search Cost.** One difficulty of traditional fundraising lies in the fact that only individuals with large preference parameters  $\theta_i$  will make donations, partly due to the high search costs  $FC$  that deter many individuals from making contributions, even though they have a desire to donate. One key advantage of platform is that it dissolves the fixed search cost by taking care of the vetting process and presenting

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<sup>20</sup> The Inada conditions required for uniqueness of solutions are as follows:

[1]  $\lim_{d \rightarrow 0} U_D(e - d, d; \theta) - U_C(e - d, d) \rightarrow +\infty$

[2]  $\lim_{d \rightarrow e} U_D(e - d, d; \theta) - U_C(e - d, d) \rightarrow -\infty$

[3]  $U_D(e - d, d; \theta) - U_C(e - d, d)$  is decreasing in  $d$ , i.e.,

$$-2U_{CD}(e - d, d) + U_{DD}(e - d, d; \theta) + U_{CC}(e - d, d) < 0 \quad \forall 0 \leq d \leq e$$

Implicitly, these conditions assume that making any donation is always better than not donating. One potential violation in reality is if donating a very small amount causes embarrassment. However, this is not a major concern in the context of platform-based microgiving, where the expected donation size is tiny anyways.

agents with only trustworthy charities. It is straightforward to show that the elimination of fixed costs increases the set of individuals who will donate:

$$U(E_i - D_i^*, D_i^*; \theta_i) > U(E_i - D_i^* - FC, D_i^*; \theta_i) \geq U(E_i, 0)$$

In other words, those who originally chose to donate with  $FC > 0$  will still donate and, with reduced fixed costs, the program attracts more agents who were originally deterred by the fixed costs, and the total charitable funds raised increase.

**Small Expected Donation Amounts.** Another defining characteristic of platform-based microgiving is that platforms keep transaction costs minimal, making it possible to request donations that are significantly smaller than what the agent would be willing to donate in a traditional setting. We model this as a scheme where the platform offers agents the option to donate a default amount of  $d < D_i^*$ .<sup>21</sup> The difference here is that, instead of making decisions about both whether and how much to donate, here the agent only needs to decide if donating  $d$  gives rise to a positive utility. In Appendix A.1, we prove that agents who would have originally donated the optimal amount  $D_i^*$  will still agree to donate the smaller default amount  $d$  when given the option; the default option may further attract some donors who would have chosen not to donate ( $D_i^* = 0$ ) under the traditional fundraising scheme.

*Example 1.* To see the impact of reduced search cost and small expected donation, consider the following example where an agent solves the utility maximization problem:

$$\begin{aligned} \max_{c_i, d_i} U(c_i, d_i; \theta_i) &= \sqrt{c_i} + \theta_i \sqrt{d_i} \\ \text{s. t. } c_i + d_i + \mathbb{I}_{d_i > 0} \cdot 0.5 &\leq 1 \end{aligned}$$

We set the value of fixed cost  $FC$  to be 0.5 in this traditional fundraising context. For those who are willing to donate a positive amount, the optimal donation level is given by  $D_i^* = \frac{\theta_i^2}{2(1+\theta_i^2)}$ , with the agent's indirect utility being  $U_1 = \sqrt{(1 + \theta_i^2)}/2$ . If the agent chooses not to donate, his/her utility would be  $U_0 = 1$ . Therefore, only those with preference parameter  $\theta_i \geq 1$  will choose to donate. With the microgiving platform, we assume fixed cost  $FC$  is reduced to zero, and suppose agents are asked whether they are willing to donate  $d = 0.25$  (i.e., the donation level of the participating individual with the lowest  $\theta_i$  under the traditional scheme), those who with  $\theta_i > \frac{1-\sqrt{0.75}}{0.5} \approx 0.27$  will agree to donate. The set of agents who are willing to donate therefore expands.

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<sup>21</sup> One can also conceptualize this as a gybb-style subscription contract  $\{d_t = d\}_{t=1}^T$  where an individual makes a one-time commitment to donate a small, fixed amount  $d$  for  $T$  periods of time into the future, with  $d \cdot T < D_i^*$ .

**Business Linkage.** We now consider a variant of the basic model setup in a setting where the agent derives utility from sales profit  $\pi_i$  he or she earns through the platform (as opposed to consumption) and warm glow utility from donation  $D_i$ . Consider the following utility maximization problem:

$$\begin{aligned} \max_{M_i, D_i} \tilde{U}(M_i, D_i; \theta_i) &= U[\pi(M_i, D_i)] + \theta_i \cdot V(D_i) \\ \text{s. t. } M_i + D_i + \mathbb{I}_{D_i > 0} \cdot FC &\leq E_i \end{aligned}$$

where we model profit as a function of investment activity  $M_i$  (costly efforts to promote the online store) and donation  $D_i$  (that is, a potential “charity premium” effect). The  $\theta_i \cdot V(D_i)$  term captures warm glow of giving, which scales with agent’s pro-social preference parameter  $\theta_i$ . We will henceforth refer to agent  $i$  as a “seller.” Analogous to the general setting, a seller would choose to donate a positive amount if  $\tilde{U}(E_i - D_i^* - FC, D_i^*; \theta_i) \geq \tilde{U}(E_i, 0)$ , where the optimal donation level  $D_i^*$  is determined by the first-order condition:

$$\theta_i V'(D_i^*) + U'[\pi] \cdot \pi_D(E_i - D_i^* - FC, D_i^*) - U'[\pi] \cdot \pi_M(E_i - FC - D_i^*, D_i^*) = 0$$

In Appendix A.1, we prove that under reasonable regularity conditions about functions  $U$ ,  $V$  and  $\pi$ , all previous conclusions still hold true: a microgiving scheme that reduces charity search cost and expected donation amount broadens the pool of sellers who choose to donate. Furthermore, we show that a potential “charity premium” (i.e.,  $\pi_D > 0$ ) incentivizes sellers with small  $\theta_i$  to donate who would not otherwise do so, further expanding the set of sellers who give to charities.

*Example 2.* Building on *Example 1* above, we provide another numerical example to give readers a more intuitive understanding of our theoretical analysis. Consider the following utility maximization problem of a seller:

$$\begin{aligned} \max_{M_i, D_i} \tilde{U}(M_i, D_i; \theta_i) &= \{(1 + \gamma \cdot D_i) \cdot M_i\}^\alpha + \theta_i \cdot D_i^\beta \\ \text{s. t. } M_i + D_i + \mathbb{I}_{D_i > 0} \cdot FC &\leq 1 \end{aligned}$$

where  $\gamma \geq 0$  denotes “charity premium,” i.e., the degree to which seller’s revenue depends on charitable giving. We begin with the scenario where a seller faces fixed costs of charity search, and has to make active decisions about whether and how much to donate. We parametrize the model with  $\{\gamma, \alpha, \beta, FC\} = \{0, 0.25, 0.5, 0.5\}$  and then compute numerical solution of the optimal donation  $D_i^*$  as a function of seller’s pro-social parameter  $\theta_i$ .<sup>22</sup> Panel A of Appendix Figure B.4 shows that only users with  $\theta_i > 0.58$  will choose to participate in donation. The lowest donation is about 0.22 yuan and the amount increases with  $\theta_i$ .

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<sup>22</sup> In this scenario, seller’s donation is separate from his or her product sales, and hence we assign  $\gamma = 0$ .

In panel B of Appendix Figure B.4, we consider the scenario of platform-based microgiving where the search cost  $FC$  is reduced to 0, and sellers make the simple choice of *whether* to donate a small, fixed quantity (0.1 yuan). The numerical results suggest that microgiving substantially broadens the set of sellers who choose to donate, with all sellers with  $\theta_i > 0.10$  now willing to make a small donation. In the same panel, we build on the platform-based microgiving and further introduces a “charity premium” of  $\gamma = 0.5$ . The chart shows that even more sellers (those with  $\theta_i > 0.05$ ) are drawn to the program if sales revenue are positively linked to charitable donation.

**Summary.** Our simple model highlights the main difference between traditional fundraising and microgiving. Traditional fundraisers rely heavily on a small set of donors who make big donations; by contrast, microgiving programs aggregate small-value donations from a large set of individuals. These people would not find it possible to donate at such low levels under traditional fundraising schemes.

When might a microgiving scheme lead to better fundraising outcomes than the traditional method? Our model implies two conditions. The first condition regards the underlying distribution of the preference parameters: our model assumes that there is a large set of individuals with small but non-zero preferences who will not engage in donating under traditional fundraising schemes. While we cannot empirically observe the same individual’s counterfactual donating behavior under different fundraising schemes, we undertake two sets of comparative analyses in Section 4.2 where we compare the fundraising outcome of the gybb program with other programs that adopt traditional, solicitation-based methods. The second condition for the microgiving approach to be successful is a greater ability to elicit recurring donations. In addition to a large donor population, a high donor retention rate is also of first-order importance to the program’s fundraising outcome. We show that the gybb program’s subscription mechanism has been highly successful in retaining donors (Section 5.3.)

## 4. Program Performance

### 4.1. Fundraising Outcomes

We first analyze the efficacy of the gybb program in achieving its first-order goal: generating donations without imposing substantial burdens on any donor. In panel A of Figure 1, we begin with all gybb products contained in the Product File. For each sales event, we divide the donation amount by the revenue, and we then plot the ratio, which we call the rate of contribution. The median rate of contribution in is 0.0005 yuan per yuan revenue (i.e., 0.05% of revenue), and the rate is lower than 0.004 per yuan revenue for over 95% of products. Figure 1 also features several spikes at 0.001, 0.015, 0.002 and so on,

which correspond to sellers who opt to contribute a certain percentage (0.1%, 0.15%, 0.2%, etc.) of the sales price per quantity. In Section 4.2 below, we show this contribution rate is uniquely low among all other online charitable fundraisers in China.

We do not have direct information on whether sellers chose the fixed contribution option (e.g., 0.02 yuan per transaction) or the proportional contribution option (e.g., 0.1% of sales price) when setting up gybb. But one can get a rough sense from product-level donation and quantity information. In Appendix Figure B.6, we present the distribution of gybb donations per transaction. About 22% of products have a donation-per-transaction value of exactly 0.02 yuan; these products likely opted for a donation of 0.02 yuan per transaction. Other significant spikes are seen for values 0.03 yuan (7.2% of products), 0.04 yuan (13.6%), and 0.10 yuan (3.4%). By this rough estimate, at least half of gybb subscriptions come from fixed contributions.

Figure 1 panel B summarizes annual total contributions at the seller-year level. We group sellers into ventile bins (5 percent) by their annual total revenue, and for each bin, we plot the average annual donation.<sup>23</sup> The figure features an exponential pattern, with large sellers contributing disproportionately more than smaller sellers: the average seller in the highest 5% revenue bin contributes 1,263 yuan per year, which equals to the sum of the remaining 95% sellers. The median seller contributes 5.7 yuan, while the average seller contributes 127.7 yuan (IQR=107 to 1,234 yuan). For reference, annual per capita charitable giving in China in 2018 was 103 yuan.

Figure 1 panel C shows platform-wide donations. Total donations grew over the years as increasing number of sellers joined the program. There was a slight dip in 2020 because total donations are linked to total volume of transactions, which decreased as a result of the COVID-19 pandemic. During our study period (2018 to 2020), the program generated over 1.2 billion yuan of charitable funds.

In Appendix Figure B.7, we summarize beneficiaries of these charity funds by classifications. The largest two categories are education and disease/disaster relief; the two combined received about 70% of donated funds. The next largest sectors are child support (24.5%), poverty alleviation (10.8%), and environment/animal protection (2.5%). This raw distribution (shown by gray bars) is largely driven by differences on the “demand” side (e.g., there were fewer child support-related projects than disaster relief-related projects listed). Once adjusted by such demand-side difference, we find that the distribution of funds (shown by orange bars) is much more even. The donation-per-revenue metric is also largely the same across

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<sup>23</sup> To address staggered participation, we first calculate monthly donation, and then multiply 12 to derive the annual figures.

classifications. Overall, we see no evidence that sellers strongly prefer certain charity classifications over others.

## 4.2. Does Microgiving Do Better Than Traditional, Solicitation-Based Fundraisers?

We conduct two sets of comparative analyses that contrast the performance of the gybb microgiving program with other online fundraising programs that adopt a more conventional, solicitation-based method. We first use cross-platform statistics in 2017 to compare gybb with all 11 other online platforms eligible for conducting online fundraising in China – none of which adopted a marketplace-integrated microgiving approach like gybb did. The data are sourced from China Philanthropy Times (2017). Figure 2 reports the statistics. Fundraising through gybb features the lowest average value per donation of 0.05 yuan per donation, which is orders of magnitude smaller than the platform with the second-lowest value-per donation metric (Ant Financial, 2.4 yuan per donation). Gybb features the highest frequency of donations of 6 billion donations throughout the year, compared to 203 million donations on the Ant Financial platform with the second-highest donation frequency. The gybb program ranked the third-highest in total charitable funds generated (300 million yuan), compared to the second-place Ant Financial which raised 487 million yuan and a fourth-place United For Charity that raised 69 million yuan. In total, gybb accounted for 12% of China’s overall online charitable sector in 2017.

The benefit of gybb’s microgiving approach can also be seen by a comparison with another charitable fundraising program operated by Alibaba on the same platform. Since 2005, a number of charitable organizations were permitted to operate “online charity stores” (henceforth OCS) on Alibaba. Instead of selling products, these shops directly accept consumer payments as donation to charitable projects of the consumer’s choice. Appendix Figure B.5 shows an example store and the consumer interface.

The OCS program presents a unique opportunity for a comparative analysis with gybb. The two programs have some common features: for both, the basic idea is to source small donations from a large number of contributors; Alibaba also screens the charitable foundations that are allowed to operate charity stores.<sup>24</sup> The charity stores program, however, differs in other respects. First, in the OCS program, charitable funds come from active donations of consumers rather than from passive contributions from sellers. The OCS program thus works more in the vein of the traditional, ask-based fundraiser model, in which a consumer must make a series of active decisions about when to donate, how much to donate, and which program to support. This corresponds to a larger value of fixed cost  $FC$  in the language of our model

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<sup>24</sup> The charitable projects that are listed by Alibaba on the gybb program are in fact a *subset* of high-performing OCS projects. That is, the OCS program includes strictly more projects than the gybb program does at any point in time.

in Section 3. Second, the minimum acceptable donation differs: the minimum is 1 yuan in the OCS program, compared to 0.02 yuan in gybb. This corresponds to the  $d \ll D^*$  setting in the theory model where traditional fundraisers feature a much higher expected donation amount than microgiving. Third, incentives differ: consumers do not receive any explicit recognition for donating, in contrast to the gybb program's charity label for products that sellers enroll in the program.

In Figure 3, we document two data facts using records of the universe of transactions (i.e., donations) for about 600 charity stores from 2018 to 2020. First, the online charity stores raised less funds than the gybb program did (Panel A). From 2018 to 2020, the OCS program generated a total of 207 million yuan in donations, nearly six times less than what gybb generated during the same period of time. In other words, for a charitable endeavor to achieve a certain fundraising goal, it would likely require a length of time an order of magnitude longer by relying on a traditional, online fundraising model than by using the microgiving model. We believe this result is due to the OCS program not harnessing the high frequency and massive volume of transactions in the digital economy, and instead relies on individual donation decisions. This finding is also consistent with our conversation with charities who pointed out that fundraising through gybb is extraordinarily fast compared to traditional venues.

Second, donors at the charity stores comprise a very distinct demographic group. Panel B of Figure 3 shows that the age distribution is heavily skewed toward a younger population with a modal age of 21, compared to the modal age of Alibaba's overall consumer pool (31 years old) and the modal age of sellers involved in the gybb program (31 years old).<sup>25</sup> From an efficiency standpoint, this pattern suggests that the OCS fundraiser approach may attract the younger population who are perhaps more tech-savvy and more energized by online charitable causes but who do not have a high ability to contribute.

We will return to the OCS program data for another test for donation substitution in Section 7.1.

## 5. Why Did Platform Microgiving Work?

We now unpack the incentives that drive the fundraising success of the gybb program. We begin with a series of descriptive queries: Which products do sellers link to charity subscription? When do they subscribe? When do they unsubscribe? From the observed patterns, we draw conclusions about why sellers

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<sup>25</sup> The overall consumer distribution is largely consistent with the overall age distribution of Chinese netizens. By estimates of the China Internet Network Information Center (CNNIC), in 2019, members of the modal age group range in age from 20 to 29; an estimated 65% of netizens are younger than 39, and about 14% of netizens are age 50 or older.

choose to participate in microgiving and how it aligns with their business interests. We then explore the possibility of a pro-social element in sellers' decision-making processes related to microgiving.

### **5.1. Sellers Subscribe Their Best-selling Products to Charity**

We begin by tabulating the likelihood of a product's gybb subscription as a function of its sales characteristics. For each seller, we rank his or her products by *revenue share*: the product's total revenue over the entire study period (2018-2020) as a fraction of the seller's overall revenue during the same time window. Products with higher ranks are therefore the seller's more successful products and more important sources of revenue. The left panel of Figure 4 presents a ventile bin scatterplot between the product's gybb subscription status as of December 2020 and its revenue share rank. The dashed line is a superimposed cubic fit. On average, slightly less than 30 percent of a seller's products are subscribed to charity, and there is a strong tendency for the sellers to subscribe products that are responsible for a bigger share of their total revenue.

The revenue-share gradient may partly reflect differences in product price. To separate out this margin, in the right panel of Figure 4 we repeat the same tabulation exercise but now relating gybb subscription to the product's sample-average "price" (revenue per quantity), also ranked among the seller's goods. We find no significant gradient with respect to price. The odds of a product being listed with gybb stay virtually constant except for a mild drop for products in the lowest 20 percent of the rankings of a seller's products by price.

The evidence provides an initial understanding of why sellers subscribe products to charitable giving: to the extent that charity subscription was more frequently observed for products that already had good sales records – and not those with particularly high or low prices – the evidence suggests that the charity link is not used primarily as a signaling tool for sellers or products with short sales record. Instead, the evidence is consistent with a behavior where the sellers use gybb to further promote their best-selling products. This differentiates from prior work by [Elfenbein, Fisman, and McManus \(2012\)](#) that discovered a signaling mechanism in the eBay auction setting. In addition to the near-zero cost of obtaining the gybb label, a major difference here regards the accessibility of product quality information: the typical seller on the Alibaba platforms is more akin to an Amazon vendor who has established sales records and whose revenue comes from repeated sales of the same set of products. There are many platform tools for quality-contingent contract enforcement, including reviews from verified purchasers, and no-questions-asked return policies. In contrast, many eBay auctions feature one-off listings, so consumers have to rely on scattered sources of information to infer product quality, especially in cases where a seller has a short sales

record. Hence, in the Alibaba context, a product’s charity link is more likely to be driven by a consumer utility consideration, rather than a quality-signaling motivation.

## 5.2. Charity Subscription Timing Is Strategic

To further understand the motives underlying sellers’ charitable giving, we analyze the timing of gybb subscriptions. Conceptually, we examine “switcher” products that had a transaction history as a non-charity product but later subscribed to the program, and we characterize changes in sales activities – noting any promotional pricing changes, in particular – before and after subscription. We compare these switcher products to non-subscriber products offered by the *same* seller to isolate out differential pricing changes specific to the switcher products.

**Econometric Framework.** We first describe the econometric framework we use to study seller behavior. (We will use the same framework to examine changes in customer composition in Section 5.4.) Consider the standard event study estimation equation:

$$Y_{it} = \alpha + \beta \cdot 1(\text{gybb})_i \times 1(\text{post})_t + 1(\text{gybb})_i + 1(\text{post})_t + \text{ctrls}_{it} + \varepsilon_{it} \quad (1)$$

where  $Y_{it}$  is an outcome of product  $i$  at month  $t$ ,  $\alpha$  is the regression constant, the dummy variable  $1(\text{gybb})_i$  indicate “switcher” products. We will defer details on exactly how we define switcher and non-switcher products to another paragraph below.  $1(\text{post})_t$  is a dummy variable indicating all periods after the gybb subscription. In our analysis below, we often replace  $1(\text{post})_t$  with a series of event-time dummies:

$$Y_{it} = \alpha + \sum_{\tau=-10, \tau \neq -1}^{10} \beta_{\tau} \cdot 1(t = \tau) \times 1(\text{gybb})_i + \sum_{\tau=-10}^{10} \gamma_{\tau} \cdot 1(t = \tau) + 1(\text{gybb})_i + \text{ctrls}_{it} + \varepsilon_{it} \quad (2)$$

where  $1(t = \tau)$  is a set of 20 dummy variables indicate month  $t$  being the  $\tau$ -th period since the product joined gybb, with  $1(t = -1)$  omitted from the regression so that the month immediately before gybb participation ( $\tau = -1$ ) is the reference period. The coefficients  $\beta_{\tau}$ ’s therefore represent the trends in  $Y_{it}$  by event months relative to the month before gybb participation.  $\text{ctrls}_{it}$  represents a matrix of control variables such as unit and time fixed effects.  $\varepsilon_{it}$  is the error term, and we compute 95% confidence intervals using standard errors clustered at the seller level. As we detail further below, as we will examine multiple outcome variables, we adjust statistical inference by controlling for family-wise error rate following [Westfall and Young \(1993\)](#).

In our analysis below, we begin by presenting raw data patterns in outcomes  $Y_{it}$  separately for products in the switcher and non-switcher groups, with no control variables included (i.e.,  $ctrls_{it} = \emptyset$ ). We then report specifications where  $ctrls_{it}$  includes various forms of controls such as product and month fixed effects.

The key variable we examine is the number of intra-month price changes (“promotions”). As discussed in Section 2, these price changes include discounts and coupons that reduce the consumer’s out-of-pocket payment for a product. Once a product is listed, a change in price is arguably the most important promotional decision a seller can make to influence revenue. We also examine product prices and revenue as the dependent variables, both of which are expected to respond as a consequence of promotional activities.

It is important to clarify that, although equation (2) takes the form of a standard event study estimation equation commonly used in the causal inference literature, in our study context it is a *descriptive regression*. The goal of this analysis, as shall become clear as we present the results, is to document the coincidence between the timing when sellers subscribe products to charity and when they promote these products. The regression does not make any causal claim regarding whether gybb subscription increases promotion behavior, or vice versa – whether the intention to promote the product prompts sellers to use gybb as an additional marketing tool. Note that we do not *need* to establish a causal relationship if our goal is simply to document revenue-seeking motives of charity subscription. The fact that price promotion increases immediately following gybb subscription and only for gybb-subscriber products suggests gybb subscription is *related* to revenue motives, and this conclusion remains valid regardless of the underlying causal direction.<sup>26</sup> We will provide further discussion of caveats and alternative interpretations after we present the results.

**Variable Construction and the Comparison Group.** We now describe how we construct a panel dataset of products for the purpose of estimating equation (2). Our Product File is an *event* database that consists of all incidents of transactions between January 2018 and December 2020. When no transactions are observed for a product in a given month, it could mean either that the product was available but no consumer made any purchases, or that the product was not available for purchase – for example, that it was out of stock, or that it was not yet listed. Therefore, we must decide what values  $Y_{it}$  to assign to months when no transactions occurred. In all subsequent analyses, we stick to the following principles: first, we assume a product is not available for sale until we observe the first transaction in our database. Hence, all outcomes are assigned with missing values before the first sale. Second, we assume that all no-sale months

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<sup>26</sup> In Section 5.4 below, we will discuss limitation of our descriptive framework in estimating the pure effect of the gybb label on revenue (i.e., the impact of gybb subscription on product revenue *in the absence* of price promotion, or the “charity premium”), where a causal identification is necessary.

after the first sale represent a lack of consumer purchases rather than a lack of availability, assigning promotions and revenue both to zero for those months; we use a nearest-neighbor interpolation to fill in prices during months without transactions. In simpler terms, one can think of the dataset as a monthly panel of products with different “start dates,” with all gaps after the start dates filled with zero transaction activities (promotions and revenue) and interpolated price.

From the panel dataset, we next build a balanced panel for the event study. Recall that the aim of equation (2) is to analyze changes in pricing activity for the *same* product before and after gybb subscription. We therefore look at a subset of “switcher” products that were not listed as gybb products initially, but switched to become part of the gybb program at some point during our study period. To do so, we restrict our analysis to products whose gybb subscription month is (a) at least 10 months after its start date (i.e., the date when the product was first traded as a non-gybb product) and (b) on or before March 1, 2020. These restrictions ensure that we are working with a balanced panel for the event study in the sense that all products have at least 10 months of both pre- and post-subscription periods. In other words, each event-month coefficient  $\beta_\tau$  we report will have the exact same number of underlying observations, and thus the results will not be driven by compositional changes.

The assumptions and restrictions are introduced to match the usual configurations one would expect from any event study, but they come at costs. For example, a product may well be available before we observe the first sale during the sample period, and it may go offline after its first sale.

To alleviate these concerns, we introduce a **comparison group**. We compare switcher products with all other products of the *same* seller’s that never subscribed to gybb over the study period. Specifically, for each seller  $s$ , let  $\tilde{i}_s^{\text{gybb}}$  denote the set of gybb products included in the event study, and let  $\tilde{t}_s$  be the corresponding vector of months when these products first made charitable contributions (i.e., the event month  $\tau = 0$  in equation 2). To identify the comparison products, we search among seller  $s$ ’s non-gybb products for the set of products  $i_s^{\text{non-gybb}}$  that were also traded on  $\tilde{t}_s$ ; we then use  $\tilde{t}_s$  to assign event time variables  $1(t = \tau)$  to each member in  $i_s^{\text{non-gybb}}$  and construct a balanced event study panel dataset applying the exact same assumptions and restrictions we used for  $\tilde{i}_s^{\text{gybb}}$ . To facilitate understanding, Appendix Figure B.8 illustrates the process using an imaginary example in which the seller set  $\tilde{i}_s^{\text{gybb}} = \{\text{item\#1, item\#2}\}$  with corresponding subscription dates  $\tilde{t}_s = \{\text{Sep-2018, Dec-2018}\}$ . The corresponding comparison products are  $i_s^{\text{non-gybb}} = \{\text{item\#3, item\#5}\}$  that also had transactions during these two months. Note that item #3 had transactions in both September 2018 and December 2018, and so in principle it may serve as a comparison product to both item #1 and item #2. To avoid creating duplicate units in the comparison group, in practice we use the first matched date – in this case Sep-2018 for item #1 – whenever a non-gybb item can be matched to multiple gybb items.

Why is it necessary to introduce the comparison products on top of the staggered event study of the switcher products? The comparison group serves two purposes. First, it enables us to investigate what happens to non-gybb products around the time of gybb products' subscription. Are price promotions put in place for them as well, or are price promotions *only* for gybb products? In Appendix Figure B.8, item #3 provides information on how product promotions, prices, and revenues change between November 2017 and June 2019, the same +/- 10 months around the time when item #1 joined gybb (September 2018). In some regression specifications, we include "group fixed effects," thereby effectively restricting the comparison to the group of item #1 and item #3. Second, to the extent that we construct the comparison group data in the exact same way we do for gybb products, any biases resulting from sample definitions/restrictions should manifest in both groups, and are thus expected to be "controlled for" when we compare the two groups.

Our final event study estimation sample contains 500,683 products (including both treated and comparison products) from 30,804 sellers. Our final event study dataset includes a total of 16,624,469 product-month observations. Note that our estimation sample consists of a small subgroup of sellers in the overall Product File (a total of 162,840 sellers). This is because many gybb subscriptions occurred when the product was *first* listed, whereas our switcher event study sample restricts to products that switched to gybb program at some point after they were listed. Focusing on switcher products, however, helps identify strategic motives because it allows us to observe changes in sales activities before and after the gybb switch.

**Results.** Figure 5 reports  $\beta_\tau$ 's coefficients for the switcher group ("gybb products") and for the comparison group ("non-gybb products"). To provide a reference of statistical precision, for both groups we also plot the 95% confidence band.

Panel A shows intra-month price promotions. We find that promotional activities move in parallel for gybb and non-gybb products in the months leading up to gybb subscription. Promotional activities then rise sharply for gybb products upon subscription, whereas the trend for non-gybb products remains entirely smooth. Promotions concentrate in the first five months after subscription. At its peak – one month after gybb subscription – the subscribed products have about seven more price promotion events in a month than the comparison products.

Panels B and C provide corroborative evidence with price and revenue outcomes. Panel B shows that the revenue-per-quantity metric, or "price," decreases for the gybb products after subscription, which is an expected result from increased price promotions. Panel C shows that revenue jumped after a gybb subscription, a pattern that echoes the dynamics of promotional activities as well. For both outcomes, we observe that the pretrends match closely between the gybb and non-gybb groups as is the case in Panel A.

We have purposely reported trends for both the gybb and non-gybb products to compare decisions that sellers make regarding their pricing and promotion. Table 1, panel A presents a parsimonious version of Figure 5 with the difference-in-differences (DD) estimation equation (1). Because we test multiple outcomes, we control for family-wise error rate (FWER) – i.e., the probability of making at least one false rejection while testing multiple outcomes simultaneously – following the procedure by [Westfall and Young \(1993\)](#). We define families of hypotheses that encompass seven outcomes we primarily test in this paper, including promotion, price, and revenue in this section, and four additional outcomes related to product consumer characteristics (age, gender, overall consumption, and the fraction of consumption on gybb-linked goods) that we will describe in Section 5.4. We report FWER-adjusted  $p$ -values in brackets in Table 1.

Column 1 first reports summary statistics of the promotions, price, and revenue variables. Column 2 begins with a simple DD specification where we only include product fixed effects. Column 3 adds month-of-year fixed effects to further control for seasonality. Comparing columns 2 and 3, we notice seasonality controls make little difference in the estimation of  $\beta$  because the way we construct comparison group makes sure the event time zero is the same point of time for all products within a treated-control group, thus parsing out seasonal impacts. In column 4, we obtain similar results with a full set of group fixed effects, product fixed effects, and month-of-sample fixed effects.

In Appendix Figure B.9, we report the event study version of the DD estimates in column 3 of Table 1. Overall, the results are insensitive to specification changes and echo the simple raw trends presented in Figure 5.

**Interpretation.** The most significant feature of panel A of Figure 5 is a high correspondence between a product’s gybb subscription and its subsequent promotional activities: price promotions follow immediately from the month of gybb subscription; the jump in promotional activities is seen *only* among products that the sellers chose to subscribe to gybb, but not other products from the same seller. We interpret these findings as strong indication that sellers’ decision to subscribe a product to gybb is motivated by an upcoming plan for a promotion of the corresponding product. The gybb subscription is a strategic action alongside the price promotion to maximize the sales outcome.

We reiterate that our event study is descriptive in nature: our aim is to establish that sellers’ act of gybb subscription and their promotion of the subscribed products are closely related in time, which we interpret as evidence that gybb subscription is motivated by revenue-seeking intentions. We consider several alternative ways to interpret the data. A first possibility is that the coincidence between subscription and product promotions reflects some third, unobservable factors that are unrelated to strategic motives. The primary type of non-strategic price promotion is associated with platform- or category-wide

consumption festival events, where the platform provides discount coupons to encourage spending across the entire platform or in specific categories. However, any platform-, category-, or even seller-level event that applies to all products of the same seller cannot drive the findings because we have already implemented a within-seller, cross-product comparison.

A second possibility is that gybb subscription indeed causes a change in pricing strategy. For example, if a gybb status substantially boosts the attractiveness of the product, then the seller may decide to “ride the trend” and promote the product even further. We cannot exclude such possibility, but the likelihood appears to us very low given (a) a product’s gybb information has low visual salience on the consumer interface (Section 2) and (b) gybb products are not rewarded with search priority, which is understood to be an important determinant of sales. Our interview data (Section 5.5) corroborates these arguments as most sellers do not believe gybb participation has increased revenue, or at least not to a degree that is noticeable to them.

Finally, we note that the response of promotions (or price or revenue) is unlikely to be explained by the mechanics of our sample construction, such as the zero-filling of months without sales events; this is because whatever mechanical relationship holds for the gybb group will also manifest in the non-gybb group as they were both constructed in an identical manner.<sup>27</sup>

We are therefore left with the conclusion that seller’s timing for gybb subscription is strategic. A caveat of this conclusion is, as we mentioned before, that most gybb subscriptions occurred when the product was *first* listed for sale. Products that *switched* to gybb contribution after they were listed represent a small subgroup. However, exploiting the timing of the switching behavior among this small subgroup of products helps us econometrically tease out strategic motives. We believe strategic motives do not just prevail among the switcher products. For example, a profit motive (e.g., the belief that the gybb label may help improve one’s brand image) is in fact commonly mentioned in our interviews with sellers. We provide further discussions on seller motives in Section 5.5.

**Which gybb Products Do Sellers Promote More?** The exercise in Section 5.1 examines which products sellers are more likely to be subscribed to the gybb program. In Figure 6, we present a supplementary analysis of which products sellers promoted the most following gybb subscription. We

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<sup>27</sup> To give a concrete example, consider the fact that sales do not occur every month for a product. By construction, *some* sales must have occurred at event time zero; otherwise, one would not have observed any charitable contribution. The same does not have to be true for the rest of the event window. This can potentially cause a mechanical spike of sales at event month zero compared to other months. That is, the probability of having sales at event time zero is one, while the probability for the rest of the event windows is less than or equal to one. However, this concern is alleviated by the fact that by our design all products in the non-gybb comparison group also have sales at event time zero with probability one.

estimate an augmented version of equation (1) that fully interacts with a measure of the product’s characteristic  $X_i$  prior to the gybb subscription:

$$\text{Promotion}_{it} = \alpha + \tilde{\beta} \cdot 1(\text{gybb})_i \cdot 1(\text{post})_t \cdot \log X_i + \text{ctrls}_{it} + \varepsilon_{it} \quad (3)$$

where  $\tilde{\beta}$  denotes the full factorial operator, and  $\tilde{\beta}$  is understood to be a vector of coefficients. Control variables ( $\text{ctrls}_{it}$ ) include group fixed effects, product fixed effects, and month-of-sample fixed effects. The rest of the specification is the same as in equation (1). The objective of this regression is to answer the question: do products with a higher level of baseline characteristic  $X_i$  receive more promotions after being enrolled in the gybb program?

The top row of Figure 6 repeats the baseline DD estimate corresponding to equation (1) in Table 1. The rest of the rows report the three-way interaction coefficients, each obtained from a separate regression that examines the interactive effect of a different characteristic. The second row shows that the increase in promotional activities following subscription is larger for products that had more sales revenue prior to the beginning of the gybb subscription. Products with (a log unit) more prior sales are associated with a more than five-unit increase in promotions after subscriptions begin; this is a magnitude on par with the baseline DD estimate (first row). Roughly speaking, this suggests that the variations in a product’s prior sales can explain a large share of the heterogeneity in the promotion increase after subscription. Rows three to five report interaction coefficients for three seller-level business characteristics: overall quantities, number of store followers, and number of store-product followers; there is no statistically significant evidence of heterogeneity along these margins.

Together, the evidence suggests that sellers leveraged the gybb program to promote their best-selling products. Items with the highest revenue shares are more likely to have a charity subscription; once a product is subscribed, promotion activities further concentrate on products that were already selling well prior to the subscription.

**Additional Evidence: Charity Subscription Spikes During Shopping Festivals.** We have argued that the timing of seller’s gybb subscription reveals that the decision is motivated strategically by the intention to promote the corresponding product. Perhaps a more concrete setting to see this behavior is during the Singles Day shopping festival which occurs November 11<sup>th</sup> each year. (The date gives rise to the commonly used name, the “Double 11” festival.) Double 11 is China’s largest online consumption festival, and in recent years, Double 11’s single-day sales on Alibaba are reported to have been on the order of 300

billion yuan (about 47 billion USD).<sup>28</sup> For most sellers, the “Double 11” festival is a high-stakes event that generates a substantial share of the year’s sales revenue.

Figure 7 shows a histogram of when sellers first subscribed to gybb for any of their products. A clear spike can be seen on November 11<sup>th</sup>; a smaller spike can also be seen on December 12<sup>th</sup> which corresponds to the spin-off “Double 12” festival. This exercise represents a specific context in which gybb subscription is likely driven by the intention to promote products – the sole purpose of the shopping festivals.

### 5.3. Sellers Rarely Cancel Charity Subscription

Having analyzed subscription decisions, we now use the same event study dataset to examine sellers’ decisions about whether and when to *unsubscribe* their products from the gybb program.

Figure 8 plots the fraction of products still subscribed to the program after initial participation at event time zero (when the corresponding fraction is one by construction). Our data show that less than 3.2% of products were discontinued contribution by the end of event month 10. Figure 8 also shows that, among the products that stayed on gybb, their average donation-per-revenue metrics are also stable over time, suggesting that sellers rarely adjust how much to contribute.

We next assess whether gybb donation activities remain in place in the face of business shocks. Given our study period (2018-2020), a natural beginning point is to examine how sellers respond to the COVID-19 shock, which took an abrupt toll on platform consumption as many logistics services and parcel shipping services came to an abrupt halt. We begin with the product-level event study estimation sample. For each product, we restrict to periods from one month after initial opt in (i.e., the portion of the event study sample in Figure 5 with event month greater than or equal to one). Figure 9, panel A’s left column plots average gybb status as a time series from January 2019 to December 2020. The vertical dashed line marks the initial COVID-19 outbreak (designated by the Wuhan lockdown that began on January 23, 2020), followed by a shaded area that spans until April 8, 2020, a period that covers the COVID-19 lockdowns for vast majority of cities. The graphical pattern suggests no obvious change in participation due to the shutdowns. Similar findings are shown on the right column of Figure 9, panel A for the donation-per-revenue metric, suggesting that sellers did not reduce how much they contributed per transaction during bad business conditions.

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<sup>28</sup> Double 11 was originally an unofficial holiday celebrated by college students not in a relationship. The concept went viral and paradoxically evolved into a Black Friday-like shopping day in which almost all participate. See [https://en.wikipedia.org/wiki/Singles%27\\_Day](https://en.wikipedia.org/wiki/Singles%27_Day).

More generally, we can consider the relationship between business shocks and gybb donation activity. To capture business shocks, we use revenue data in the Seller File (Section 2.3) and for each seller ( $s$ ) and quarter ( $q$ ), we estimate the following regression equation:

$$\text{Revenue}_{sq} = \alpha_s + \varepsilon_{sq} \quad (4)$$

where  $\text{Revenue}_{sq}$  denotes seller's logged quarterly revenue,  $\alpha_s$  is a set of seller fixed effects, and  $\varepsilon_{sq}$  is the error term. The residuals of this regression therefore represent the quarter-to-quarter revenue variation for the same seller. We refer to these as *revenue shocks*. The left column of Figure 9, panel B presents the relationship between the product's gybb status and revenue shocks using a ventile bin scatterplot. The range of the x-axis (in log scale) shows there is substantial quarter-to-quarter revenue variations; the graphical pattern suggests that, once a product joins gybb, its participation status depends little on changes in the seller's business condition. The right column of Figure 9, panel B shows that the same conclusion holds for donation per revenue for the product.

Despite being quite simple, Figure 9 illustrates a major advantage of microgiving over traditional fundraisers. An important ingredient for a successful fundraiser is its ability to retain donors and to encourage recurring donations. A robust flow of charitable funds can be valuable in many ways. In particular, charitable donation from traditional venues is often observed to be correlated with economic conditions, with giving decreases during economic downturns, at the very time when the needs of those living in poverty may increase ([List, 2011](#); [Meer, Miller, and Wulfsberg, 2017](#)).<sup>29</sup> Donor retention is also a major practical challenge for charities; less than 25% of first-time donors give a second time in either offline or online settings ([Sargeant, 2013](#); [Althoff and Leskovec, 2015](#); [Blackbaud Institute, 2019](#)). Evidence suggests that returning donors are more likely to give and contribute more than donors asked to contribute for the first time ([Landry et al., 2010](#)).

Another rarely discussed benefit of the subscription model is its revenue predictability. Because subscriptions are rarely canceled, the flow of funds will be much easier to predict than those from fundraisers that rely on one-off donations. For many charitable organizations that work in a non-disaster relief context – such as education and child/elderly care – predictability and reliability of charitable funds are valuable for the planning of day-to-day operations.

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<sup>29</sup> To be clear, this is not to say that gybb contributions are not subject to changes in economic conditions at all. Total contributions are mechanically linked to the total volume of transactions; this volume in turn depends on overall economic conditions. Figure 1 shows that, as COVID-19 hit, total donation declined in 2020 compared to 2019. This said, robust participation means that the pool of donors is likely to remain stable during recessions, thus saving the cost of finding new donors or coaxing donors who discontinued giving during recessions to give again.

## 5.4. Does Charity Subscription Improve Product Revenue?

Given the evidence that seller’s charity subscription is explained by revenue-seeking motivation, and that few unsubscribed from the program, it is natural to ask: do charity linkages actually increase product revenue? A direct econometric test is to examine differences in consumer demand due to the charity linkage, holding everything else constant such as product characteristics and price. Lacking quasi-random variation in charity subscription, we present two second-best strategies to speak to potential revenue effects of gybb program participation.

**Residual Revenue Effects.** We first return to our event study analysis in Section 5.2 which showed that sales promotion activities increased after a product’s gybb participation. Conceptually, we want to learn whether product revenue went up by more than one would expect if the seller engaged in the price promotion without subscribing to gybb. We use a regression approach to model the relationship between product revenue and promotions, and then assess how much of the revenue increases post-gybb participation remains after we control flexibly for promotions – any “residual” revenue effect might be suggestive of the direct effect of the charity linkage.

Specifically, we control flexibly for product promotions in equation (1), and assess how the difference-in-differences  $\beta$  coefficient changes as a result. That is, we ask how much of the revenue increase we observe after gybb participation (Figure 5, panel C) remains unexplained once we taken into account the general relationship between product revenue and sales promotions.

We begin by establishing that there *is* indeed a link between sales promotions and revenue to begin with. In Appendix Figure B.10, we report a distributed lag model where we regress product-month level revenue on 10 leads, 10 lags, and a concurrent term on the number of promotions for the product-month, controlling for product and month fixed effects. The results show an immediate increase of 2.9 percent of revenue (95% CI = 1.5 percent to 4.2 percent, with standard errors clustered at the seller level) in the month of promotion.

Figure 10 reports the  $\beta$  coefficients for sales revenue (panel A) and quantities (panel B). The first row repeats equation (1) without any sales promotion controls. In the second row, we augment equation (1) with a linear term of promotions (i.e., the outcome variable of Figure 5, panel A). The third and fourth rows include quadratic and decile-bin controls of promotions. We find that the post-gybb participation boost in product revenue seems to be largely explained by promotions, suggesting the charity linkage itself has limited impact on revenue. These regressions are noisily estimated, but they suggest the revenue impact of gybb participation is unlikely to be enormous.

**Changes in Product’s Consumer Pool.** Our second strategy is a bounding exercise that analyzes information on the consumers underlying each transaction, testing for consumer composition changes after a product is linked to the gybb program. We leverage the Product Buyer File (Section 2.3) which allows us to observe the consumer underlying each purchase event present in the Product File. We observe consumers’ age, gender, and total consumption on Alibaba between 2018 and 2020; for each consumer, we also compute the overall fraction of spending on gybb-listed products throughout the entire three-year study period.

Figure 11 repeats the same event study analysis as in Figure 5 but using consumer characteristics as the dependent variables. We find no indication that a gybb subscription is associated with any change in the average age of people in the consumer pool (upper-left panel), the share of females (upper-right panel), or total spending (lower-left panel); trends for gybb and non-gybb product groups moving in parallel with each other both before and after gybb subscription. We report the corresponding DD estimates in panel B of Table 1. In all three cases, the DD estimates are statistically insignificant with estimated effect sizes near zero.

By contrast, the lower-right panel of Figure 11 shows a sharp increase in the gybb product spending-share metric by 2.4 percentage points, meaning the pool of consumers who purchase gybb-listed products shifts, showing an increase of those who have higher propensity to purchase gybb-listed products. No similar change in consumer composition is observed for non-gybb products sold by the same seller. Relative to an average gybb spending share of 0.285 percent, this increase represents an 8.4 percent change above the mean.<sup>30</sup>

The evidence is consistent with the interpretation that there is a group of consumers who are particularly attracted to charity-linked products. This can render in several ways. In its simplest form, a product’s switch to gybb helped attract consumers with charitable preferences (“charitable products attract charitable consumers”). For example, some consumers may use the “gybb” filter when searching for products (Appendix Figure B.3); others may compare similar products and, with all else equal, they may then decide to go with the one with a charity linkage. A product’s switch to gybb increases its attractiveness to this group of “charitable” consumers. The obvious competing explanation is that charitable products have some latent attributes. By our econometric design, however, any such latent factors need to be time variant, changing exactly at the time when the product switched to gybb, and they cannot influence three general

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<sup>30</sup> Note that the spending share variable provides a measure of a consumer’s overall inclination to purchase gybb-listed products as the metric is constructed using all-time purchases throughout the study period (2018 to 2020). Therefore, there is little in the way of a mechanical link between the variable and the timing of any particular seller’s gybb subscription.

measures of consumer composition (age, gender, and overall consumption).<sup>31</sup> We believe these alternative explanations are unlikely.

Assuming that no consumer *dislikes* charity-linked products and moves away from a product upon its gybb subscription, we can provide a back-of-the-envelope calculation on how many new consumers the gybb product need to attract per month to generate the observed increase in the consumer pool's average gybb spending share metric. The average sales volume at the product-month level is 7 orders or, for simplicity, 7 consumers; the average gybb share among these consumers is 28.5 percent (i.e., on average, these consumers spend 28.5 percent of their consumption on charity-linked products over 2018-2020). Thus, to increase the average gybb spending share by 2.4 percentage points, it requires an increase of 1/0.6/0.3 transactions per month from consumers with an average gybb share of 48/60/80 percent.<sup>32</sup> We note that an effect size of this magnitude is likely difficult to be detected by individual sellers – as we will find later in interviews – or by our regression analysis earlier where we try to tease out gybb's direct effect by controlling for the correlation between promotion activities and sales revenue.

As mentioned earlier in the Introduction, a limitation of our analysis is that our study setting does not allow us to determine the “pure effect” of the gybb label, i.e., the impact of labeling a product with gybb, while keeping all other factors constant. Our two sets of second-best analysis above aim to estimate this parameter through a control function method and a customer-pool analysis. However, a more ideal estimation would come from randomly assigning the label, either in a laboratory setting or in an online environment where, for example, some products were randomly labeled with gybb without the seller's knowledge.

The analysis, however, does support our expectation that the revenue impact of the gybb label is unlikely to be substantial: the cost of the label is small, and as a part of the shopping experience, the gybb label is likely less important and noticeable than the various other promotional tools that sellers can use, such as more comprehensive product descriptions and free return policies. This is further backed up by our interview results below, where we directly asked sellers if they have noticed any impact of charity subscription on their revenue.

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<sup>31</sup> In Appendix Figure B.12, we show that controlling for sales promotions (as we did in Section 5.4) does not explain away the results on consumer composition.

<sup>32</sup> After a product becomes gybb-linked, it may attract consumers that are much more enthusiastic about the charity linkage than its existing consumer pool, e.g., those who use gybb filters to shop among charity-linked products (Appendix Figure B.3). For these consumers, a much higher gybb spending share is expected.

## 5.5. The “Warm Glow” of Microgiving

How to reconcile the findings that sellers are both strategic in their charity subscription and choose to maintain their subscription, despite there being no apparent evidence of revenue impacts? In this subsection, we attempt to cast further light on sellers’ motivation by first conducting a small-scale interview survey to gain direct insights from gybb-participating sellers. Guided by the qualitative evidence from the interviews, we then present econometric evidence of seller motivation that leverages our ability to observe changes in the seller’s own consumption habit before and after gybb participation.

**Interviews.** With the help of Alibaba, we reached out to 10 participating sellers who represented businesses of various scales and sectors. Nine sellers responded to the interview requests. Two research assistants conducted telephone interviews with these nine sellers. Each interview contained four groups of open-ended questions about the sellers’ reasons for participating in the program, the factors that influence their subscription and unsubscription decisions, and their beliefs about how participation had affected revenue. The interviews were recorded to document anything the sellers had to say about their gybb experience. In the interest of space, we have included only the key points that sellers made in the interviews (see Appendix A.2). Raw interview scripts are available upon request.

Several correlated responses emerged. First, sellers said that they initially subscribed to the program because they were motivated in part by the hope that the charity label would help promote the product. While the program makes it clear that no explicit reward will be given to participating products, sellers nonetheless hoped that linking the products to a charitable cause might help increase the attractiveness of the product among the consumers. Second, the sellers said that any effect of the charity link on revenue was unclear or too small to be discerned. An oft-mentioned point was that the charity label was so discreet that it likely went unnoticed by many consumers. Third, once sellers realized that the charity label had little if any impact on product revenue, sellers kept their subscriptions and, in many cases, they continued to add new products to the program. Sellers frequently reported a sense of satisfaction that stemmed from their ability to take altruistic actions that the program makes possible because of its low cost (in terms of both effort and donation amounts). Importantly, we note that four of nine sellers interviewed mentioned that they chose to participate in the program for *both* the potential for higher revenue and the opportunity to contribute to charitable causes – suggesting a mix of underlying motivations. Finally, sellers mentioned two other factors in their decisions: the convenience of the program compared to other donation options, and their trust in the Alibaba platform’s screening of reputable charities.

In Figure 12, we further present selected insights from three sellers. Seller A (a seller of beauty products) mentioned that large online platforms like Alibaba help people discover and act on a willingness to donate by finding charities that can be trusted. The seller said that it can often be overwhelming for

individuals to do their own work to find trustworthy charitable foundations that one can give donations with confidence that the money will be used as intended. This point resonates with our view that the microgiving model helps reduce search costs involved with individual-level donation decisions.

Seller B (a seller in the processed food sector) mentioned that he or she tends to purchase products that are linked to the gybb program when shopping on Alibaba. We find this to be an interesting point about charitable preferences: if the seller’s motive to contribute to the gybb program is at least partly explained by a pro-social preference for charitable actions per se, then similar behaviors of other sellers might be appreciated – which will in turn make gybb-listed products relatively more attractive. We would not expect this preferential behavior if a seller’s charitable contribution were driven solely by a strategic concern. Below, we leverage linked seller-consumption data to implement an empirical test of this mechanism.

Seller C (a large seller in the baby products sector) mentioned social responsibility and the role of charity linkage on shaping brand image. In the seller’s words, consumer’s perceptions that a seller has warmth and a high level of caring for others are important for businesses in the baby products sector.

Our general takeaway from the interviews is that sellers have a combination of revenue-seeking and warm glow motives: the former drives their initial decision to participate in the program, and the latter explains why they keep donating even without seeing significant evidence that charity subscriptions increase product revenue. In what follows, we provide a more formal test of the existence of a warm glow component in seller’s motivation for gybb participation.

**Changes in Sellers’ Own Purchasing Habits.** We use seller’s own purchasing habits to quantitatively test one takeaway from the interview data: whether sellers’ own purchases of other sellers’ charity-linked products change after joining the program. We conjecture that if the seller’s motive to contribute indeed contains a pro-social component, then similar behavior by other sellers will be appreciated, in turn making gybb-listed products relatively more attractive to her or himself. By contrast, if the seller’s motive to contribute is entirely driven by strategic considerations and/or by an inertia over making an effort to unsubscribe, then we would not expect to observe an increase in the seller’s preference for other sellers’ gybb-listed products.

We first identify participants in the Seller File whose initial date of gybb contribution is between November 2018 and March 2020. Linking these sellers to their own consumption accounts on Alibaba, we calculate the share of the seller’s monthly spending on gybb-listed products (see Section 2.3). We then implement a version of event study using the seller (s)-by-month (t) dataset:

$$\{\% \text{Spending in charity-linked products}\}_{st} = \sum_{\tau=-10, \tau \neq -1}^{10} \beta_{\tau} \cdot 1(t = \tau) + \alpha_s + \alpha_t + \varepsilon_{it} \quad (5)$$

where  $1(t = \tau)$  now indicates month  $t$  being the  $\tau$ -th month relative to when the *seller* first contributed to gybb (that is, the date when any of her/his products first contributed). The regression also includes controls for seller fixed effects ( $\alpha_s$ ) and month fixed effects ( $\alpha_t$ ). We cluster standard errors at the seller level. Our ultimate regression sample includes 94,317 sellers and 3,395,412 seller-month observations.

Figure 13 plots the  $\beta_\tau$  coefficients. We find a statistically significant increase of the seller's spending share on gybb-listed products after the seller became a gybb contributor. The magnitude of the increase is mild, roughly 0.66 percentage points increase relative to a mean of 0.307 (a 2.1 percent change.) While the magnitude of this effect appears small, the fact that a change in purchasing habit can be detected for the average gybb seller suggests pro-social motivation may be a significant component for seller's underlying motivation to donate.

It should be emphasized that the evidence in Figure 13 does not imply that sellers *become* more pro-social after gybb participation. Rather, we argue that the finding aligns with the notion that the sellers have become aware of and appreciate gybb as a pro-social fundraising program, and as a result, they have increased their consumption of gybb-linked products produced by others who have also chosen to participate in the program as well. This is unlikely to occur if the sellers' gybb participation was solely driven by business interest, as there would be little reason to expect a change in their attitude towards gybb-related products.

Note that the evidence here also echoes our finding in Section 5.4 that, once a *product* becomes gybb-linked, it attracts consumers more inclined to purchase gybb-linked goods, presumably those who place more values on pro-social behavior of others.

In addition to purchasing habit, sellers' consumption account data also allow us to observe changes in their active donations to the OCS program. Recall that the OCS is a purely consumer-based program where donations are made directly out of pocket and are not related to the sellers' business operations in any way. OCS donations thus can be interpreted as a measure of sellers' charitable engagement in the absence of business motives. We continue this discussion on warm glow in Section 7.1 below.

## 6. External Validity and Future Research

Can the fundraising performance of microgiving be generalized beyond the Alibaba gybb program? In this section, we outline key factors contributing to gybb's success and assess their presence in other retail platforms. We then briefly discuss several similar programs with variations in design, which present potential directions for future research.

## 6.1. Generalizability of Factors that Contribute to gybb’s Fundraising Performance

Due to the subscription-based design, the gybb program’s fundraising outcome depends mainly on two factors: the “background” volume of transactions taking place on the platform, and the participation of sellers willing to link their products to charities. To assess external validity, we evaluate whether these factors are unique to Alibaba. To facilitate discussion, we compare Alibaba to four popular retail platforms: JD and Pinduoduo from China, and Amazon and eBay from the U.S.

By 2021 statistics, Alibaba has a monthly active user (MAU) base of 903 million with a Gross Merchandise Volume (GMV) of 8 trillion yuan.<sup>33</sup> The corresponding MAU (GMV in yuan) for the other four platforms – JD, Pinduoduo, Amazon, and eBay – are 570 million (4.7 trillion), 869 million (2.4 trillion), 300 million (3.8 trillion), and 147 million (0.6 trillion), respectively. Alibaba has the largest volume of users and total sales among the five. However, the other platforms are not far behind, and are likely large enough to provide a solid base for implementing transaction-linked microgiving schemes.

It is less straightforward to predict if a similar or greater number of products would participate in a microgiving program if implemented on alternative platforms. To make progress, we summarize key factors that contribute to program participation as identified through our empirical analysis. We then discuss whether these factors are inherent in other retail platforms.

**Trustworthiness.** As detailed in Section 2.2, a key aspect of the gybb program is that Alibaba employs a stringent vetting process to ensure that only trustworthy charitable projects are included. In interviews, sellers have cited their trust in the platform as a reason for their participation in the program (Section 5.5). We believe that the ability to vet and choose which projects to host, as well as a general sense of trust among platform users, are attributes commonly found in popular platforms.

**Product Competition.** Our empirical evidence shows that sellers participate in the gybb program partly with a hope to improve product revenue. This motivation is a result of the competitive nature of retail platforms, where sellers compete for consumer attention among similar products sold by multiple sellers. The competitive feature of retail platforms is ubiquitous, and the sheer number of sellers on the platforms provides partial evidence: 8 million for Alibaba, 0.12 million for JD, 8.6 million for Pinduoduo, 6 million for Amazon, and 18 million for eBay.

**Donor Recognition and Consumer Interface.** Charity-linked products are displayed with a gybb label on the product page, together with other product and promotion information (Appendix Figure B.2).

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<sup>33</sup> We use GMV to measure size as statistics on the number of transactions on platforms are rarely made public.

This label serves as a recognition for the seller and a way for consumers to identify charity-linked goods. Because consumer interfaces and shopping logistics of most retail platforms are quite similar, the labeling system of the gybb program should be easily adaptable to other platforms.

**Small Donation and Warm Glow.** Finally, our empirical evidence suggests that low donation amounts (e.g., 2 cents per order at minimum) help retain subscription, as it enables sellers to participate in charitable causes – and gain warm glow of giving – at low cost. The ability to make such small donations is possible due to low transaction cost and easy divisibility of digital currency, which are features available to all platforms in the digital space.

In summary, in the language of List (2020), the gybb program design exhibits “naturalness,” as it leverages features that are already present in many retail platforms anyways. This increases the likelihood that the success of a gybb-style microgiving program can be generalized beyond just the Alibaba platform.

## 6.2. Similar Programs and Future Research

“*eBay for Charity*” offered by eBay is a similar project to gybb that allows sellers to donate a portion of their product sales revenue (starting at \$1) to charity; products linked to the program are labeled as “benefits charity.”<sup>34</sup> Walmart’s “*Spark Good Round Up*” enables consumers to round up their purchases to the nearest dollar, with the difference donated to charity.<sup>35</sup> Vip.com’s “*Vip Heart*” program awards “hearts” to customers when they make purchases on the platform. Customers can then donate their collected hearts to charity, which the platform converts into monetary value and gives to the corresponding charity based on the total number of hearts it receives.<sup>36</sup> “*Amazon Smile*” is a subsidiary of Amazon that offers the same prices as the main Amazon website, with Amazon donating 0.5% of the purchase price to a charity of the consumer’s choice.<sup>37</sup> These programs vary in terms of the giving party (platform, sellers, or buyers), the minimum donation amount, and the level of public recognition given to donors. These programs all leverage high transaction volumes through the platforms, but the degree of transaction integration and automation varies: for example, “*Vip Heart*” has a less integrated approach as consumer’s donation decision is separate from the purchasing process; “*Spark Good Round Up*” depends on consumer’s choice to round up at checkout. These differences in program design present opportunities for exploring the impact of various features of microgiving in future research.

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<sup>34</sup> See <https://charity.ebay.com/>

<sup>35</sup> See <https://www.walmart.com/registry/registryforgood>

<sup>36</sup> See [https://h5charity.vip.com/rule.html?source\\_from=01](https://h5charity.vip.com/rule.html?source_from=01)

<sup>37</sup> See <https://smile.amazon.com/charity?orig=%2F>

While analyzing these alternative programs is beyond the scope of our study, we wish to provide some brief remarks on the *Amazon Smile* (AS) program, which is scheduled to be discontinued in 2023 after it failed to meet its expected impact. At first glance, the design of the AS program appears similar to gybb, where a small portion of the transaction price is converted to a donation. However, there are several crucial differences between the AS program and gybb. In particular, to participate in the AS program, consumers must go through extra steps, including using a separate website from the main Amazon portal and selecting charity foundations from a vast list of eligible options. These extra requirements reduce the “naturalness” of the program, as consumers have to perform additional actions they wouldn’t have to in normal Amazon shopping. Although the setup may only need to be done once, it could be enough of a barrier to discourage many consumers from participating.

By placing the burden on consumers, the AS program also misses out the opportunity to leverage seller incentives. A crucial aspect of the gybb incentive is that sellers are motivated to link their products to the program in the hopes of attracting consumers who care about charitable causes. Even if the sellers later discover that participating doesn’t significantly increase revenue, they rarely unsubscribe as participation gives them a warm glow value at extremely low cost. Our research shows that this is a critical incentive mechanism that supports microgiving in the long term, and it is absent from the AS program design.

## **7. Discussion and Conclusion**

### **7.1. Warm Glow and Substitution with *Active* Donations**

An important question in the study of charitable giving is whether donations to a new initiative may substitute donations to existing ones. Our setting is related to the concept of a “impure public good” where the provision of public good (donation) is bundled with consumption of a private good. In theory, provision of public good using bundled products may completely replace private provision of public goods (Bergstrom, Blume, and Varian, 1986) and, depending on the degree of substitutability between the public good provision and private consumption, introducing bundled products may even reduce the overall level of public goods (Kotchen, 2006). Previous empirical research has produced mixed findings (e.g., Meier, 2007; Landry et al., 2010, Lacetera, Macis, and Slonim, 2012; Meer, 2017; Filiz-Ozbay and Uler, 2019; Petrova et al., 2020; Adena and Hager, 2020; Chatterjee et al., 2020; Deryugina and Marx, 2021; Scharf, Smith, and Ottoni-Wilhelm, 2022; for a recent review, see Gee and Meer, 2020). We implement a test of substitution, analyzing whether sellers’ active contributions to the Alibaba Online Charity Store (OCS)

program, as recorded in their consumption account data, changed after gybb participation. As we described in Section 4.2, OCS employs the conventional fundraising method and depends on one-off, active donations made by consumers.

We repeat the event study regression of equation (5) but replace the outcome variable with the donations made to the OCS program per 1,000 sellers. Figure 14 plots the  $\beta_{\tau}$  coefficients. Contrary to substitution, we observe a transitory *increase* in OCS donations after gybb participation (e.g., an increase of donation by about 1 per 1,000 sellers from an average rate of 0.8 donations per 1,000 sellers).

The finding that sellers increase active donations after gybb participation casts more light on the motivations behind microgiving. Note that the OCS program is exclusively aimed at consumers; when sellers donate to the program, they do not receive any recognition from the platform that could benefit their business. In other words, OCS donations can be viewed as being made without any revenue-seeking motive. One potential explanation for the pattern in Figure 14 is that, gybb participation indeed provides warm glow and serves as a reminder of the joy of giving, which prompts the seller to engage in more active donation as well.

This finding also supports the notion that active donations often rely on “prompts,” which helps explain why it’s challenging to establish and maintain recurring donations (see discussion in Section 5.3). As shown in Figure 14, the increase in OCS donations is rather transient, and roughly 3 months after gybb participation, sellers’ active donations have returned to their pre-gybb levels.

## 7.2. Welfare Implications

Are there circumstances under which the microgiving program *reduces* welfare? We consider two possible scenarios in this section. The first scenario is if sellers’ decisions to subscribe or unsubscribe from the program are influenced by frictions. For example, if sellers falsely believe that participating in the program will boost their revenue and/or fail to cancel subscription due to decision inertia, it could negatively impact well-being. We note, however, that the order of magnitude of the welfare implications being considered here is likely extremely small due to the small size of the donations – typically less than 0.05% of the revenue from subscribed products. Additionally, our interviews and the analysis of seller’s consumption habit suggest that charity subscriptions are partly sustained by warm glow (Section 5.5). If sellers have an intrinsic preference for charitable actions, the program may *improve* well-being by providing access to a novel donation mechanism with low donation threshold, which is typically not available in conventional settings.

The second scenario of welfare reduction is if the charity label distorts consumer choice, such as when sellers use it to promote overpriced or low-quality products that consumers would not otherwise choose. Our empirical evidence does not support this scenario: rather than leveraging the charity link to promote products with short sales records or those that are particularly expensive, sellers promote products that were already very popular prior to gybb subscription (Section 5.2).

In the presence of significant distortion, we would also expect to see notable shift in the product's consumer base. However, we do not observe any significant changes in the basic characteristics of consumers for charity-linked products, as measured by basic characteristics such as age, gender, and purchasing power. Instead, our evidence that subscribed product attracts more consumers who generally prefer to purchase gybb-linked products suggests that the program may *improve* welfare for some consumers by providing an additional channel to support charitable causes.

It is also important to consider the primary beneficiaries of the program – the charitable foundations – when discussing welfare implications. Through our study period, the gybb program has fulfilled fundraising objectives for nearly 200 charitable projects. Appendix A.3 documents our conversations with directors of two charitable foundations whose projects have received donations from the gybb program. Their comments largely echo our observations about three key advantages of gybb's microgiving model over traditional fundraising mechanisms: the speed of fundraising, the stable flow funds, and the reduced burden in donor outreach:<sup>38</sup>

*“[The gybb program] is very stable and very fast in fund raising. We raised 5 million yuan for our projects in two to three months, which would have been really difficult to achieve through alternative venues.”*

*“We don't have to do much, and we just 'automatically' get donations from the sellers once we are listed on the gybb program...it would be a lot more costly to find donors ourselves in the real world.”*

One charity director mentioned that the gybb program is a significant source of the charity's overall fundraising. Consistent with our analysis in Section 4.2, the gybb program generates funds much more efficiently than the Charity Store program:

*“About 30%-40% of the total revenue of our foundation may come from gybb. Funds raised through the Charity Store program are limited because you need many one-off donors, which is difficult.”*

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<sup>38</sup> With lower fundraising expenses, charities could allocate more resources to improve their programs and fulfill their missions. The low-cost gybb fundraising scheme may help program ranking as well, as charity rankings often discount a program's total expenditure on promoting its programs. For an example, see: <https://www.charitywatch.org/our-charity-rating-process>

The success of the gybb program also ties closely to its stringent regulation, including the requirements for the charities to produce monthly reports to the platform and the donors, to conduct separate book-keeping about funds received from the program, and to have a third party auditing the charities' overall accounts:

*“The cost of fundraising is really low because sellers trust the platform ... [the gybb program] has the most strict requirements among all similar programs. It established a joint evaluation system and required charities to provide reports every month.”*

*“I would say it is not easy to meet the high standards of [the gybb program]. We put all of our projects on Alibaba Charity Store and only some of our best projects get to be listed on gybb.”*

Finally, like we learn from the interviews with sellers, one charity interview included an anecdote that suggests a mixture of profit and pro-social motives underlying sellers' decision to participate in the gybb program:

*“Sellers expected that gybb may help increase sales. But I think that along the way [the gybb program] brought them closer to philanthropy and cultivated trust on charitable causes overall. We have received messages from sellers like ‘I grew up in countryside myself, and I want to give back to those kids.’ They also expressed a lot of expectations for our projects.”*

### **7.3. Concluding Remarks**

Analysis of participation in the gybb program on the most widely used online marketplace in China provides several insights on the key components of microgiving that underpin its success as a new model of charity fundraising. First, the expected donation quantity is extremely low. Any user is able to engage in philanthropy with such an extremely marginal contribution. Second, donor retention is high. The program uses a subscription mechanism so that sellers only need to make a one-time decision; subsequent contributions then occur automatically as transactions that are linked to the program occur. These two features – a minuscule contribution and an ongoing subscription begun with a single decision – yield a high donor-retention rate. This combination helps the program generate charitable funds that are robust to business shocks. Third, search costs associated with donating are low. A key feature of the program is that the Alibaba platform takes on the job of screening trustworthy charities so that donors do not have to do the search themselves. The platform in effect plays an intermediary role in both screening the charities on behalf of potential donors, and reaching out to potential donors on behalf of charities that would otherwise need to conduct outreach. Fourth, a recognition mechanism – in this case, a charity label posted online for participating products – creates small but meaningful incentives for users to be engaged.

Our research shows that these forces jointly create a self-fulfilling incentive for platform sellers to engage in charitable giving: intense competition motivates sellers to link their products to charity, even though the signaling value of the charity link is likely small due to the tiny donation amounts; however,

because the donation amounts are tiny, the financial stakes are low enough that few sellers withdraw even if the charity link has limited impact on revenue. Potential “warm glow” value of giving further reinforces the stability of program participation. Together, the microgiving scheme is able to capitalize on the large volume of naturally occurring transactions on the platform and accumulate tiny donations to a substantial sum. We hope our analysis casts light on the possibility of integrating microgiving in other digital platforms, especially those that also feature frequent transactions and product competition.

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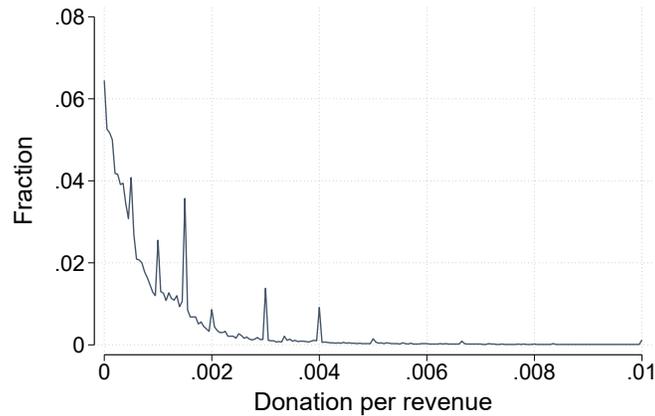
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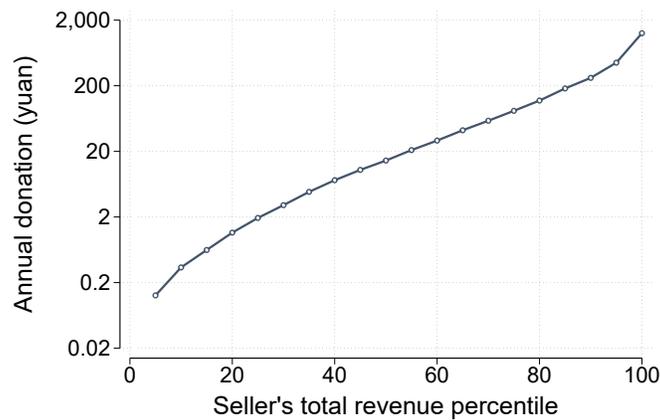
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Figure 1. Fundraising outcomes of the gybb program

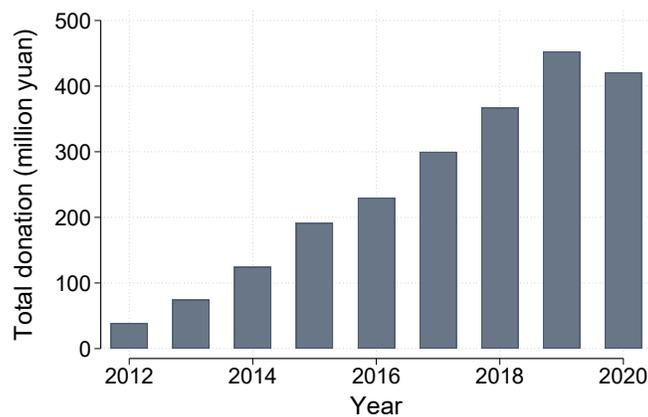
A. Donation per unit of revenue



B. Average annual donation per seller, by revenue percentiles



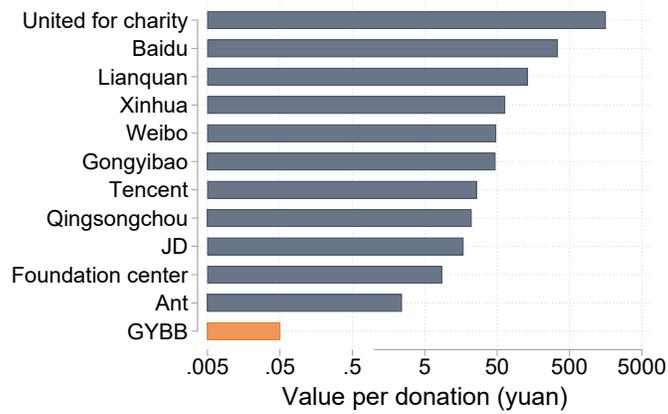
C. Platform-wide donation generated



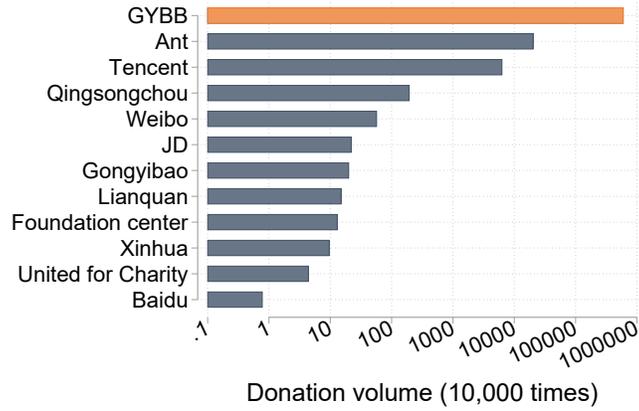
Notes: Panel A plots distribution of donation per unit (yuan) of revenue among all gybb products. The median is 0.0005 yuan per yuan revenue (mean=0.0017 yuan). Panel B plots average donation among users grouped by ventiles bins of annual revenue distribution. For example, the average user at the top 5% of the revenue distribution donated an average 1,263 yuan per year as a result of participating in the charity program. Panel C plots total platform-wide donation from the charity program. Note our study period spans 2018-2020. Aggregate statistics for earlier years are provided by Alibaba.

Figure 2. Comparison with all 11 other online fundraising platforms

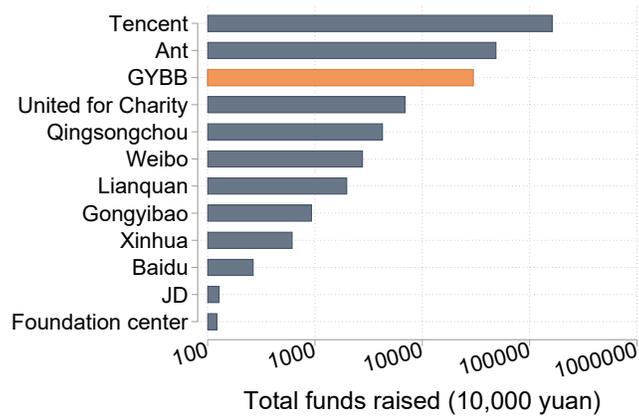
A. Value per donation



B. Donation volume



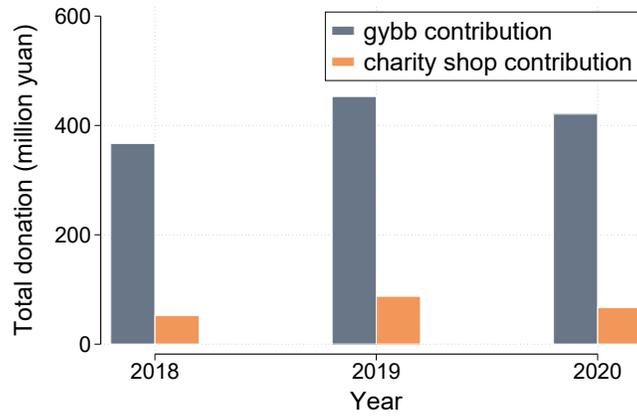
C. Total funds generated



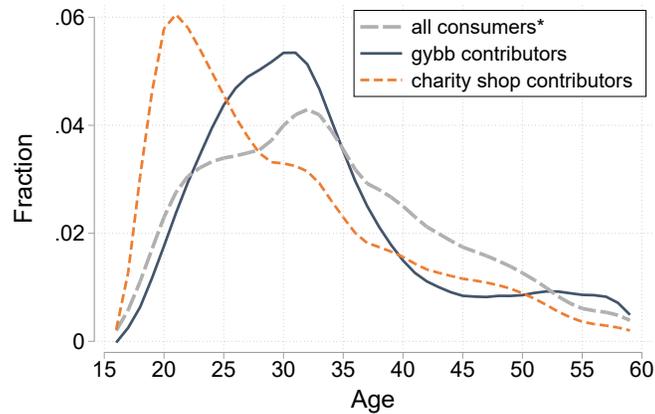
Notes: Data are sourced from China Philanthropy Times and reflect conditions in year 2017. Panel A plots average value per donation. Panel B plots total donation volume of the year. Panel C plots total charitable funds raised. Axes are in log scale to improve readability.

Figure 3. Comparison with Alibaba Charity Stores

A. Total contributions



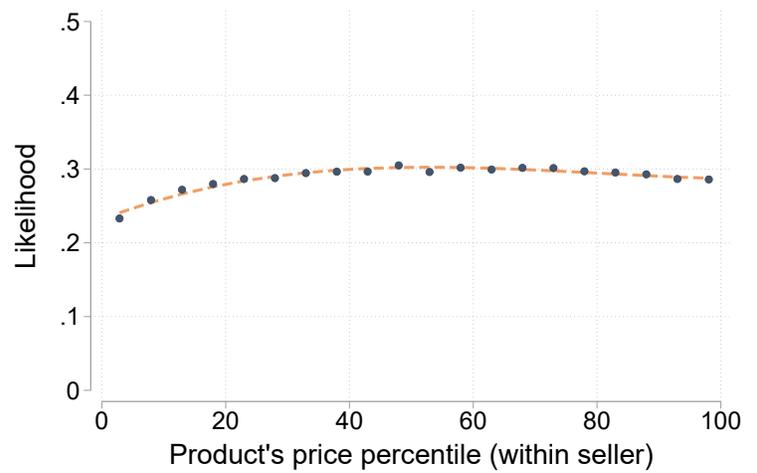
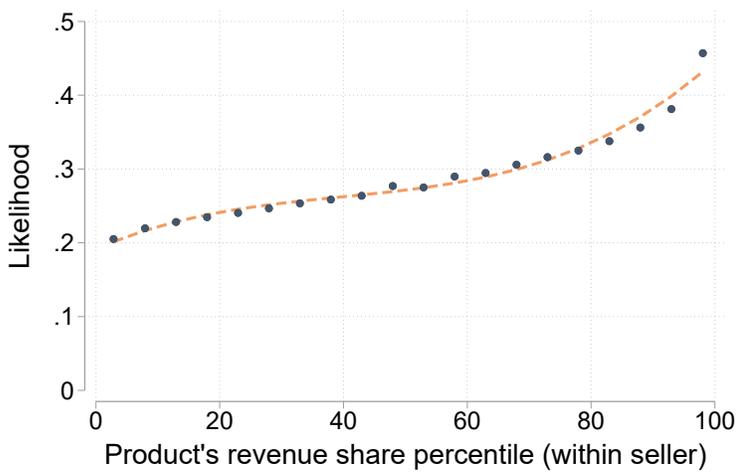
B. Age distribution of contributors



Notes: \* "all consumers" include all consumers who ever made any purchases from any sellers in the Product-Buyer File. "charity shop contributors" include the universe of consumers who contributed to Alibaba charity stores between 2018-2020. "gybb contributors" include all gybb sellers in our study sample.

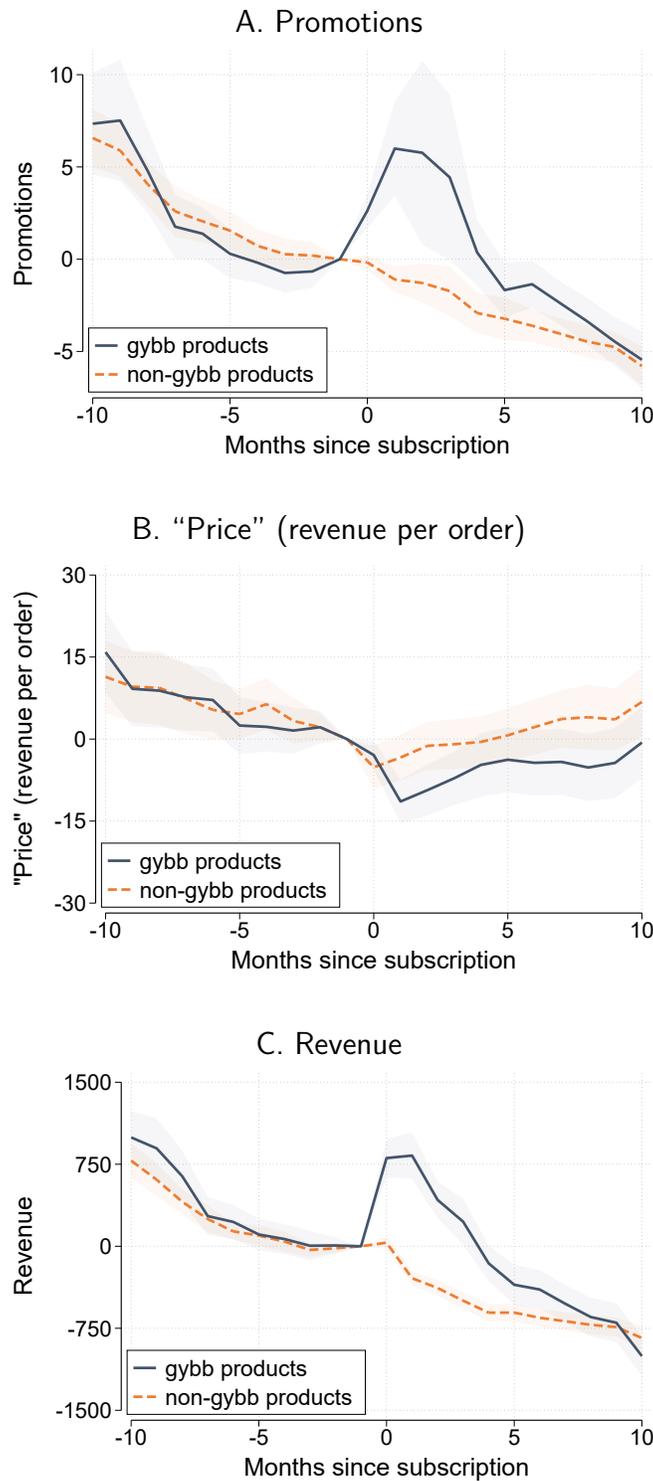
Figure 4. What products do sellers link to charity:

Subscription concentrates among products that sold very well (L) but not particularly cheap or expensive (R)



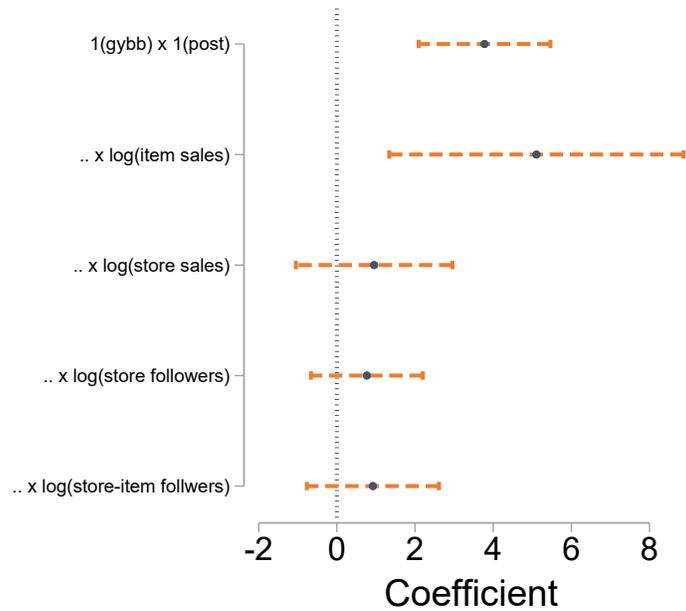
Notes: Left panel shows likelihood of a product's gybb participation as a function of its ranking of revenue share for the seller; 100 means the product brings the most revenue among all products of the seller. Right panels shows likelihood of a product's gybb participation as a function of its average price (measured by revenue per transaction); 100 means the product is the most expensive product offered by the seller.

Figure 5. Sellers' timing for charity subscription is strategic



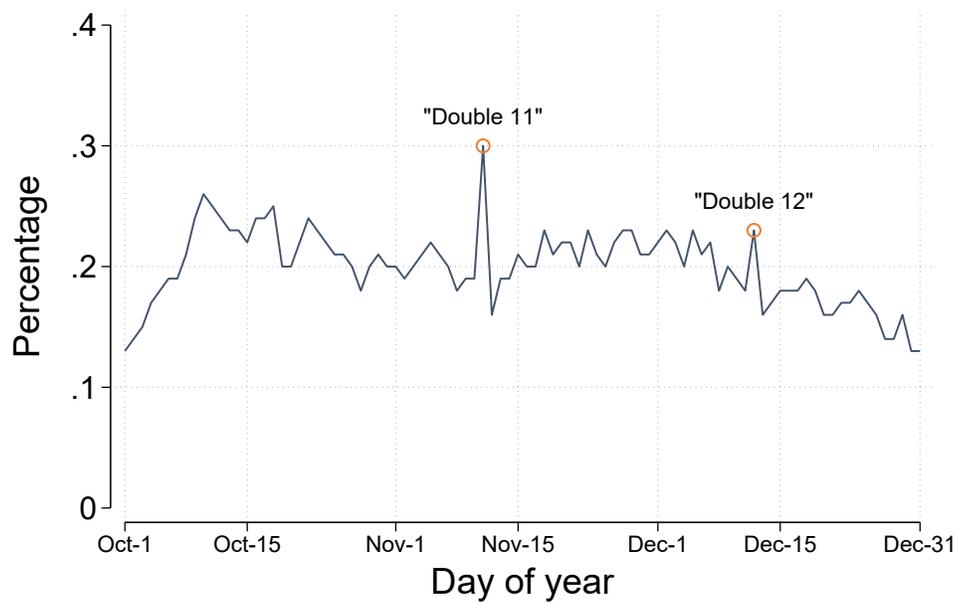
Notes: This figure shows trends in product's intra-month price promotions (panel A), revenue per order (panel B), and revenue (panel C) as a function of months relative to gybb subscription. For the "gybb products" group, event time 0 corresponds to the first month when any sales of the product contributed to gybb charity. "non-gybb products" group consists of products from the same seller that also had sales at the switching months (i.e., the set of months when products in the other group started gybb subscription), but had never themselves contributed to gybb throughout the study period. For both gybb and non-gybb groups, we restrict to active products that already had sales at or earlier than 10 months before event time 0. Outcome variables are normalized to zero for event month -1. Regressions are run separately for gybb and non-gybb groups, and include no fixed effects control variables. See Appendix Figure B.9 for difference-in-differences event study regressions with full sets of controls. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level.

Figure 6. What products do sellers promote following gybb participation:  
Price promotions concentrate among products that sold very well pre-gybb



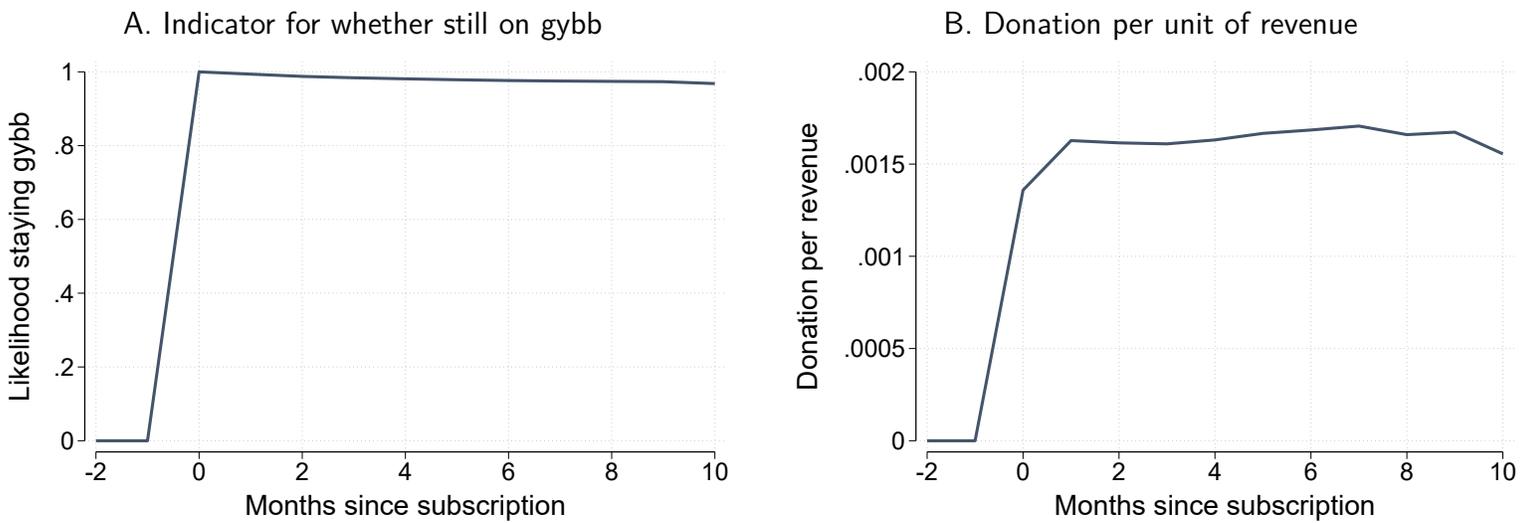
Notes: Each bar represents coefficient from a separate regression. The first row repeats the baseline DD estimate on changes in product promotion following gybb participation, corresponding to equation 6. The rest of the rows show three-way interaction coefficients from equation 7, where the  $1(\text{gybb}) \times 1(\text{post})$  are fully interacted with a measure of the product's (or the store's) pre-gybb characteristics. "log(item sales)" is log total number of transactions of the item. "log(store sales)" is log total number of transactions of all items of the seller. "log(store followers)" and "log(store-item followers)" are log total number of consumers who had followed the seller or the item. Range bars show 95% confidence intervals constructed using standard errors clustered at the seller level.

Figure 7. Seller gybb participation rates spike on consumption holidays



Notes: This figure plots the distribution of seller's first gybb subscription date by day-of-year between October and November. Data are pooled for 2018-2020. The two highlighted spikes correspond to the November 11th Singles Day shopping festival and the December 12th spin-off.

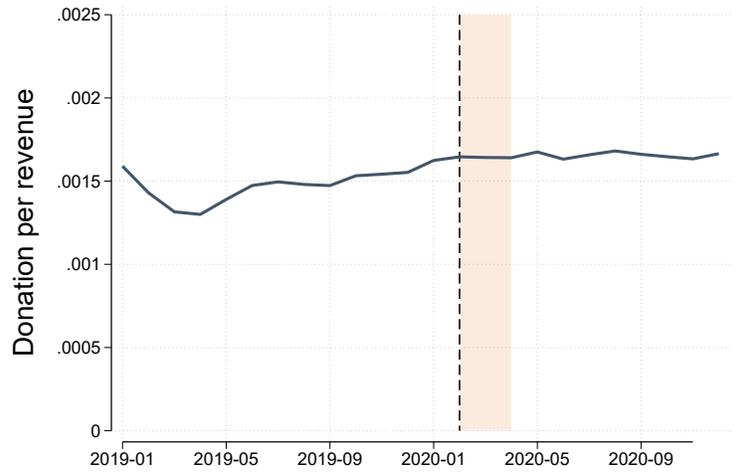
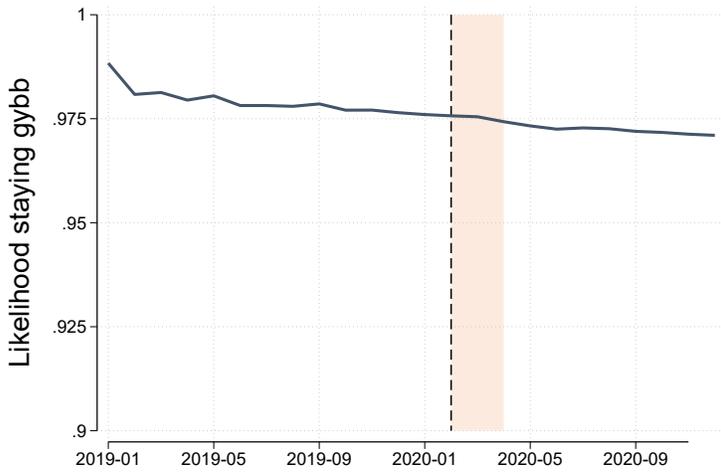
Figure 8. Sellers rarely cancel subscription or change how much to contribute



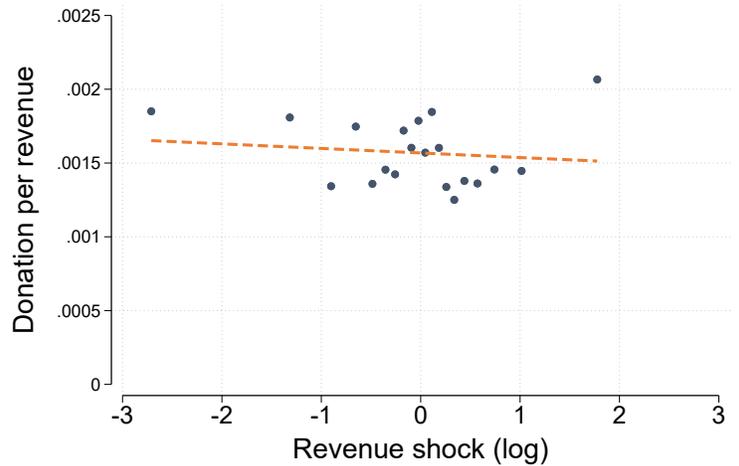
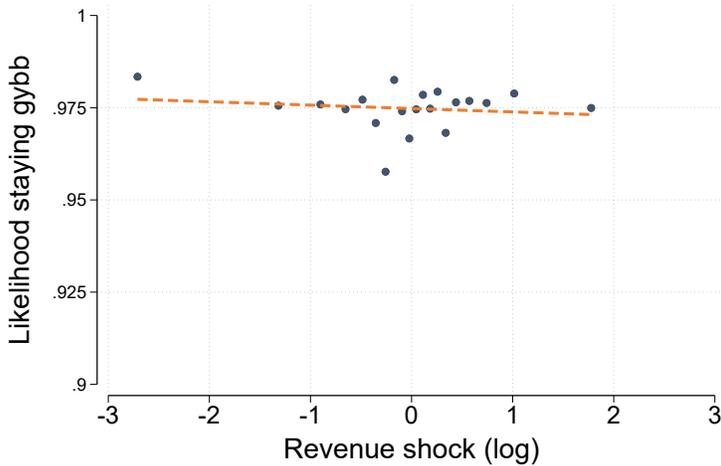
Notes: This figure plots gybb subscription status (left) and contribution-per-revenue metric (right) as a function of months relative to a product's gybb subscription. For both outcomes, coefficients prior to (and including) event month -1 are mechanically zero. Regressions include no control variables.

Figure 9. Contribution is robust against business shocks

A. COVID-19 shutdowns

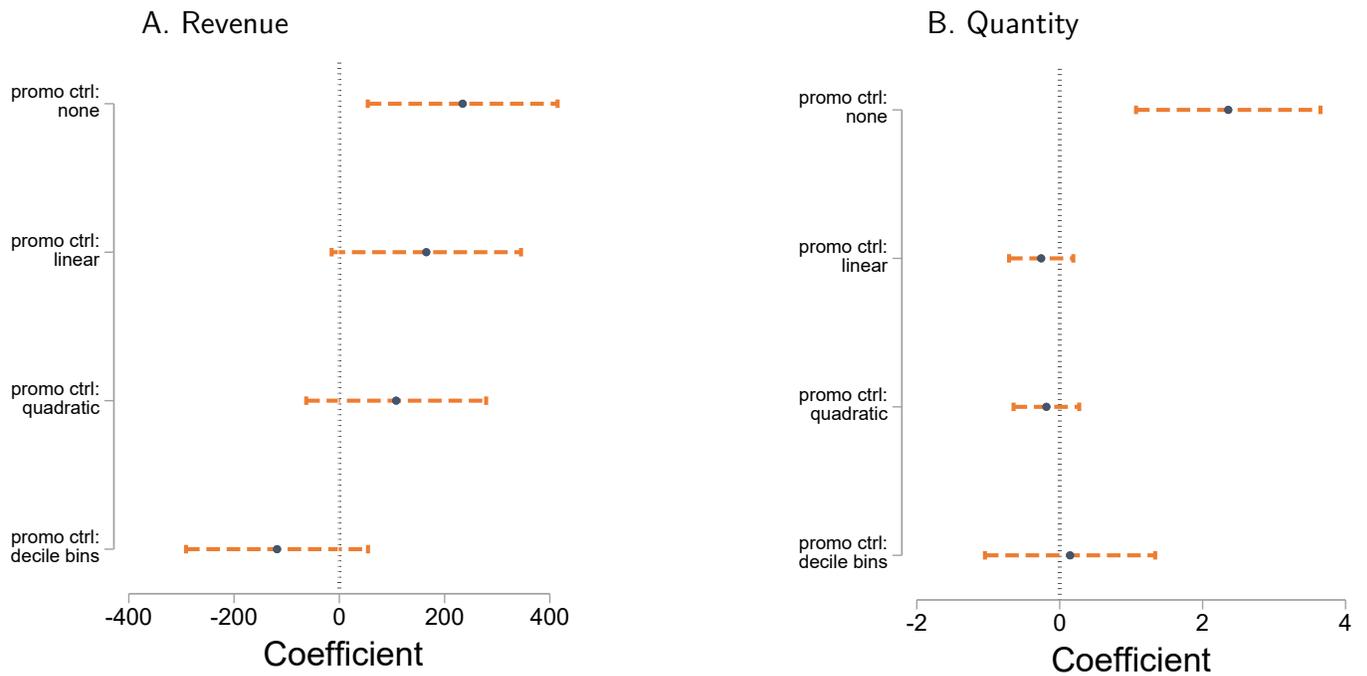


B. Revenue shocks more generally



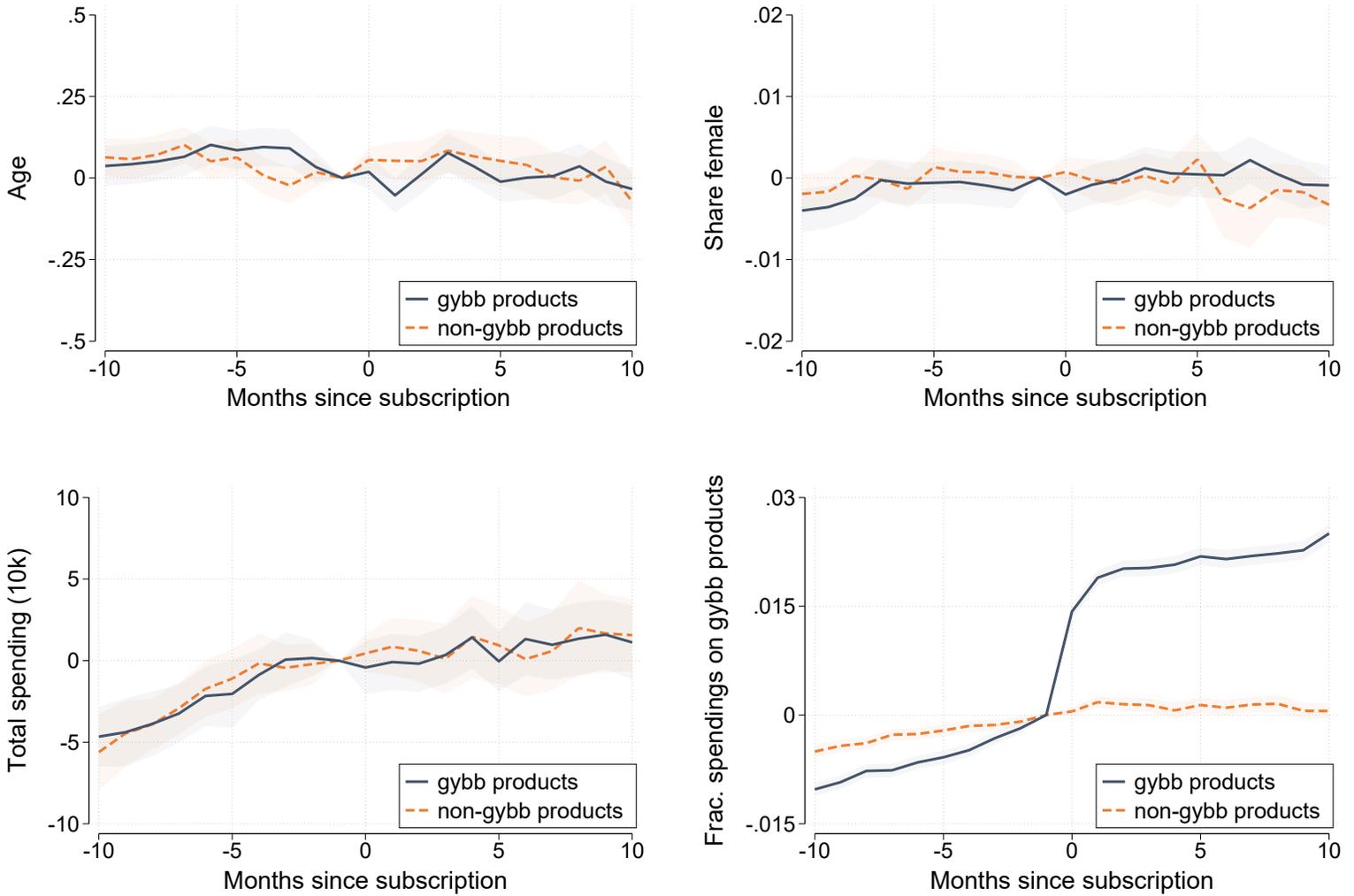
Notes: Sample restricts to periods from one month after products' gybb subscription (i.e., the portion of the event study sample in Figure 6 with event month greater or equal to 1). Panel A plots gybb subscription status (left) and contribution-per-revenue metric (right) as a function of time. The vertical dashed line marks the initial outbreak (January 23, 2020 Wuhan lockdown) followed by a shaded area that spans until April 8th, 2020 which covers the covid shutdowns for most Chinese cities. Panel B plots a ventile binscatter of gybb subscription status (left) and contribution-per-revenue metric (right) as a function of within-seller log revenue shocks. See text for more details about the construction of revenue shocks. Dashed lines are simple OLS regression lines.

Figure 10. Revenue effect estimates controlling for product promotions:  
 Revenue increases after gybb participation are largely explained by changes in promotions



Notes: Each bar represents the difference-in-differences coefficient estimate from a separate regression. “promo ctrl: none” is the baseline estimate without controlling for promotions (repeating Table 1). The rest of the chart presents estimates after controlling for linear, quadratic, and decile bins of promotions. Outcome variables are product sales revenue (panel A) and number of orders (panel B). Bars show 95% confidence interval constructed using standard errors clustered at the seller level.

Figure 11. Evidence on a consumer preference for charitable products:  
Change in product buyers' characteristics



Notes: This figure shows trends in product buyers' age (UL), share female (UR), 2018-2020 total spending (LL), and 2018-2020 share of total spending on gybb-listed products(LR) as a function of months relative to gybb subscription. For the "gybb products" group, event time 0 corresponds to the first month when any sales of the product contributed to gybb charity. "non-gybb products" group consists of products from the same seller that also had sales at the switching months (i.e., the set of months when products in the other group started gybb subscription), but had never themselves contributed to gybb throughout the study period. For both gybb and non-gybb groups, we restrict to active products that already had sales at or earlier than 10 months before event time 0. Outcome variables are normalized to zero for event month -1. Regressions are run separately for gybb and non-gybb groups, and include no fixed effects control variables. See Appendix Figure B.11 for difference-in-differences event study regressions with full sets of controls. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level.

Figure 12. Interview excerpts



**Seller A**  
**Sector:** beauty products  
**Monthly revenue:** between 300k – 700k yuan

**How did you learn about the program:** saw the option by chance when putting up products.

**Why donate:** like the look of the gybb product label; want to be involved in charitable causes; gybb donation costs little for the seller, but can mean a lot for those in need.

I mostly make donations through large platforms including Alipay, Tencent, and Taobao; have less trust for offline donation venues; donation is often intermittent, occurring when there were events (that caused emergent needs for charitable giving, such as natural disasters); people have little idea where to find trustworthy charities even if they wanted to donate money; the gybb program makes charitable giving a convenient and everyday practice.

**Would you unsubscribe if sales aren't great:** no, donation amount is small, and I do not make donations when no sales occur anyways.

**Did participation help improve sales:** unknown – didn't pay attention; consumers probably do not care.



**Seller B**  
**Sector:** processed food  
**Monthly revenue:** about 1 million yuan

**How did you learn about the program:** saw the gybb option by chance when putting up products.

**Why donate:** initially hoping to gain consumer traffic benefits and be able to contribute to charity at the same time; believed the gybb label may give consumers a good impression; trusts Alibaba's choice of charitable foundations.

**Would you unsubscribe if sales aren't great:** no, total contributions too small to matter.

**Did participation help improve sales:** little if any influence on sales; haven't paid attention for a while; consumers probably do not notice; but when I choose between similar products to buy, I tend to go with the one that makes gybb contributions.



**Seller C**  
**Sector:** baby products  
**Monthly revenue:** over 10 million yuan

**How did you learn about the program:** saw the option by chance when putting up products.

**Why donate:** social responsibility; being involved in charitable causes is important for brand image especially in my industry; highly agree with the gybb program's charitable approach (small amount per person, big effect in total); trust Alibaba's choice of charitable projects.

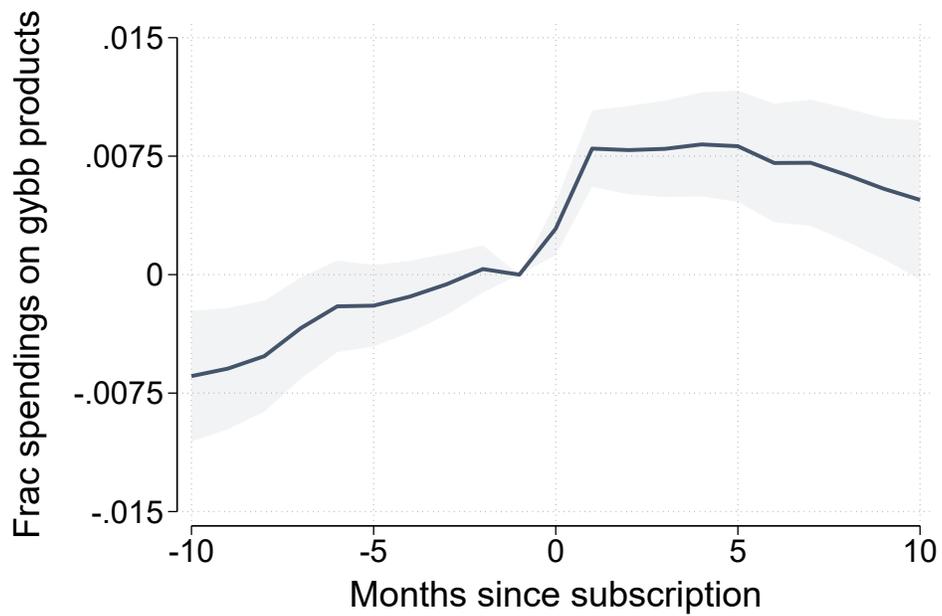
It would be a good idea for Alibaba to urge more large brands to participate in gybb, which can serve as role models and motivate many more firms to contribute as well.

**Would you unsubscribe if sales aren't great:** no, having been donating 0.02 yuan per transaction for >80% of my listed products and did so for many years; would probably consider donating more to help the society in bad economic times.

**Did participation help improve sales:** probably but not sure; consumers may prefer products with a charity linkage.

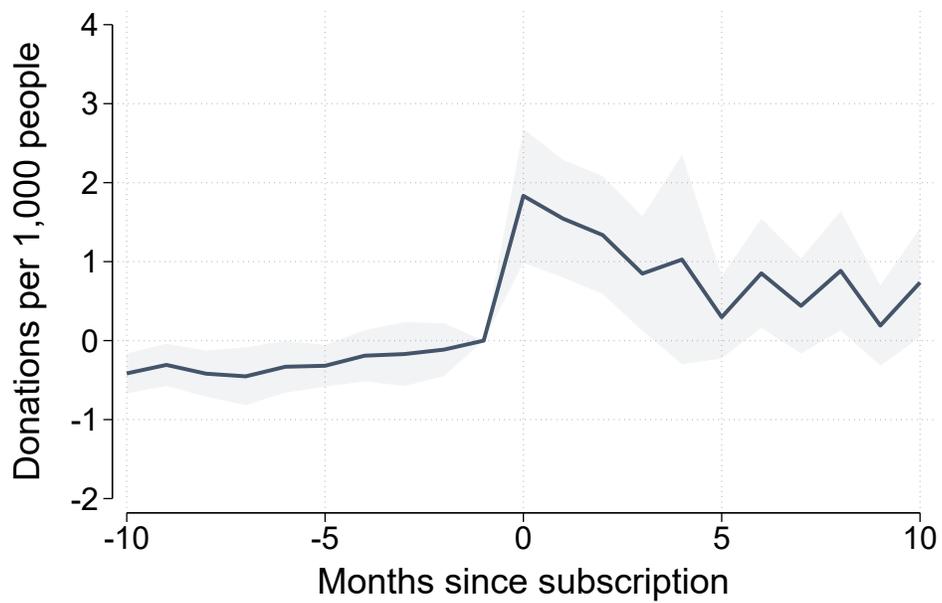
*Notes:* This graph shows selected response from three gybb participating sellers we interviewed. Detailed interview data are provided in Appendix A.1.

Figure 13. Evidence on a preference for charitable actions:  
Sellers themselves buy gybb products more



*Notes:* This figure shows sellers' own Alibaba spending share towards gybb-listed products as a function of time relative to the first month any of their products contributed to gybb. Event month -1 is normalized to zero. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level.

Figure 14. Evidence on a preference for charitable actions:  
Sellers increase active donations under the Online Charity Store program



*Notes:* This figure shows sellers' active donation to the Alibaba Online Charity Store program as a function of time relative to the first month any of their products contributed to gybb. Event month -1 is normalized to zero. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level.

Table 1. Difference-in-differences estimates

|   | (1)<br>mean | (2)<br>$\beta$ /(se)<br>[WY- $p$ ] | (3)<br>$\beta$ /(se)<br>[WY- $p$ ] | (4)<br>$\beta$ /(se)<br>[WY- $p$ ] |
|---|-------------|------------------------------------|------------------------------------|------------------------------------|
| <b>A. Changes in seller activity</b>      |             |                                    |                                    |                                    |
| promotions                                | 13.2        | 3.68<br>(0.86)<br>[<0.01]          | 3.66<br>(0.86)<br>[<0.01]          | 3.78<br>(0.86)<br>[<0.01]          |
| “price”                                   | 260.8       | -11.3<br>(2.47)<br>[<0.01]         | -11.2<br>(2.47)<br>[<0.01]         | -10.3<br>(2.47)<br>[<0.01]         |
| revenue                                   | 1,840       | 224.6<br>(90.0)<br>[0.04]          | 224.4<br>(90.8)<br>[0.04]          | 234.4<br>(92.0)<br>[0.03]          |
| <b>B. Changes in consumer composition</b> |             |                                    |                                    |                                    |
| age                                       | 36.8        | -0.032<br>(0.031)<br>[0.43]        | -0.037<br>(0.031)<br>[0.43]        | -0.023<br>(0.032)<br>[0.55]        |
| female                                    | 0.455       | 0.0016<br>(0.0011)<br>[0.41]       | 0.0016<br>(0.0011)<br>[0.41]       | 0.0014<br>(0.0011)<br>[0.37]       |
| 3-y spending (10k)                        | 20.1        | -1.38<br>(1.18)<br>[0.43]          | -1.38<br>(1.18)<br>[0.43]          | -1.88<br>(1.22)<br>[0.36]          |
| 3-y %spending on gybb                     | 0.285       | 0.024<br>(0.0006)<br>[<0.01]       | 0.024<br>(0.0006)<br>[<0.01]       | 0.024<br>(0.0006)<br>[<0.01]       |
| Product fixed effects                     |             | ✓                                  | ✓                                  | ✓                                  |
| Month-of-year fixed effects               |             |                                    | ✓                                  |                                    |
| Month-of-sample fixed effects             |             |                                    |                                    | ✓                                  |
| Group fixed effects                       |             |                                    |                                    | ✓                                  |

Notes: This table reports the difference-in-differences ( $\beta$ ) estimates of equation (6). The corresponding event study estimates are in Figure 6 and Figure 13. Each cell corresponds to a separate regression. The outcome variables are indicated by row names. Standard deviations are reported in brackets. Standard errors are clustered at the seller level. Family-wise adjusted  $p$ -values based on the step-down resampling procedure of Westfall and Young (1993) are in brackets.

## Appendix A.1. Theory Model Details

In this section, we provide more details and proofs of the stylized microgiving model in Section 3. Recall that, under the general setup, the utility maximization problem of the agent is

$$\begin{aligned} & \max_{C_i, D_i} U(C_i, D_i; \theta_i) \\ & \text{s. t. } C_i + D_i + \mathbb{I}_{D_i > 0} \cdot FC \leq E_i \end{aligned}$$

with the following regularity conditions:

### Assumption 1:

$$U_C(\cdot) > 0; U_D(\cdot) > 0; U_{CC}(\cdot) < 0; U_{DD}(\cdot) < 0; U_{CD}(\cdot) = U_{DC}(\cdot) \geq 0$$

### Assumption 2:

$$\lim_{d \rightarrow 0} U_D(e - d, d; \theta) - U_C(e - d, d) \rightarrow +\infty$$

$$\lim_{d \rightarrow e} U_D(e - d, d; \theta) - U_C(e - d, d) \rightarrow -\infty$$

$U_D(e - d, d; \theta) - U_C(e - d, d)$  is decreasing in  $d$ , i.e.

$$-2U_{CD}(e - d, d) + U_{DD}(e - d, d; \theta) + U_{CC}(e - d, d) < 0 \quad \forall 0 \leq d \leq e$$

We now show that a default option of donating a small quantity  $d$  expands the set of agents who will choose to donate, compared to the baseline scenario where the agent needs to both decide whether and how much to donate.

**Proposition 1:** Those who decided to donate  $D_i^* > 0$  under the traditional fundraising scheme, when prompted to donate a fixed amount  $d < D_i^*$ , will agree to make such a donation.

**Proof:** First, we show that  $D_i^*$  increase in  $(E_i - FC)$  as a **Lemma**.

Because  $D_i^*$  is the solution that satisfies

$$U_D[(E_i - FC) - D_i^*, D_i^*; \theta_i] - U_C[(E_i - FC) - D_i^*, D_i^*] = 0$$

By the implicit function theorem

$$\frac{dD_i^*}{d(E_i - FC)} = -\frac{U_{CD}(\cdot) - U_{CC}(\cdot)}{-2U_{CD}(\cdot) + U_{DD}(\cdot) + U_{CC}(\cdot)} > 0$$

**Assumption 1** ensures  $U_{CD} \geq 0, U_{CC} < 0$  and **Assumption 2** ensures the denominator to be strictly negative. As a result, the derivative is strictly positive.

Now we prove **Proposition 1** by contradiction. Suppose that there exists agent  $i$  who is willing to donate at  $D_i^*$  but does not want to donate when  $d < D_i^*$ . We would observe the following inequalities

$$U(E_i - d, d; \theta_i) < U(E_i, 0) < U(E_i - FC - D_i^*, D_i^*; \theta_i) < U(E_i - D_i^*, D_i^*; \theta_i)$$

Define  $G(x; E_i) = U(E_i - x, x; \theta_i)$ , from Assumption 2, we have

$$\frac{dG(x; E_i)}{dx} \Big|_{x \rightarrow 0} > \frac{dG(x; E_i)}{dx} \Big|_{x=D_i^*} > 0$$

Here  $\frac{dG(x; E_i - FC)}{dx} \Big|_{x=D_i^*} = 0$ , and since  $E_i - FC > E_i$ , together with Lemma and Assumption 2, we have

$$\frac{dG(x; E_i)}{dx} \Big|_{x=D_i^*} > 0.$$

From Assumption 2, for all  $0 < x \leq D_i^*$ , we have  $\frac{dG(x; E_i)}{dx} > 0$ . That is,  $G(x; E_i)$  is monotonic increasing in  $x$ . However, this contradicts  $G(d; E_i) < G(0, E_i)$  while  $d > 0$ . ■

The seller variant model is

$$\begin{aligned} \max_{M_i, D_i} \tilde{U}(M_i, D_i; \theta_i) &= U[\pi(M_i, D_i)] + \theta_i \cdot V(D_i) \\ \text{s. t. } M_i + D_i + \mathbb{I}_{D_i > 0} \cdot FC &\leq E_i \end{aligned}$$

Note that Proposition 1 and its proof carries over to this model variant, where one simply replaces  $C_i$  with  $M_i$  and  $U(\cdot)$  with  $\tilde{U}(\cdot)$ . The exact regularity conditions we need for the seller model are the following:

**Assumption 3:**

$$U' > 0; V' > 0; U'' < 0; V'' < 0; \pi_M > 0; \pi_D \geq 0; \pi_{MM} < 0; \pi_{DD} \leq 0; \pi_{MD} \geq 0$$

**Assumption 4:**

$$\lim_{d \rightarrow 0} \theta V'(d) + U'(\pi(e - d, d))\pi_D(e - d, d) - U'(\pi(e - d, d))\pi_M(e - d, d) \rightarrow +\infty$$

$$\lim_{d \rightarrow e} \theta V'(d) + U'(\pi(e - d, d))\pi_D(e - d, d) - U'(\pi(e - d, d))\pi_M(e - d, d) \rightarrow -\infty$$

$$\theta V'(d) + U'(\pi(e - d, d))\pi_D(e - d, d) - U'(\pi(e - d, d))\pi_M(e - d, d) \text{ is decreasing in } d$$

The new insight we get from the seller variant model is the positive effect of a potential “charity premium” on charitable participation, which is a straightforward conclusion that we state and prove below.

**Proposition 2:** A positive link between charitable donation and sales revenue increases seller donation participation.

**Proof:** For any given amount of donate  $d$  set by the platform, if the participation does not bring extra profits (the profit function is denoted as  $\pi^1$ ), then the marginal donor who is indifferent between

conducting donation or not must have his/her  $\hat{\theta}_1$  satisfying

$$U[\pi^1(E_i - d, d)] + \hat{\theta}_1 V(d) = U[\pi(E_i, 0)]$$

Now consider the case where the charity participation would bring positive profits, or equivalently, consider  $\pi^2(m, d) \geq \pi^1(m, d)$  where the equality is realized only when  $d = 0$ . In this case, we have

$$[\pi^2(E_i - d, d)] + \hat{\theta}_1 V(d) > U[\pi^1(E_i - d, 0)] + \hat{\theta}_1 V(d) = U[\pi(E_i, 0)], \forall d > 0$$

That is, the marginal donor would strictly prefer to make a donation. ■

## Appendix A.2. Sellers' Comments

### **Seller 1: pet supplies sector, annual revenue 30 million yuan**

#### *Q: Initial motivations to opt in*

*A:* I first knew gybb in 2013 through advertising of Taobao. Taobao told sellers that gybb items will be displayed with labels when consumers search for certain kind of products on Taobao. Initially I thought it would increase sales of my products. That was the main reason why I joined this program. Most of the items that we sell are labelled as gybb all the time ever since listed. Sometimes I choose to label items as gybb when I offer discounts.

#### *Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* The donation proportion I set for each item is the default minimum level. I can accept a maximum of 3% of the item's price per deal. Meanwhile, I still participate in philanthropy in other ways. For example, I often donate to charities that help street dogs and cats.

#### *Q: Post opt-in experience and whether to opt out*

*A:* Although I initially thought gybb would increase sales revenue, we didn't find it actually help after we joined gybb. I feel consumers don't really care about whether an item has the gybb label, neither do I when I shop online myself. But I am still going to continue supporting gybb because it gives me a positive feeling that sales will increase with gybb label. However, if the profit shrinks, we may want to quit gybb. We cancelled gybb for some items. I don't take gybb as the primary way of charity participation, so that I don't have much feeling of giving when I donate through gybb. It also doesn't change my devotion to charity through other ways.

#### *Q: General reviews of gybb and suggestions*

*A:* I don't trust the charities because there are lots of negative news about online giving. I don't know much about how my donation is used, and I have no idea about the progress of their projects. I also don't think the charities who receive donation from gybb will use their fund properly.

The problem of gybb is that consumers do not pay enough attention to it, so that sellers are not motivated. I think Taobao needs to do more advertisement about sellers donating. For example, publishing a ranking of donations made by sellers. It can help consumers become more aware of sellers' contributions. I have participated in a charity project in Juhuasuan and the platform put my store on the news. I was happy about that.

### **Seller 2: garment sector, annual revenue 3 million yuan**

#### *Q: Initial motivations to opt in*

*A:* I knew gybb by seeing the gybb label on Taobao app. There is a check box that I can select to label items as gybb. Taobao also posted information about gybb. I want to join gybb because I am interested in philanthropy. Besides that, it helps to improve the brand image of my shop. I didn't think gybb will have much impact on sales. All my items are labeled as gybb. Some items are sold more while some are not, so I don't know whether gybb actually increases sales. I don't pick a special time to label items as gybb. I select gybb when I list every item.

#### *Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* I set 0.1 yuan of donation for all items. I think 0.5% of selling price would be the maximum level I can accept, because the profit margin of my items is relatively low. Other than gybb, I donated to a project that helped building sports grounds for primary schools.

#### *Q: Post opt-in experience and whether to opt out*

A: I am happy to donate through gybb as I feel I contribute something to the society during the process. Like I said, I don't see any sales increase brought by gybb, but I will definitely keep participating. My participation to gybb doesn't affect my giving to charity through other ways. Even if my business faces some difficulties, I will not cancel gybb because donation is already linked to sales. Donation through gybb will not be a burden in any situation. I think only a small proportion of buyers will consider the gybb label in making purchase decisions. Me personally don't pay attention to gybb label when I do shopping in other e-stores.

Q: General reviews of gybb and suggestions

A: I highly trust the charitable organizations that I donate to through gybb. I know how my donation is used but I don't know much about the progress of their projects. I believe my donation will be put to good use. gybb is a very convenient way of making donations.

I think there are two aspects that need to be improved. One is that the gybb label is not so clear and consumers can hardly notice it. It used to be quite noticeable but Taobao has added too many attribute labels to items in recent years. Another suggestion is that sellers don't know exactly how much benefit we can get from the platform by donating through gybb. If Taobao can reward sellers with searching recommendations (placing gybb items in better positions upon consumer searches), sellers will have more incentives to donate.

### **Seller 3: electronics sector, annual revenue 10 million yuan**

Q: Initial motivations to opt in

A: I first knew gybb by seeing the gybb option when I listed my products. I join gybb purely because I want to give to charity. gybb label may help increasing sales, but I never thought about that when I joined gybb. All items in my store are labeled as gybb and I don't pick any specific time to label them.

Q: Acceptable donation amount for each deal and other charitable contributions

A: The amount of donation I set is 0.1 yuan for each deal. I will not consider setting any value higher than that because I make almost no profit at the moment. I give a lot to charity other than through gybb. I donated 200,000 yuan for flood rescue in Henan and I have been supporting some underprivileged kids to go to school.

Q: Post opt-in experience and whether to opt out

A: I will keep giving through gybb, unless I keep making losses. gybb doesn't really make me feel much because it is not the main way I contribute to philanthropy. However, I think being part of gybb potentially encourages me to give more through other ways, because the platform gives me more information about the current needs of charities and their specific projects. Speaking of the impact of gybb on sales, I don't think there is any. I've compared sales of two similar items, one is gybb and another one isn't. There is almost no difference in sales, as I can perceive. Many people including me don't care about gybb labels when shopping online.

Q: General reviews of gybb and suggestions

A: I trust the charities that approved by Taobao. I don't know the progress of projects I give to, but I am sure they use our donation properly. My donation will do good to the society. I suggest Taobao releasing some reports to make buyers and sellers more aware of the impact of gybb, and encouraging more people to participate.

**Seller 4: books sector, annual revenue 0.2 million yuan**

*Q: Initial motivations to opt in*

*A:* With the guidance of lecturers in Taobao university and the publicity in the Taobao platform, I learned about gybb. I saw other sellers set up gybb and I did the same. From my perspective, as long as the sellers operated on Taobao for more than one year, they should know of gybb. The lecturer in Taobao University once said that after joining the gybb, my products will have better opportunities to be shown to consumers. The gybb label looks pretty good and I want to send care and love to charity through gybb, so I decided to label some goods as gybb. At the very beginning, I guess gybb could help increase sales more or less. Since I joined, I kept adding newly listed commodities as gybb.

*Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* I set the donation rate at 2% when I was working in the clothing industry, and now for books, the donation rate is often 10 cents per transaction. As profits from books are fairly low, donations are not usually raised. If Taobao can help sellers increase sales by participating in gybb, the maximum donation rate acceptable can be 6%-10%. Before opting in gybb, I participated in the Shuidichou program on Wechat, but nothing else.

*Q: Post opt-in experience and whether to opt out*

*A:* There's no data about whether gybb can help increase sales or not and I know little about it. I think since many businesses participate in gybb, the effect may not be very big nowadays. I feel good about participating in gybb and I will definitely continue to support it. But opting-out may also be considered when business is not good. If I feel that doing charity is not in my interest, I may cancel it. I think that a relatively small number of buyers would prefer gybb commodities, and I don't tend to pay special attention to gybb sellers or gybb-labelled goods when I shop. However, when the prices of similar products are the same, I will give priority to gybb-labelled goods. After participating in gybb, I didn't cut charitable giving through other channels, and other charitable giving will continue.

*Q: General reviews of gybb and suggestions*

*A:* I do think gybb is a more convenient charity platform, compared with offline charity channels or other online charity platforms. Not only do I trust the charitable organizations that receive my donation, but I think that my donation will play the role as expected. I never looked into whether the fund has been actually donated or not. Because I trust Alibaba and the charity organization that are partner of the Ali platform. The platform announced the usage of the donation and the progress of the charity project. I would like to give some suggestions to the gybb program for its improvement. As for gybb itself, it would be even better if local charity projects could be set up. Taobao platform can launch similar charity projects like "Shuidichou" to help people around, which would make the fundraising even warmer. As for technology, the system can only set up 20 goods as gybb at a time and there's no function of one-click selection for all items.<sup>1</sup> However, books have many categories, and it takes a long time for businesses to set up gybb every time. I hope the platform can add the function of "one-click setting as gybb for all items" in future.

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<sup>1</sup> The first half of this statement is not true. A seller can subscribe unlimited number of products to gybb. This seller's comment probably refers to the fact that, on the gybb subscription interface, items are listed page by page, and each page lists 20 items. It is true that there is currently no functionality that allows the seller to subscribe all products simultaneously in one pass.

**Seller 5: baby products sector, annual revenue over 100 million yuan**

*Q: Initial motivations to opt in*

*A:* When I first joined gybb, there was no publicity and guidance. I saw the option by coincidence in the background, and setting up gybb is simple. I think most sellers didn't know of gybb before this year's (*i.e.*, 2021) Double 11. After Ali platform promoted gybb this year, setting up a separate column and a leaderboard for gybb, an increasing number of sellers started to know about it. Warmth and emotional communication in the industry of maternal and childcare products is very important, which fits our corporate culture, so I chose to label some goods as gybb. Sales promotion was not our original intention to join gybb and we have never thought about increasing sales through participating in gybb. It was purely altruistic. About 80% of our products are subscribed to gybb when they were first listed. We do not set products as gybb specifically when they are promoted or discounted. gybb has become a regular part of our corporate.

*Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* A 2-cent donation was set for each order for nearly 10 years. No more than 1%, or 0.5 yuan (depending on the unit price) is the maximum donation for each commodity that I could accept. Before opting in gybb, I did donate to other activities or programs, for instance, providing maternity kits for the "Rural Pregnant Women Protection Project" program of China Charities Aid Foundation for Children. I also donated during the Covid-19 epidemic and the Henan flood.

*Q: Post opt-in experience and whether to opt out*

*A:* No statistics have been made concerning whether gybb subscription may help increase sales or not. Sales is increasing every year, which may be the trend of economic growth. There is no specific statistics on the contribution of gybb to sales. But with the link to charity, sales may improve. Since participating in gybb, I profoundly felt that the sellers should undertake the social responsibility, which is also the core of our corporate culture. We'll undoubtedly continue supporting gybb. If the business is not very good, I wouldn't consider opting out gybb. Instead, the engagement is going to be deeper. Consumers may have a higher degree of brand recognition of our firm, and our enterprise will have a better identity and leave a more favorable impression. I pay attention to gybb sellers or gybb-labelled goods during daily online shopping, and so do other buyers. Because gybb has a charity label, I will definitely prefer gybb products to other similar but non-gybb ones. I didn't cut charitable giving through other channels after participating in gybb. I will definitely continue to support other charitable causes.

*Q: General reviews of gybb and suggestions*

*A:* I quite agree with the model of gybb and regard gybb as a more convenient charity platform. Donations are small amounts of money, but every penny helps, making the operation of donations easier and consumers more likely to recognize companies and brands. I very much trust the charitable organizations that receive my donation. I believe my donation will play the role as I expected because the Internet has made relevant public welfare activities more open and transparent. I also know the usage of my donation or the progress of the charity project. The platform will regularly announce the flow of funds, convene meetings and hold offline activities to tell the public about the progress of the charity project.

Finally, as for suggestions, I would recommend that more sellers to join the program. gybb should be a be an exemplary program in this business.

**Seller 6: grocery sector, annual revenue 0.8 million yuan**

*Q: Initial motivations to opt in*

A: In 2019, I was invited by Alibaba to go to Inner Mongolia and participated in an event that donated books to students. Alibaba also advertised gybb in the event. That is how I get to know gybb in the first place. I joined gybb just because I wanted to help people in need. I label all my items as gybb when they were first listed. I never thought about how it will affect sales.

Q: *Acceptable donation amount for each deal and other charitable contributions*

A: I set 0.2 yuan for every deal. I don't mind to make it higher, probably up to 1 yuan if business is doing good. I need to be realistic because the main purpose of my business is not charity. Other than gybb, I have given many times to charity when disasters like earthquake happened.

Q: *Post opt-in experience and whether to opt out*

A: I feel satisfaction when I give to people in need through gybb. That is the reason I will keep doing it regardless of whether it helps my business. I don't think gybb actually increases sales. Most consumers don't care about gybb when they make choices. When I do shopping, I only care about the price and quality of good itself. Even if my business is not doing good, I will not consider quitting gybb, because it only accounts for a small proportion of overall expenses which I can accept. gybb doesn't affect my participation to charity in other ways.

Q: *General reviews of gybb and suggestions*

A: I like the platform of gybb because it is very convenient. However, I almost don't know anything about how my donation is used after I give money away. In general, I trust the charities who receive the donations, and I believe they will put donations to good use.

The only suggestion to the program is that the gybb label should be displayed in a more noticeable way. It would be good to also add more information about gybb on the item's page, like the total amount of donation made through purchasing this item.<sup>2</sup> It can probably make gybb more attractive to consumers.

### **Seller 7: home sector, annual revenue unanswered**

Q: *Initial motivations to opt in*

A: I knew gybb from the advertisement of Taobao. I just wanted to contribute to the society, so I joined gybb. I did not think gybb will increase sales, even if it does, the effect would be tiny. All items are labeled as gybb when I first list them.

Q: *Acceptable donation amount for each deal and other charitable contributions*

A: I set 3% of price as donation, it is already a quite high percentage, and I cannot accept anything higher. I have also donated through Wechat and Alipay.

Q: *Post opt-in experience and whether to opt out*

A: In my opinion, consumers don't pay attention to gybb label. Neither do I when I search for items on Taobao. I don't think gybb affected my sales after I joined. I will stay in the program because I want to do good. I am satisfied about what I am doing. If my business faces some difficulties, I will not cancel gybb but might lower the giving percentage. Most people don't give 3% like me. What I give through gybb doesn't affect my other charitable acts.

Q: *General reviews of gybb and suggestions*

A: gybb is more convenient compared to other ways of donation. But if you have clear targets, other more direct way of giving would be better. I generally trust the charities on gybb. I know what my donation is used for, but I don't know the progress of those projects. But I think they will use the funds properly.

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<sup>2</sup> We note this information is in fact available (See the example product in Appendix Figure B.1).

The problem I experience with gybb is that most of the charities (80%) don't give me invoices. I ask for invoices but sometimes I don't hear back, or I was told my request is being processed but they ended up giving me nothing. I suggest Taobao to strictly supervise the charities and make sure they give us invoices of donation.

**Seller 8: beauty sector, annual revenue 3 million yuan**

*Q: Initial motivations to opt in*

*A:* The Ali platform shows the label of gybb, which looks pretty good and nice. I really like that label. After consumers buy the items, gybb can contribute to the charity, and it costs shop owners very little. Over the years, when I saw how many gybb donations I had contributed, I can roughly know how many sales my shop had made. In my opinion, most sellers should know gybb. My family members who are engaged in Taobao e-commerce are all gybb participants. As for the reason why I choose to label some goods as gybb, I simply want to donate my love through this channel. The money deducted from joining gybb is not much for the store owner, but it is a great help and encouragement for those in need. Before joining gybb, I never thought it could help increase sales. I subscribe products to gybb when they are first listed, because I'm afraid I'll forget setting them up later. When launching other new products, I will also check which products have not been set up as gybb.

*Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* Usually, I choose to set 20 cents or 1% of price as donation for each gybb commodity, which is the default option by system.<sup>3</sup> Recently, the new rule seems to increase the donation amount. I also used the default setting, but I can't remember the exact amount. Because the unit price of the product is low in my store, the maximum amount of donation per order I could accept is 1 yuan. Before joining gybb, I made donations on Alipay and Tencent, and I also made donations for veterans and flood disasters through Taobao. My donations mostly are online. For example, in the case of epidemic and flood disasters, donations can be made directly through Alibaba's charity shop platform, which is also a very good donation platform. Other offline donation channels may not be so trustworthy.

*Q: Post opt-in experience and whether to opt out*

*A:* I didn't pay attention to whether gybb subscription helps increase sales. What I want is to have a label of gybb. I think gybb got most of the stores on Taobao involved. Without this program, I really don't know how to participate in charity. There are few donation activities in daily life, and there are no specific places to donate. The best thing about gybb is that you can donate whenever you want. When the sales are good, I always think of donation and I want to make some contributions to the society. I'll continue to participate in gybb. Even when the business is not very good, I would never consider unsubscribing from gybb. The donation is not much and is affordable. The money is deducted after the transaction occurs, and so donations are made only when items are sold. I don't think that buyers will notice or care about gybb label. When I shop online, I don't care whether the commodity is gybb or not. Most people are demand-oriented. They won't buy just because the products are labeled as gybb. If the two products have the same other characteristics, I will give priority to gybb products. After participating in gybb, I didn't cut charitable giving through other channels.

*Q: General reviews of gybb and suggestions*

*A:* I do think gybb is a more convenient charity platform, compared with offline charity channels or other online charity platforms. If I donate to a charity offline, I may not know where the money goes.

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<sup>3</sup> This is incorrect. The default option for proportional contribution is 0.3% of product revenue.

But donations made through gybb is different. They are all open and transparent. I trust the charitable organizations that receive my donation and I know the usage of my donation or the progress of the charity project. Each payment is transparent. I have personally witnessed the achievement of Alibaba Charity, and conducted field research on the results and implementation of charity projects. I believe that my donation will play the role as I expected. I think gybb is a good program for public welfare. Without this platform, people will not deliberately donate money. With this platform, charitable donation becomes a natural behavior. For individuals, this is just a tiny amount. But when we do it together, it becomes a big deal.

**Seller 9: processed food sector, annual revenue 12 million yuan**

*Q: Initial motivations to opt in*

*A:* I saw other sellers set gybb, so I chose to participate in gybb program. I also wanted to attract more customers in this way. I thought gybb label could help increase sales, so I chose to opt in gybb. I label the commodity items as gybb when launching a new commodity, but not at the time when putting a commodity on sale or promotion.

*Q: Acceptable donation amount for each deal and other charitable contributions*

*A:* I usually choose to donate 0.2% for each gybb commodity and the maximum donation fraction of the commodity price that I could accept is 5%. Before joining gybb, I never participated in public service or donated for other activities or programs.

*Q: Post opt-in experience and whether to opt out*

*A:* I didn't pay much attention to whether gybb opt-in help increase sales or not. The reason why I continue to participate in gybb is that it is good for customers and sellers to donate and do something for the society when purchase happens. If the business is not very good, I'll still continue to participate in gybb, as the amount donated by gybb is particularly small and has little impact on profits anyways. I don't think buyers actually notice or care about gybb labelling, but I do. When I shop on Taobao platform, I would prefer gybb sellers or gybb labelled goods.

*Q: General reviews of gybb and suggestions*

*A:* I think gybb is a more convenient charity platform, compared with offline charity channels or other online charity platforms. I think both the charitable organizations and the usage of my donation are trustworthy, because they are under the supervision of the Ali platform. And I know the progress of the charity project. As for suggestions, it would be better if the invoice could be issued more timely rather than once a month.

## Appendix A.3. Charities' Comments

### **Charity 1: One Foundation** (<https://onefoundation.cn/>)

#### General comments:

In 2012, Yileyuan (a charitable program that provides sporting goods for rural students) joined gybb and we received 6 million in that year. In 2020 we received 64 million yuan which accounts for 95% of the total fund raised from all venues. gybb gives sustainable support to the project, so we can put more energy on the project itself to improve the quality. Operation of the project expanded very fast. It now operates in over 3000 schools in 23 provinces. Yileyuan is one of the three long-term projects we have on gybb since 2012. Besides, we also have some temporary projects and we raise fund very quickly through gybb.

#### Q: Who donated?

A: We did the research in 2018. Since 2012, there are thousands of sellers who kept donating to us. The top ten among them donate about 200,000 yuan every year. If we look at the category of shop owners, at first it looks like there is no pattern but later we found most donors run shops which belong to baby care and sports equipment categories. More of them are from regions like Zhejiang, Jiangsu, and the Pearl River Delta. In 2016, the gybb platform started to organize offline events to let sellers experience philanthropy in the field. We keep in touch with active participants of the project and give award to generous shop owners. But we find that they aren't very interested in following up. Most of them give through gybb because they think it can help increasing their sales.

#### Q: How stable is the donation?

A: I will give 10 out of 10 for the stability of gybb. It's a very stable source of funds to us. We don't have to do much and we just "automatically" get donations from the sellers once we are listed on the gybb program. It's important to give large donors monthly feedback and receipts so they can get tax deductions. The platform has been continuously increasing its scrutiny and management of the eligible projects listed. To prevent "effortless gains", qualifying gybb projects must have already raised at least 10 million and generate over 10% of revenue from Ali's charity shops program.

#### Q: How much feedback information is provided to donors?

A: We will give very specific information and gybb has the most strict requirements among all similar platforms. It established a joint evaluation system and required charities to report every month. We contact sellers mainly by email and we give invoices, which can be used for tax deductions. But the proportion of donors requesting invoices is not high, around 500 sellers each year, which is less than 1% of total sellers. Some sellers did reach us to learn about the progress of our projects.

#### Q: Comparison between gybb and other fundraising channels?

A: The cost of fundraising is really low because sellers trust the platform. As long as we have good projects, we can generate stable funds from gybb.

#### Q: Comparing gybb to other online giving platforms, what are some of the advantage and disadvantages?

A: It is very successful. It represents the best of online charity in China. There are other platforms trying to imitate gybb but none of them do better than gybb. gybb is the earliest and it keeps supporting good projects while constantly improving its rules. It prevails in terms of professionalism and experience. Compared to Tencent philanthropy, for example, gybb has stricter requirements, and it doesn't require charity organizations to find donors by themselves. Tencent has its own advantage that it has a higher match ratio so the total amount of donation is larger. Other platforms like Meituan, JD and Byte Dance's E-commerce are trying to copy the model of gybb but I don't think any of them are doing better than

gybb.

Q: Other comments?

A: Sellers expected that gybb may help increase sales. But I think along the way [the gybb program] brought them closer to philanthropy and cultivated trust on charitable causes overall. We have received messages from sellers going like ‘I grew up in countryside myself and I want to give back to those kids.’ They also expressed a lot of expectations on our projects.

**Charity 2: Society of Entrepreneurs and Ecology** (<http://www.see.org.cn/index.html>)

General comments:

We put two projects on gybb in 2017 and 2018. In around two to three months, we raised 5 million yuan and subsequently delisted the projects as we reached our fundraising goals. The platform controls the priority of charity projects. If a project raised more than half of total fund needed, it will not get recommended to sellers.

Q: Who donated?

A: We are not sure. Some sellers have lots of items and some get sold out quickly. The donation per transaction is approximately 0.02 yuan. We raised 5 million in a short period of time, so it means many stores have given to us.

Q: How stable is the donation?

A: I rate 9 out of 10. It is very stable and very fast in fundraising. We raised several million for the projects in 2-3 months, which would have been really difficult to achieve through alternative venues.

Q: How much feedback information is provided to donors?

A: A lot. gybb has high requirements for feedback to donors. It required monthly report in a given format and it has independent auditing.

Q: Comparison between gybb and other fundraising channels?

A: It would be a lot more costly to find donors ourselves in real world. But I would say it is also not easy to meet the high standards of gybb. We put all of our projects on Ali Charity Store and only some of our best projects get to be listed on gybb. As I said, you need to pick the best part of the your project for gybb. About 30%-40% of the total revenue of our foundation may come from gybb. Funds raised through the Charity Store program is limited because you need many one-off donors, which is difficult.

Q: Comparing gybb to other online giving platforms, what are some of the advantage and disadvantages?

A: There are two main advantages. One is that it can raise money very quickly. Another is that gybb itself has a very strong brand image in philanthropy, so it will also benefit our image if we get approved by gybb.

## **Appendix B. Additional Figures and Tables**

Figure B.1. Example seller interface: gybb subscription steps



Notes: Examples of seller interface when subscribing a product for gybb.

Figure B.2. Example consumer interface: a product that subscribed for gybb contribution



Notes: Example screenshots of the consumer interface. Left panel shows the product's basic information. The “gybb product” status can be seen at the bottom part of the screen. Price promotion information can be seen on the top part of the screen. Right panel shows more details about the charitable foundation that will receive the donation.

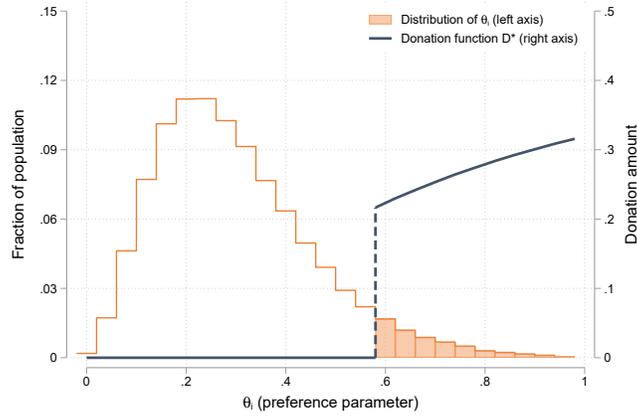
Figure B.3. Example consumer interface: product filters



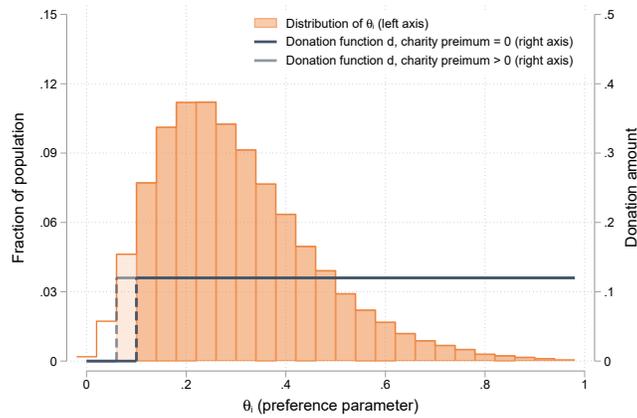
Notes: An example of consumer interface when filtering products on Alibaba. The “gybb product” filter can be seen at the middle of screen.

Figure B.4. Conceptual model of microgiving: a numerical example

A. Conventional fundraiser



B. Microgiving



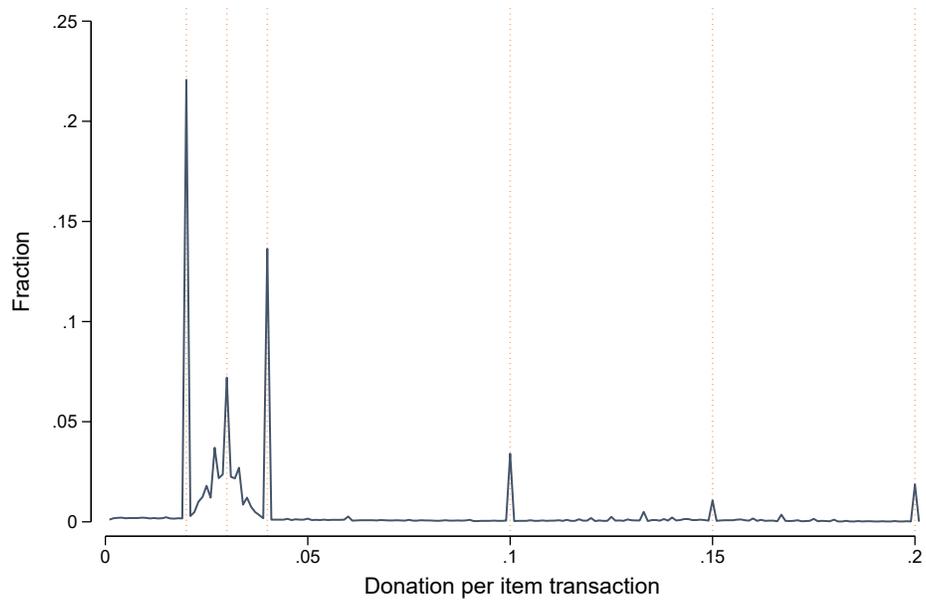
Notes: Histogram shows the population distribution of  $\theta_i$ . Highlighted area of the histogram corresponds to individuals who will end up making donations. Black curves represent optimal donation functions. In panel B, participation and donation functions are displayed for scenarios with zero and positive “charity premium.”

Figure B.5. Example consumer interface for the Alibaba Charity Store program



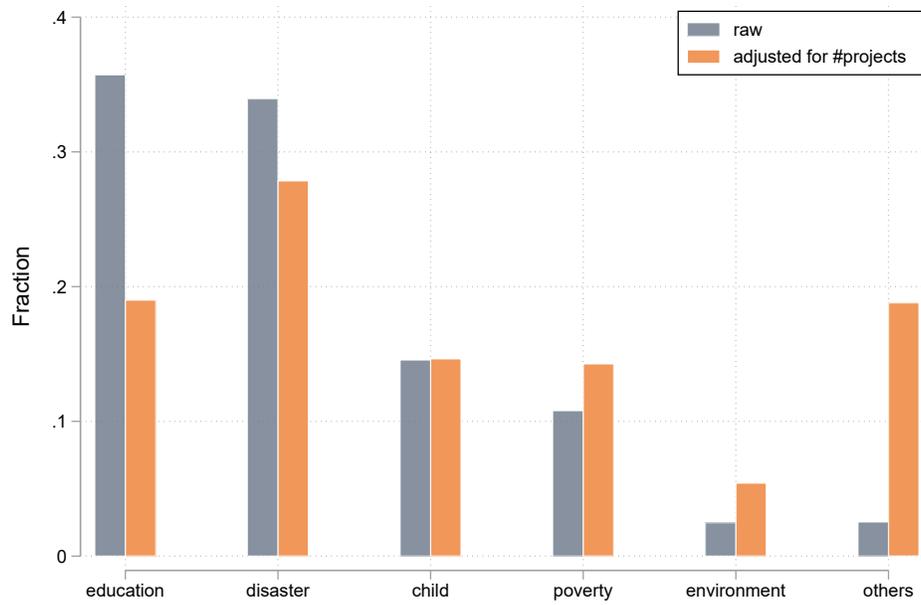
Notes: Example screenshots of the consumer interface. Left panel shows a list of charity stores. Right panel shows more details about one particular charity store.

Figure B.6. Distribution of gybb donation per transaction



Notes: This figure plots distribution of donation per transaction among all gybb products up to value 0.2 yuan per transaction. Vertical dashed lines mark values of 0.02, 0.03, 0.04, 0.1, 0.15, and 0.2 yuan.

Figure B.7. Distribution of gybb funds by charity classification



Notes: This figure plots the distribution of gybb funds by the receiving charitable foundation's classification. Gray bars show raw distribution. Orange bars show the distribution after re-weighted by the number of charity projects listed on gybb.

Figure B.8. Illustration of comparison group construction

| seller | item | time    | sales | donation | seller  | item | time    | sales | donation | seller  | item | time    | sales | donation | seller  | item | time    | sales | donation | seller  | item | time    | sales | donation |
|--------|------|---------|-------|----------|---------|------|---------|-------|----------|---------|------|---------|-------|----------|---------|------|---------|-------|----------|---------|------|---------|-------|----------|
| ...    | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   |          |
| 5e15kc | #1   | 2018-06 | 347   | 0        | 5e15kcc | #2   | 2018-06 | 352   | 0        | 5e15kcc | #3   | 2018-06 | 288   | 0        | 5e15kcc | #4   | 2018-06 | 237   | 0        | 5e15kcc | #5   | 2018-06 | 345   | 0        |
| 5e15kc | #1   | 2018-07 | 417   | 0        | 5e15kcc | #2   | 2018-07 | 371   | 0        | 5e15kcc | #3   | 2018-07 | 216   | 0        | 5e15kcc | #4   | 2018-07 | 198   | 0        | 5e15kcc | #5   | 2018-07 | 285   | 0        |
| 5e15kc | #1   | 2018-08 | 340   | 0        | 5e15kcc | #2   | 2018-08 | .     | .        | 5e15kcc | #3   | 2018-08 | 327   | 0        | 5e15kcc | #4   | 2018-08 | 226   | 0        | 5e15kcc | #5   | 2018-08 | 230   | 0        |
| 5e15kc | #1   | 2018-09 | 430   | 0.645    | 5e15kcc | #2   | 2018-09 | 320   | 0        | 5e15kcc | #3   | 2018-09 | 191   | 0        | 5e15kcc | #4   | 2018-09 | .     | .        | 5e15kcc | #5   | 2018-09 | .     | .        |
| 5e15kc | #1   | 2018-10 | 342   | 0.513    | 5e15kcc | #2   | 2018-10 | 481   | 0        | 5e15kcc | #3   | 2018-10 | 214   | 0        | 5e15kcc | #4   | 2018-10 | 163   | 0        | 5e15kcc | #5   | 2018-10 | 266   | 0        |
| 5e15kc | #1   | 2018-11 | 351   | 0.5265   | 5e15kcc | #2   | 2018-11 | 446   | 0        | 5e15kcc | #3   | 2018-11 | 285   | 0        | 5e15kcc | #4   | 2018-11 | 170   | 0        | 5e15kcc | #5   | 2018-11 | 217   | 0        |
| 5e15kc | #1   | 2018-12 | .     | .        | 5e15kcc | #2   | 2018-12 | 385   | 0.5775   | 5e15kcc | #3   | 2018-12 | 306   | 0        | 5e15kcc | #4   | 2018-12 | .     | .        | 5e15kcc | #5   | 2018-12 | 314   | 0        |
| 5e15kc | #1   | 2019-01 | .     | .        | 5e15kcc | #2   | 2019-01 | 300   | 0.45     | 5e15kcc | #3   | 2019-01 | .     | .        | 5e15kcc | #4   | 2019-01 | .     | .        | 5e15kcc | #5   | 2019-01 | .     | .        |
| 5e15kc | #1   | 2019-02 | 317   | 0.4755   | 5e15kcc | #2   | 2019-02 | .     | .        | 5e15kcc | #3   | 2019-02 | 334   | 0        | 5e15kcc | #4   | 2019-02 | 174   | 0        | 5e15kcc | #5   | 2019-02 | 295   | 0        |
| 5e15kc | #1   | 2019-03 | 489   | 0.7335   | 5e15kcc | #2   | 2019-03 | 414   | 0.621    | 5e15kcc | #3   | 2019-03 | 247   | 0        | 5e15kcc | #4   | 2019-03 | .     | .        | 5e15kcc | #5   | 2019-03 | 266   | 0        |
| 5e15kc | #1   | 2019-04 | 347   | 0.5205   | 5e15kcc | #2   | 2019-04 | 459   | 0.6885   | 5e15kcc | #3   | 2019-04 | 291   | 0        | 5e15kcc | #4   | 2019-04 | 221   | 0        | 5e15kcc | #5   | 2019-04 | 313   | 0        |
| 5e15kc | #1   | 2019-05 | 418   | 0.627    | 5e15kcc | #2   | 2019-05 | 345   | 0.5175   | 5e15kcc | #3   | 2019-05 | 340   | 0        | 5e15kcc | #4   | 2019-05 | 212   | 0        | 5e15kcc | #5   | 2019-05 | 195   | 0        |
| ...    | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   | ...      | ...     | ...  | ...     | ...   |          |

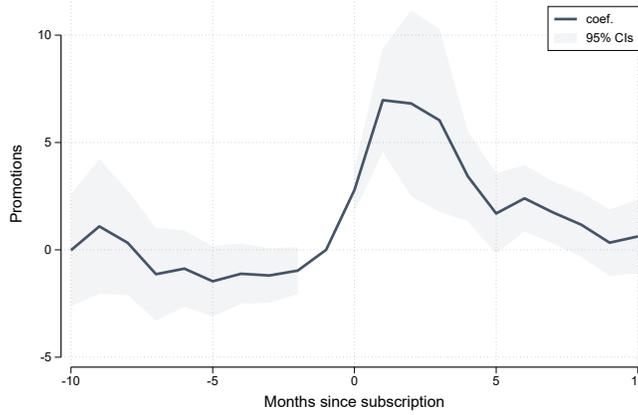
  

|  |  |   |   |   |
|--|--|---|---|---|
| item #1: treated unit<br>event date: 2018-09 | item #2: treated unit<br>event date: 2018-12 | item #3: comparison unit<br>"event date": 2018-09 | item #4: not included<br>in event study | item #5: comparison unit<br>"event date": 2018-12 |
|--|--|---|---|---|

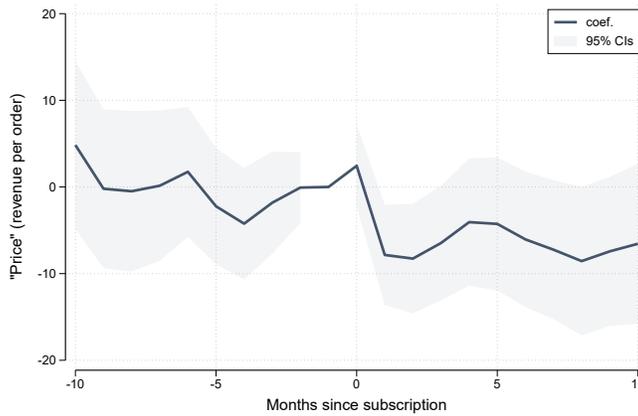
Notes: This figure provides an illustration of how we pair treated product with comparison product from the same seller. See text in Section 5.2 for more details.

Figure B.9. Event study estimates of Figure 5

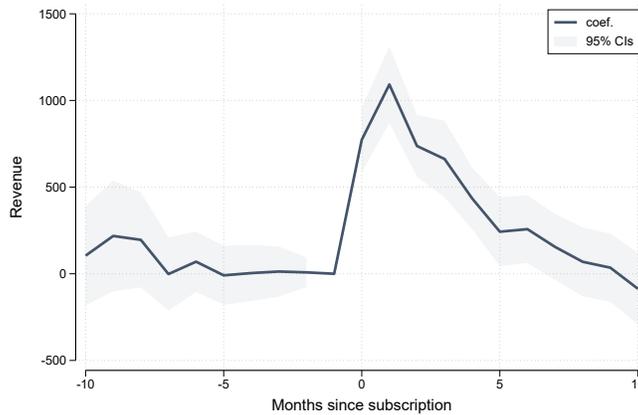
A. Promotions



B. "Price" (revenue per order)

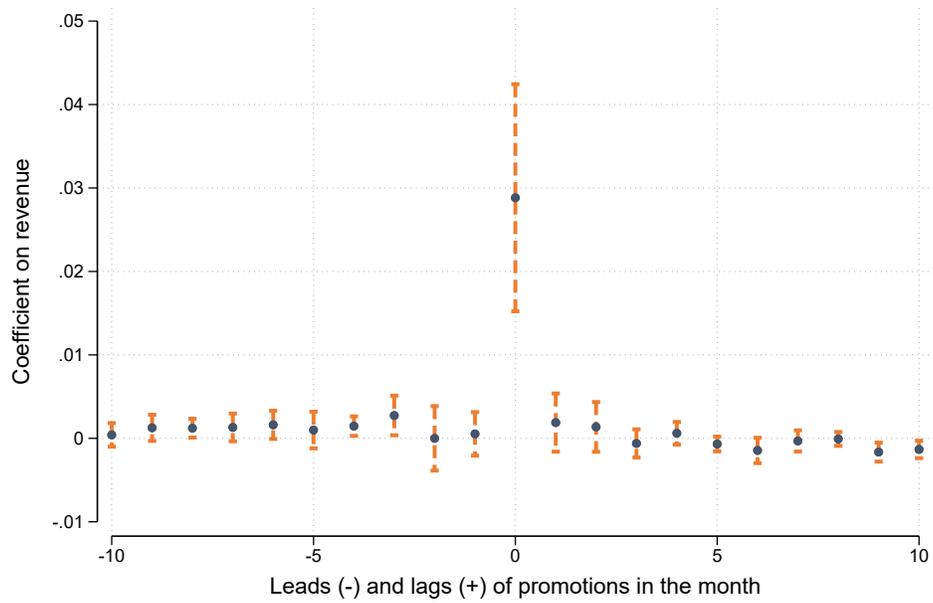


C. Sales



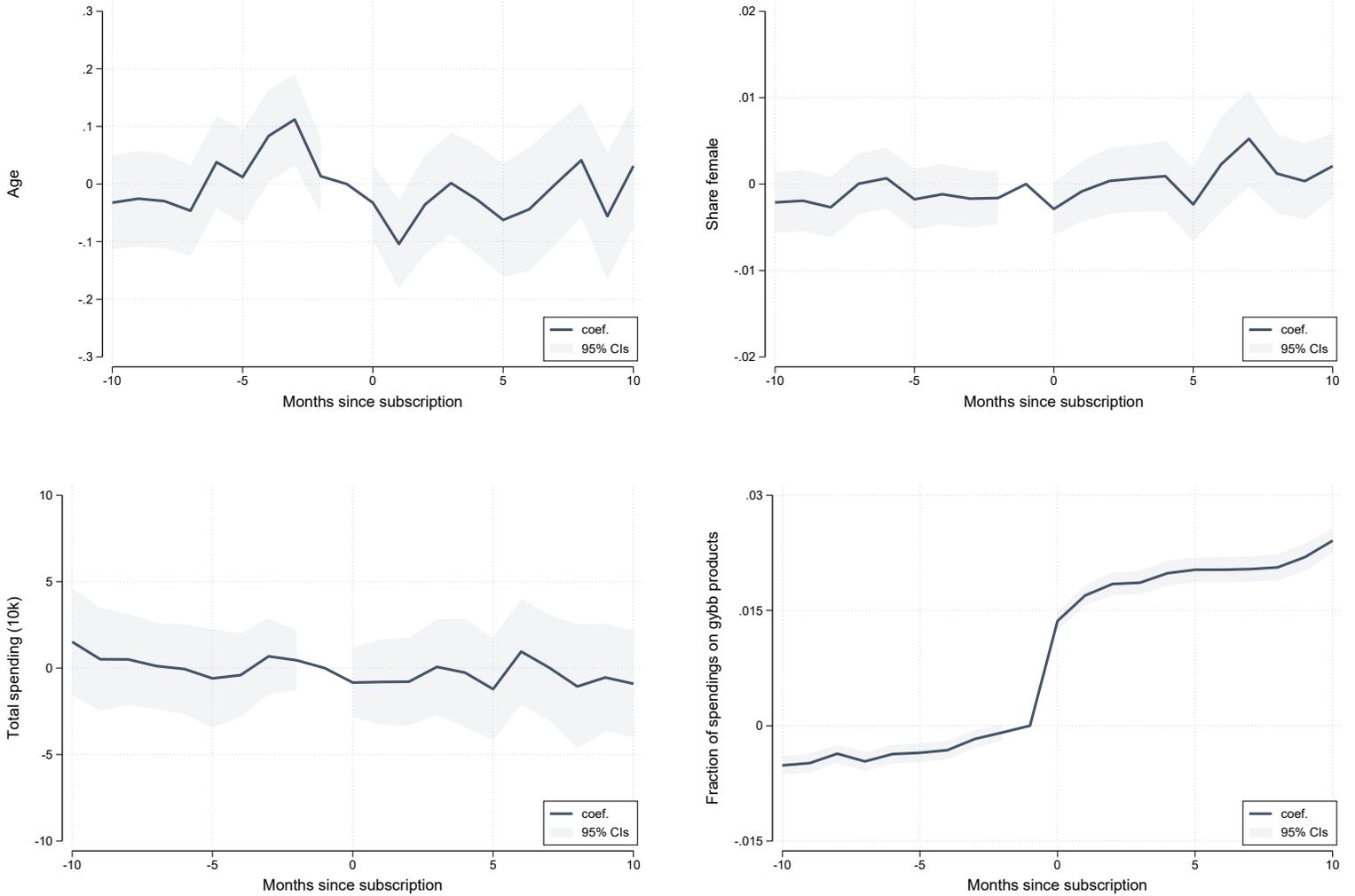
Notes: Event study version of the difference-in-differences estimation equation (6). Outcome variables are product's intra-month price promotions (panel A), revenue per order (panel B), and sales (panel C). Outcome variables are normalized to zero for event month -1. All regressions include product fixed effects and month-of-year fixed effects. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level. See Section 5.2 for more details.

Figure B.10. Product promotion and sales



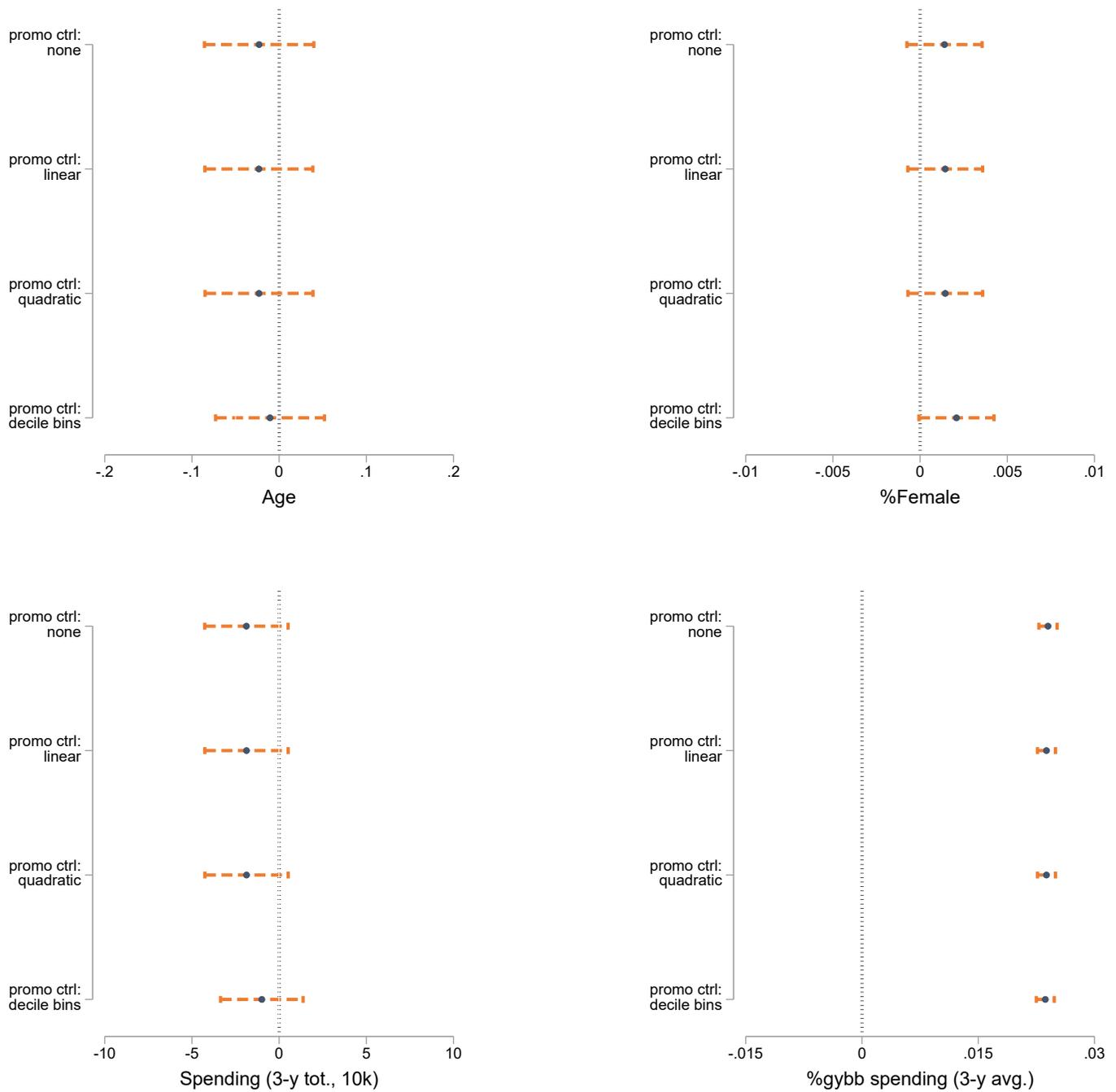
Notes: Regression of monthly log product sales on 10 leads, 10 lags, and current month's number of promotion events. The regression includes product fixed effects and month fixed effects. Bars show 95% confidence interval constructed using standard errors clustered at the seller level.

Figure B.11. Event study estimates of Figure 13



Notes: Event study version of the difference-in-differences estimation equation (6). Outcome variables are product buyers' age (UL), share female (UR), 2018-2020 total spending (LL), and 2018-2020 share of total spending on gybb-listed products(LR). Outcome variables are normalized to zero for event month -1. All regressions include product fixed effects and month-of-year fixed effects. Shaded areas show 95% confidence interval constructed using standard errors clustered at the seller level. See text Section 6 for more details.

Figure B.12. Consumer composition estimates controlling for product promotions:  
Changes in consumer composition are not explained by promotions



Notes: Each bar represents the difference-in-differences coefficient estimate from a separate regression. “promo ctrl: none” is the baseline estimate without controlling for promotions (repeating Table 1). The rest of the chart presents estimates after controlling for linear, quadratic, and decile bins of promotions. Outcome variables are product buyers’ age (UL), share female (UR), 2018-2020 total spending (LL), and 2018-2020 share of total spending on gybb-listed products(LR). Bars show 95% confidence interval constructed using standard errors clustered at the seller level.

Table B.1. Summary statistics of gybb sellers relative to non-gybb sellers

|   | (1)                           | (2)                         |
|---|-------------------------------|-----------------------------|
|   | mean ratio<br>(gybb/non-gybb) | SD ratio<br>(gybb/non-gybb) |
| <b>A. Seller characteristics</b>        |                               |                             |
| Total revenue                           | 0.889                         | 1.154                       |
| Total orders                            | 1.405                         | 0.600                       |
| Rate of returned orders                 | 1.064                         | 0.854                       |
| Age of seller                           | 0.976                         | 1.007                       |
| Seller is female                        | 0.821                         | 0.981                       |
| <b>B. City characteristics</b>          |                               |                             |
| Population of seller's residence city   | 0.987                         | 0.971                       |
| Per cap. GDP of seller's residence city | 0.991                         | 1.001                       |
| Mean wage of seller's residence city    | 0.984                         | 0.981                       |

*Notes:* This table reports summary statistics for a random sample of 10,000 gybb sellers and a random sample of 10,000 non-gybb sellers. Reporting restrictions preclude us from revealing the levels of certain seller-level statistics (revenue, volume, and return orders) in these random samples; instead, we present ratios of the mean and standard deviation (SD) statistics across the two samples, and we do so for all other variables for the sake of consistency. The mean (SD) statistics for the other variables in the gybb sample are as follows: age = 33.8 (SD = 10.8); fraction female = 0.402 (SD = 0.490); city population = 6,867,844 (SD = 4,545,512); per capital GDP in yuan = 94,910 (SD = 96,916); wage in yuan = 48,785 (SD = 13,286).