Perceived and Evidenced Credibility-based Trust and Financial Donors’ Loyalty to Charities: A Relationship Marketing Perspective

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Abstract

Purpose: Charities rely on financial donations from the public to sustain their charitable activities. Relationship marketing is regarded as a mechanism to generate loyalty between financial donors and charities. Such relationships are built on trust and credibility-based trust is most salient in the charity context. Thus, this study examined the effect of perceived and evidenced credibility-based trust on financial donors’ relationship loyalty to the charities to which they give money.

Methodology: The two-staged methodology comprised of a qualitative study of 32 convergent interviews with Australian financial donors to charities; and a subsequent quantitative, online, Australia-wide survey (n = 396) of financial donors to charities. Factor analysis and multiple regression were the primary data analytic techniques used.

Findings: It was found that financial donors perceived credibility-based trust positively influenced their relationship loyalty. Similarly, evidenced credibility-based trust positively influenced financial donors’ relationship loyalty to the charities to which they give money.

Implications: In addition to theoretical contributions, our study has practical implications for charities. In particular, the findings suggest that marketing communications that convey attributes of credibility-based trust may enhance perceptions of the charity as being competent and acting in the best interest of the cause; ultimately enhancing donor relationship loyalty. Furthermore, charities actions in terms of responsiveness and providing feedback as to how donor’s money has been used generate evidenced credibility-based trust that also leads to relationship loyalty.

Value: This study empirically demonstrates that both perceived and evidenced credibility-based trust can enhance financial donors’ relationship with charities.

Keywords: credibility trust; financial donors; loyalty; charities; relationship marketing

JEL Classification: M31  
PsycINFO Classification: 2340  
FoR Code : 1505; 1702
Introduction

Relationship marketing (RM) is a cornerstone of most contemporary service organisations (Christopher et al., 2013). RM asserts that the existing customers of an organisation are a strategic asset and growth opportunity and that if exchanges were to develop into long-term mutually satisfying relationships between customer and organisation this would provide a strategic advantage (Tadajewski and Saren, 2009; Cooil et al., 2007). Nonprofit organisations, such as charities, can pursue a relational approach; that is, building customer-to-organisation relationships with the goal of securing sustained financial donations. As charities are faced with complex challenges in managing a diverse array of stakeholder relationships, there is potentially an important role for RM (Taylor and Taylor, 2013; Knox and Gruar, 2007). The nature of exchange between financial donors and charities is somewhat more complex than the commercial customer exchange context. As such, RM is a particularly viable strategy for charities as its relevance to similar contexts characterised by social exchange has already been established in the extant literature (see Arnett et al., 2003).

Trust, in particular credibility trust, is essential to any consumer-to-business relationship and has been found to be particularly salient to the relationship between financial donors and charities (Beldad et al., 2014; Sargeant et al., 2006). Trust can be based upon perceptions of the consumer, as well as being the result of evidence that supports that the consumers trust in a relationship is justified. The impact of both perceived and evidenced credibility-based trust and their impact on financial donors’ loyalty to charities in Australia remains a gap in the literature. Accordingly, the question that frames our study is: “Does perceived and evidenced credibility-based trust influence the relationship loyalty of financial donors of charities in Australia?”

Relationship Marketing In Nonprofit Organisations

Consumer firms providing complex services are well suited to RM (Hunt and Arnett, 2006). Due to the intangible nature of the financial donation exchange and the presence of credence qualities (Berry, 1995; Crosby and Stephens, 1987), RM is likewise important for charities. As the environment in which charities operate becomes more complex, relationships with stakeholders take on more importance (Taylor and Taylor, 2013; Waters, 2009; Balser and McClusky, 2005). The notion of charities striving to satisfy multiple stakeholders (Gallagher and Weinberg, 1991; Octon, 1983), necessitates the management of a complex array of relationships, in greater volume and diversity than in the commercial sector (Balser and McClusky, 2005; Drucker, 1990). The challenge today for charities is to manage the development and nurturing of relationships among stakeholder groups, including financial donors (Waters, 2009; Deakin, 2000). RM has become embedded in the marketing and fundraising activities of charities such that the term ‘relationship fundraising’ has become commonplace (Burnett, 2002).

Relationship Fundraising

The term ‘relationship fundraising’ refers to relationship-based financial fundraising. Many solicitation strategies still rely on spontaneous and transaction oriented methods of seeking financial donations. While studies indicate that this is a successful means of attracting funds (Wright, 2000), the transactional focus does not allow for the development of long term relationships between financial donors and charities. Fundraising, has however, shifted away from this transaction orientation and towards that of relationships (Sargeant and Hudson, 2008). There are differences between transaction and relationship approaches to fundraising. The transaction approach focusses on immediate financial returns from a solicitation campaign. The relationship approach reduces this pressure by acknowledging that it is not necessary to break even on initial communications with financial donors and accepts these early contacts as relationship building in order to benefit from the long-term value of a financial donor (Burnett, 2002). Under the relationship approach, fundraising seeks to build mutually beneficial relationships between charities and their financial donors (Waters, 2008). Relationship-based fundraising is an approach which respects financial donors, advocating a return to greater intimacy between the parties.

Fundraising, the solicitation of financial donations, is an endeavour that is often perceived in a negative light (Fine, 1990). Those operating as fundraisers for charities often use the term ‘development’ rather than ‘fundraising’ to describe the process of nurturing existing and potential financial donors,
avoiding an association with ‘tin cup begging’ of a more traditional transactional focus (Rooney Hall, 2002; Newman, 1996). In developing relationships with financial donors, the charity’s brand and mode of appeal are important at the early stages. This highlights the importance of charities to develop a trusted brand (Michel and Rieunier, 2012; Srnka et al., 2003). Trust, honesty and affinity have been highlighted as being important to relationship development, as financial donors need to be assured that their money is well spent and their trust not misplaced (Beldad et al., 2014; Burnett, 2002). Charities also need to be interesting and involving, thus regular communication and feedback from campaigns would enhance the donors experience and relationship (Beldad et al., 2014; Berman and Davidson, 2003); and this provides evidence that consumers trust is warranted or earned. Despite trust being highlighted as an important issue in relationship fundraising; gaps remain in the extant literature (Burnett, 2002; Sargeant and Lee, 2002a).

**Trust in Consumer-to-Business Relationships**

Trust has many meanings depending upon the context and is characterised in generic terms as confidence in or reliance on a person or thing; a faith in their integrity (McKnight and Chervany, 1996; Macquarie Dictionary, 2006). Trust is integral to human society (O’Neill, 2009), and as such has pervaded a diverse range of research disciplines including: social exchange theory, contractual relations and organisational theory (Medlin and Quester, 2002; Macneil, 1980). The concept of trust is present in management and marketing literature (see Svensson, 2001; Young and Wilkinson, 1999; Blois, 1998). Trust is a fundamental aspect of social interaction, without which only simple forms of co-operation would be possible (Luhmann, 1979). As such, trust is at the very foundation of social order (Lewicki and McAllister, 1998; Bradach and Eccles, 1990).

Trust is an important dimension of RM and, indeed, is the basis of consumer-to-business relationships in a wide variety of business settings (e.g. Christopher et al., 2013; Moorman et al., 1993; Gronroos, 1990). Perceived trust is an important driver of marketing relationships (Chumpitaz Caceres and Paparoidamis, 2007; Doney and Cannon, 1997) as is evidence-based trust whereby actions of the business, such as timely communication and responsiveness, engender confidence in the organisation (Sargeant et al., 2006). Trust can take many forms based upon different aspects of the interaction between the two parties, such as contractual-based trust or goodwill-based trust (Svensson, 2001; Sako and Helper, 1988; Luhmann, 1979). Importantly, consumers have been found to be able to distinguish between different types of trust (Das and Teng, 2001).

**Trust and Charity Organisations**

The need for trust, both within and outside the bounds of relationships, arises in situations characterised by complexity, uncertainty or risk or where there is lack of knowledge on the part of participants (Palmatier et al., 2006; Bejou et al., 1998). Thus, it can be seen to be of importance for charities as they need donors to trust them in order to support them and enable them to fulfil their mission and address their cause (Bryce, 2007).

Researchers have found a major role for trust in financial giving behaviour (Sargeant and Hudson, 2008), with heightened focus on the level of credibility-based trust, being trust that donations are being put to good use (Fenton et al., 1999). From an exchange perspective, while the charity receives money, the financial donor only receives the ‘satisfaction of knowing’ the donation has been used appropriately (Bryce, 2007). In the light of such elusive outcomes for the donor, there has been evidence of donor concern with charity efficiency ratios; namely, the amount spent on administration and fundraising compared to the core program (van der Heijden, 2013; Thornton, 2006). Indeed, the literature notes growing concern among donors about charities wasting funds (Waters, 2008). While it is known that trust matters, managing trust in a non-profit, charity environment is not without its challenges. Charities have to work harder to maintain donor trust as a result of a number of publicised scandals and a general orientation of the public towards greater levels of information and control (Sloan, 2009; Waters, 2009; Sargeant and Lee, 2002b). In the 1990s, there was an erosion of public confidence in charities as a result of large scale fundraising blitzes and high pressure fundraising techniques, where the culture of fundraising became overly commercialised (Leat, 1995). If expenditure on marketing rises, the public may become suspicious and, thus, a charity can lose support because of the
amount it is seen to spend on non-operational activities (van der Heijden, 2013; Tinkelman and Mankaney, 2007; Rochester, 1996; Leat, 1995).

There is a tendency among donors to prefer local charities as they feel there is a greater sense of connection and control. This offers greater confidence that a local or domestic donation would be more likely to be of real benefit to the intended recipient (Fenton et al., 1999; Gaskin and Fenton, 1997). Although no similar Australian study is available, a 2009 United States study found no significant loss of public trust in charities over recent years (O’Neill, 2009). Given the similarities between the sectors and the challenges faced in the United States and Australia, it is reasonable to suppose that this is also the case in the Australian context, in that public trust in charities is apparent and stable.

Credibility-based Trust

At its core though, trust is about faith in another (Blois, 1998). Trust is an assessment of one person or entities assessment of the credibility of another person or entity (Moorman et al., 1993). Due to the importance of credibility in terms of trust and the subsequent salient role of trust in relationships between consumers and businesses, credibility-based trust was the focus of our research. Credibility-based trust is an objective or calculated type of trust that refers to the notion that the other party has the required expertise to perform the job effectively (Doney and Cannon, 1997; Ganesan, 1994; Moorman et al., 1993). That is, of the different types of trust that may prevail, credibility-based trust plays a particularly important role which has led to credibility-based trust being the focus of a number of studies including Medlin and Quester (2002), Sako and Helper (1998), Doney and Cannon (1997) and Moorman et al., (1994).

Credibility-based trust is a cognitive-based type of trust, as opposed to a behavioural-based or emotive-based type of trust (McAlister, 1995). As such, credibility-based trust may derive from either consumer’s perceptions or from evidence that has emerged during the course of the relationship. To illustrate, a consumer may perceive an organisation to be credible, in that it can fulfil its promises to help those in need. Alternatively, there may be evidence of credibility, such as timely communications and responsiveness to enquiries that engender trust for the financial donor.

Relationship Loyalty: The Measure of RM Success

Consumer loyalty is an outcome measure of the success of relationships between consumers and organisations (Chumpitaz et al., 2007; Leverin and Liljander, 2006; Priluck, 2003; Crosby et al., 1990). From the organisation’s perspective, there are links between loyalty and profitability, in that loyal consumers contribute to a sustainable profit stream (Adjei and Clark, 2010). RM is a mechanism to build loyalty with consumers (Copulsky and Wolf, 1990). This being the case, relationship loyalty is the outcome measure of our study.

Overall, drawing from the extant literature on evidence-based trust and relationship loyalty, we proposed the following hypothesis. Specifically, the hypotheses differentiate between perceived credibility-based trust and evidenced credibility-based trust to ascertain their influence on financial donors’ relationship loyalty to the charities to which they give money. Formally stated,

H1 Financial donors’ perceived credibility-based trust has a positive influence on their relationship loyalty to the charities to which they give money.

H2 Financial donors’ evidenced credibility-based trust has a positive influence on their relationship loyalty to the charities to which they give money.

Methodology

Our study comprised two stages — a qualitative stage followed by a quantitative stage. First, the qualitative study aimed to explore each construct and the interrelationships between the constructs via 32 convergent interviews conducted with financial donors in Australia. A quasi-snowball sampling technique whereby an initial invitation was circulated to academic and administrative staff at a multi-campus
regional university (n = 200) sought respondents who were regular financial donors to charities. Those who responded were asked to then invite others outside of the university to participate.

Respondents were from two States in Australia, between 25 years and 65 years of age and mostly females (n = 24) which is similar to other studies that have identified females as more involved donors (see Schlegelmilch et al., 1997; Newman, 1996). The data from the semi-structured interviews were analysed using the nVivo software program and revealed the importance of trust and conceptualisations of perceived and evidenced credibility-based trust and a preliminary association with relationship loyalty. Indicative statements from the qualitative study are provided in Table 1.

Table 1:
Qualitative study findings

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicative statements</th>
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<tbody>
<tr>
<td>Trust</td>
<td>“… [trust] is paramount! You would very much want to rely 100% to trust the organisation.”</td>
</tr>
<tr>
<td></td>
<td>“I think that charities to a large degree are dependent on trust. If the donor does not trust them then the donor will withdraw.”</td>
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<tr>
<td>Perceived credibility-based trust</td>
<td>“I probably was quite open and trusting … ‘charity X will do the right thing’…these days with the media you hear lots of wild and wonderful things.”</td>
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<td></td>
<td>“I trust a little blindly on reputation and hope they are doing the right thing”</td>
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<tr>
<td>Evidenced credibility-based trust</td>
<td>“…there appears to be enough evidence around that [charity] X is actually helping people…”</td>
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<td></td>
<td>“…very much leaning towards the ‘show me’ - that’s not because people are corrupt but I think the administration and running of the charities [is costly]…I have a real problem [with administrative costs].”</td>
</tr>
<tr>
<td>Relationship loyalty</td>
<td>“I feel really committed to that one [charity]…we’d probably go into debt a bit more to keep up my support of charity X.”</td>
</tr>
<tr>
<td></td>
<td>“…it would seem to start off with evidence-based [trust] and over time builds to another level.”</td>
</tr>
<tr>
<td>Association between credibility-based trust and relationship loyalty</td>
<td>“I just assume it [does] good things…because I have a trust that is established I don’t need it to be proven.”</td>
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<tr>
<td></td>
<td>“…it comes back to trust and I have an inherent trust of the charity, that they are divvying it up in the appropriate way - I don’t need to see a report.”</td>
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<tr>
<td></td>
<td>“I’ve seen what you [they] do, I have this rock solid trust.”</td>
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Second, a quantitative study commenced with the pre-testing of the survey with a convenience sample of financial donors to charity (n = 34) which used the same quasi-snowballing sampling technique as was employed for the qualitative study. Notably, those who participated in the qualitative study excluded from participation in pre-testing of the questionnaire. Measurement scales were adapted from existing scales (e.g. Sargeant et al., 2006). All items were measured on seven-point Likert-type scales with 1 = strongly disagree and 7 = strongly agree. Factor analysis was used to refine and improve the reliability of the measurement scales of each of the constructs.

Next, the main study was an Australia-wide, online quantitative survey undertaken via a privacy-compliant research panel provider. A total of 396 usable questionnaires resulted (12.7% response rate), with respondents demographics comparable to the general Australian population in terms of age, gender and income distribution (Australian Bureau of Statistics, 2012a; 2012b). With the exception of Tasmania, all Australian States and Territories were represented in the final sample.
Exploratory and confirmatory factor analysis established reliable measurement scales for perceived credibility-based trust, evidenced credibility-based and relationship loyalty as presented in Table 2.

Table 2:
Measurement Scale Items

Perceived Credibility-based Trust Scale \((a = 0.97)\)

<table>
<thead>
<tr>
<th>Item</th>
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<tr>
<td>1. I would trust this charity to conduct its operations ethically</td>
<td>0.94</td>
</tr>
<tr>
<td>2. I would trust this charity to always act in the best interests of the cause</td>
<td>0.94</td>
</tr>
<tr>
<td>3. I would trust this charity not to exploit its donors</td>
<td>0.92</td>
</tr>
<tr>
<td>4. I would trust this charity to use fundraising techniques that are appropriate and sensitive</td>
<td>0.91</td>
</tr>
<tr>
<td>5. I believe this charity has the skills and abilities necessary to fulfil its role</td>
<td>0.89</td>
</tr>
<tr>
<td>6. I tend to believe the charity will do the ‘right’ thing</td>
<td>0.88</td>
</tr>
<tr>
<td>7. My image of this charitable organization is a positive one</td>
<td>0.90</td>
</tr>
<tr>
<td>8. This charity has a good name in the community</td>
<td>0.84</td>
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Evidence Credibility-based Trust Scale \((a = 0.80)\)

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<tr>
<th>Item</th>
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<tbody>
<tr>
<td>1. I always receive adequate feedback about how my donation has been used</td>
<td>0.68</td>
</tr>
<tr>
<td>2. This charity responds quickly when I have a query or concern</td>
<td>0.68</td>
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Relationship Loyalty Scale \((a = 0.91)\)

<table>
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<tr>
<th>Item</th>
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<tbody>
<tr>
<td>1. The relationship I have with this charity is something I intend to maintain indefinitely</td>
<td>0.75</td>
</tr>
<tr>
<td>2. I care about the long term success of this organization</td>
<td>0.60</td>
</tr>
<tr>
<td>3. I would describe myself as a loyal supporter of this charity</td>
<td>0.76</td>
</tr>
<tr>
<td>4. Maintaining a long term relationship with this charity is important to me</td>
<td>0.81</td>
</tr>
<tr>
<td>5. The relationship I have with this charity is something I am committed to</td>
<td>0.78</td>
</tr>
<tr>
<td>6. I am loyal to this charity</td>
<td>0.77</td>
</tr>
</tbody>
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Next, the data were analysed using the multiple regression data analytic technique performed with the SPSS software program.

Results

Subsequent to the factor analysis, all measurement scales were combined into composite variables prior to undergoing further analysis. Construct reliability, convergent validity and discriminant validity were apparent (Hair et al., 2010; Anderson and Gerbing, 1988; Fornell and Larker, 1981). Furthermore, there was no evidence of common method bias or multicollinearity (Hair et al., 2010; Posakoff et al., 2003). This being the case, multiple regression was then performed to test the hypotheses with the results presented in Table 2.

TABLE 2: Multiple Regression Results

<table>
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<tr>
<th>Hypothesised Relationship</th>
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<tr>
<td>1 Perceived Credibility-based Trust → Relationship Loyalty</td>
<td>B=0.42; p=0.00</td>
</tr>
<tr>
<td>2 Evidenced Credibility-based Trust → Relationship Loyalty</td>
<td>B=0.43; p=0.00</td>
</tr>
</tbody>
</table>
As presented in Table 2, both hypotheses were supported. Applying Kline’s (1998) nomenclature for interpreting path coefficient magnitudes, the results show that perceived credibility-based trust had a moderate effect on relationship loyalty ($H1, \beta = 0.42$). Furthermore, evidenced credibility-trust had a moderate effect on relationship loyalty ($H2, \beta = 0.43$).

**Discussion**

Charities are non-profit organisations that transverse relationships with multiple stakeholders and rely on financial donations from the public to sustain their charitable activities (Taylor and Taylor, 2013). RM is regarded as a mechanism to generate loyalty between financial donors and charities. Such relationships are built on trust and credibility-based trust is a salient factor in decision of donors to give money. Thus, the purpose of this study was to empirically examine the effect of perceived credibility-based trust and evidenced credibility-based trust on financial donors’ relationship loyalty to the charities to which they give money.

On a broad level, the findings of this study regarding the importance of credibility-based trust in charity contexts confirms the extant literature in the area including key studies by Sargeant et al., (2006), Doney and Cannon (1997) and Moorman et al., (1994). Unlike these studies, our research was conducted in Australia demonstrating equivalence in terms of the findings with these aforementioned US and UK based studies.

The key contribution of this study that sets it aside from others is the focus upon perceived and evidenced credibility-based trust and its link to relationship loyalty. Our study found that both perceived and evidenced credibility-based trust were important to relationships between financial donors and the charities to which they give money, and that the moderate magnitude of the link between the constructs suggests that both forms of credibility-based trust are important to RM efforts of charities.

Donor’s may perceive that a charity is credible and our findings suggest that such perceptions are of relatively equal weighting to evidenced credibility-based trust, whereby an interaction with the charity demonstrates the presence of such trust. Our findings indicate that perceptions of credibility-based trust, such as a belief that the charity has the capacity to fulfil its role, a belief that the charity will do the ‘right’ thing or a view of the charity as a positive, good organisation, are important to the financial donation process. Those financial donors who are currently engaged in a relationship with a charity or those perhaps considering engaging in a relationship with a charity are, thus, influenced by perceptions that may be elicited from marketing communications of the charity. This being the case, efforts to convey messages about the charity operating ethically, in the best interests of the cause and generally doing the ‘right’ thing may confirm or catalyse the relationship. As relationship loyalty of the donor to the charity is thought to lead to sustained financial giving and, in turn, allowing the charity to undertake its endeavours (Sargeant and Hudson, 2008), this finding of our study is beneficial to the RM efforts of charities.

Evidence credibility-based trust is that based upon actual interactions between financial donors and charities. The literature suggested that increasingly the public is becoming suspicious of how money that is donated to charities is being used (e.g. Tinkelman and Mankaney, 2007; Leat, 1995). Evidenced credibility-based trust suggests that a financial donors confidence in, or suspicion of, the use of the money donated is mitigated by communication of the outcomes of donations for the charities beneficiaries and also by responsiveness when a donor has a query or concern. The findings of our study empirically demonstrated that evidenced credibility-based trust does positively influence relationship loyalty. This establishes that feedback about how donated money is used by the charity and responsiveness to enquiries leads to the relationship loyalty of the donor to the charity, increasing the likelihood of continued financial giving.

Overall, this study contributes to theory and to practice in useful ways particularly for those charities engaging in RM. In particular, the value of our study lay in the findings that both perceived and evidenced credibility-based trust matter and that both can enhance financial donors’ relationship with the charities to which they give money.
Limitations

As with all research, there are limitations to this study that influence the generalisability of the empirical findings. It is acknowledged that the study was cross-sectional in nature having been conducted at one point in time. Furthermore, the study was undertaken in one country, Australia; and focused on financial donations to charities thus excluding other types of pro-social giving such as giving time or giving items. Our methodology included the use of a quasi-snowball sample and an online survey approach which has implications in terms of the respondent samples used in this study. Nonetheless, these limitations do not discount the relevance, usefulness and meaningfulness of the empirical study in terms of both contributions to the extant literature and in terms of practical assistance to charities in Australia and beyond.

Future Research

This study opens up a number of areas of future research. Broadly, future research into the role and impact of other RM constructs and their value to charities is strongly encouraged. For example, the impact of relationship desire, relationship strength and relationship benefits upon relationship loyalty would be worthy research pursuits. Furthermore, research into non-financial giving and the role of perceived and evidenced credibility-based trust in these contexts would be valuable in a number of ways including that such future studies would help to expand knowledge of the full range of pro-social giving behaviours that donors and charities engage in.

While undertaken in Australia, this study drew from a number of international studies related to pro-social financial giving. Hence, replication of this study in other countries, particularly where cultural differences exist in terms of pro-social giving, would be meaningful. While trust is a ubiquitous concept, cultural variations in different countries or among different sub-cultures would provide further insight into the nature of the relationship between credibility-based trust and relationship loyalty that would be advantageous. In terms of methodology, future studies may also be framed as longitudinal in nature, perhaps exploring time-series data or panel studies of donors’ perceived and evidenced credibility-based trust and their relationship and loyalty to charities over time would be of both theoretical and practical value.

References


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