We conducted an experiment marketing microloans to farmers in the United States during spring 2015, and found that a simple direct mail letter increased borrowing from a government program. The subsequent spring, we built on this finding and enriched the design to test for information spillovers. The second experiment used a different sample frame and slightly different letter, due to operational considerations. The direct effect result did not replicate in the second year, thus lowering the likelihood that spillovers would be present and detectable.

These results add to recent evidence on how (seemingly subtle) differences in context and treatment content affect consumer responses (e.g., Allcott 2015; Bertrand et al. 2010). At the same time, many treatment effects do seem to hold in multiple contexts (e.g., Banerjee et al. 2015).

So what is an experimenter to do given the constraints on the number of factors that can be randomized? We offer several considerations and potential solutions.

I. USDA Microloans

The United States Department of Agriculture’s Farm Service Agency (FSA) provides loans to farmers through several programs. Farmers can use the funds for working capital or fixed asset purchases including real estate.

The FSA Microloan program launched in 2013 to meet the “financing needs of small, beginning farmers, niche and non-traditional farm operations.” The maximum loan size is $50,000, with a relatively short application and relaxed underwriting criteria for managerial experience, production history, and collateral (Tulman et al. 2016).

II. Experiments: Sampling, Design, Data

Providing credit access to nontraditional operations means conducting outreach to producers who may not have regular contact with FSA. FSA has conducted prior mailing outreach experiments in other programs, with almost uniformly positive treatment effects thus far on the targeted measures of farmer engagement (see, e.g., Wallander, Ferraro, and Higgins forthcoming).

The objectives of the experiment in the projects reported here are to (i) measure whether direct mail increases take-up of the Microloan program (Experiments 1 and 2); (ii) compare direct mail effectiveness across different sample frames—different databases that can be tapped for outreach—(Experiment 1 versus 2); and (iii) estimate whether word of mouth amplifies
outreach (Experiment 2). It turns out that objectives (ii) and (iii) are at odds in our context.

Each of our experiments randomizes a single direct mailer sent in the spring, the busiest borrowing season. The mailers provide basic information on loan purposes, terms, and the application process (online Appendix Figure 1). The outcome of interest is the same in both experiments: a successful loan application.2 The note to Table 1 provides additional details on the sample frames and randomizations.

A. Experiment 1

The sample frame for Experiment 1 is the National Agricultural Statistics Service’s (NASS) “list frame,” which is used to conduct the Census of Agriculture. This “statistical” frame, to use government data management parlance, has the advantage of including farmers who had not previously interacted with FSA. But it has the disadvantage of being divorced from FSA “administrative” program data in an operational sense, making data merges (e.g., between treatment assignment and program take-up) cumbersome and costly. The list frame also has usage restrictions, designed to protect individual identifying information, that preclude us from randomizing at the individual level.

The zip code is the lowest permissible level of aggregation for the list frame and, in spring 2015, we block-randomized all 3,683 US zip codes with at least 1 likely-eligible farmer and at least 20 percent of farmers in the zip code likely-eligible, in nine target states, 50–50 into treatment (every farmer sent one mailer) versus control (no farmer sent mailer), with likely eligible farmers being defined as those targeted by the Microloan program. We end up with 143,981 treatment and 144,924 control farmers and then measure loan take-up at the individual level.

B. Experiment 2

In year two (spring 2016), we prioritized testing whether a similar direct mailer would increase take-up among women farmers. The list frame is ill-suited for this purpose, so we use the Service Center Information Management System (SCIMS) maintained by the FSA. This frame has the advantages of being administrative data that is easier to merge with data on program take-up, and of having lighter usage restrictions that permit targeting and randomization at the individual level. But it only includes farmers who have previously interacted with FSA.

Targeting women motivated us to make (seemingly) minor changes to the mailer as well: a photo of a female instead of a male farmer, and several text modifications—including changes from “farmers” to “women” (online Appendix Figure 1).

Another design change sought to build on the anticipated replication of the finding that mailers would increase take-up, by adding a test for spillovers between letter recipients and other nearby female farmers. We randomly assigned 524 noncontiguous US counties, 50–50, to either 0 percent treated (“pure control”) or to 50 percent of female farmers treated. We can then estimate spillovers by comparing untreated farmers in treated counties to the pure control group. All told we include the universe of 548,546 female farmers in the SCIMS in the 524 experimental counties.

III. Results

Table 1 presents the experimental results, which we summarize here. In year one we find that farmers in treated zip codes (those assigned to get a mailer) are 0.06 percentage points (pp) (se = 0.02) more likely to take-up than control farmers (those assigned to no mailer), a large increase on the base take-up rate of 0.22 percent in the control group. In year two this finding does not replicate, with a point estimate of 0.0001pp, (se = 0.007pp), on a control group take-up rate of 0.04pp. The main treatment effects are statistically different across the two years (p-value < 0.01). Unsurprisingly, given the lack of a main effect in year two, we do not find a spillover effect either (0.005pp, se = 0.007pp).

IV. Discussion

We conducted two seemingly similar direct mail outreach experiments one year apart and found different results. A mailer increased take-up of a government agricultural microloan

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2 The difference between actual applications and successful applications is so small that we ignore it. To apply, a borrower needs to work with a local loan officer, who is able to provide guidance as to the likely success of an application, and as such, very few rejections are actually recorded.
Deciles, creating one hundred blocks, and then within each block assigned, 50 percent of zip codes to treatment and 50 percent to control. Within treatment counties, we then randomly assigned 50% of female farmers to receive a marketing letter, and 50 percent to not.

We then ordered counties by number of eligible farmers, to create pairs of counties, and then randomly assigned one to treatment and one to control. Within treatment counties, we then randomly assigned 50% of female farmers to receive a marketing letter, and 50 percent to not. Standard errors in Experiment 1 are clustered at the zip code level. For Experiment 2 we constructed pairs of potential-to-treat counties (rather than zip codes) and pure-control counties based on the number of farmers within each county, prioritizing the best matches between counties that were feasible given the constraints on the number of letters we could send out. We identified adjacent counties and removed them from consideration of paired counties for sampling. This was done to improve the likelihood that the farmers in pure control counties were not in contact with any farmers that received the marketing material precluded us from fixing the sample frame, and strong seasonality in demand for the marketed program (coupled with sample size constraints) forced us to wait a year. In many settings difficulty in merging data from different sources—e.g., demographic or transaction data with contact information; treatment assignment with downstream outcomes—can also slow iterative testing.

What caused the different treatment effects? It may be that effects vary from one year to the next. It may be that treatment density matters: our first experiment randomized at the zip code level and had a denser concentration of treated farmers. It may be that subtle differences in mailer content matter. It may be that sample frame matters because treatment effects are heterogeneous across farmer characteristics: after all, agriculture differs between the 9 southern states in experiment 1 and the 47 states included in experiment 2.

What should an experimenter who is interested in testing for spillovers and has seen our year one results do? An obvious strategy is to hold the sample frame and everything about the treatment fixed, and send another mail shot as soon as possible. But in our case the practical interest in testing whether direct mail would be effective on a specific (and different) target market precluded us from fixing the sample frame, and strong seasonality in demand for the marketed program (coupled with sample size constraints) forced us to wait a year. In many settings difficulty in merging data from different sources—e.g., demographic or transaction data with contact information; treatment assignment with downstream outcomes—can also slow iterative testing.

Back ing up, one could in principle have learned more about several of the open questions with a richer design in year one; e.g., by randomizing content within or across mailers, and/or by testing whether treatment effects for the same mailer vary across different sample frames or across baseline farmer characteristics within frame. But, as is often the case, sample size and capacity constraints permitted only the simplest of designs in year one.

Our results highlight the value and obstacles to using iterative field experimentation for basic and/or applied research. Seemingly subtle research design differences can change results. Yet the number of permutations required to run a full and contemporaneous set of tests far exceeds the sample size in a typical setting, even
one with “big data.” This statistical constraint, coupled with the time dimension, dictates that iteration is key to identifying heterogeneous treatment effects and any limits to external validity.

But to iterate quickly, “rapid-fire testing” and re-testing across many dimensions, research stakeholders must overcome several obstacles. We will have to increase sample sizes, make the implementation of randomizations more nimble, hasten the capture of outcome data and its merging onto baseline and randomization data, quicken the analytic turnaround from test to result, and speed up the feedback loop from results to design changes to implementation.

REFERENCES


