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# Relationship marketing in the not-for-profit sector: an extension and application of the commitment–trust theory

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**Abstract**

Several theorists advocate the application of relationship marketing concepts to the not-for-profit organisation (NPO) sector. The authors build on these contributions to adapt and extend the Morgan and Hunt [J. Mark. 58 (1994) 20] commitment–trust model to the NPO sector. The proposed model is applied to the relationship between an NPO and its organisational funders and is empirically tested. The empirical work is based on responses from 41 NPO funders. A partial least squares (PLS) analysis is used to identify the significant factors in the proposed model.

Major contributions to the model of relationship marketing include (1) replacing the relationship benefit construct with two new constructs—material benefits and nonmaterial benefits; (2) extending the communication construct to include items that reflect the two-way nature of the dyad between the funders and the NPO; (3) demonstrating the significance of nonmaterial benefits as a mediator of the link between trust and commitment; (4) highlighting the lack of significance of material benefits and termination costs as drivers of commitment. The model provides fundraisers in the NPO sector with a framework to understand and improve their relationships with organisational funders.


*Keywords:* Relationship Marketing; Fundraising; Commitment; Trust

## 1. Introduction

Nonprofit organisations (NPOs) operate in a highly competitive environment (Sargeant, 2001a). Sargeant (2001a) argues that competition from the increasing number of NPOs, combined with a decreasing funder pool, (Pharoah and Tanner, 1998) has led many NPOs to increasingly rely on a small number of key funders (NCVO, 1999). To survive and thrive in this competitive environment, theorists such as Burnett (1998), Sagawa (2001) and Sabo (2002) propose that NPOs should concentrate on maintaining and developing relationships with existing funders. Others, however, have warned that investing in relationships is expensive and may not, in fact, provide the expected benefits (Reinartz and Kumar, 2000; Payne and Holt, 2001). Selecting a group that provides most value to an NPO is therefore crucial (Sargeant and Stephenson, 1997; Sharma and Lambert, 1994; Reinartz and Kumar, 2000).

Many NPOs rely on donations from both individuals and organisations (such as corporations, trusts and governments). While both sources of funding are important, the average value of each organisational funder is often suggested to be higher than that of each individual (See Burlingame, 2001; Sargeant and Stephenson, 1997). Therefore, NPOs would benefit from focusing on strengthening their relationships with organisational funders.

From an extensive literature review, use of focus groups and in-depth interviews, the Morgan and Hunt (1994) model of relationship marketing is adapted and extended to the NPO setting, thereby providing a model of NPO–funder relationships. Although this model still embraces the concepts of commitment and trust at its core, it differs in a number of respects from the original Morgan and Hunt model. Key differences are the following:

1. The concept of relationship benefits is replaced by two new constructs: material and nonmaterial benefits.

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2. The trust–commitment link is mediated by nonmaterial benefits.
3. Material benefits are an antecedent of commitment, replacing the relationship benefits construct of Morgan and Hunt.
4. The communication construct is extended to include items that reflect the two-way nature of this process—both informing and listening. Only the former is included in the Morgan and Hunt model.
5. The commitment and relationship termination cost constructs, used by Morgan and Hunt, require minor adaptation in the wording of the construct items.
6. The opportunistic behaviour, shared values and trust constructs are replaced by more appropriate scales from other published works.

The development and administration of a questionnaire was a further output. This questionnaire was used to collect the data for empirical testing of the proposed NPO–funder relationship model. Data were obtained from 41 funders of an NPO. The data were analysed using partial least squares (PLS) analysis (Chin and Newstead, 1999). The findings are subsequently discussed.

## 2. Relationship marketing

Relationship marketing has been one of the major paradigms in the marketing literature over the last 10 years. In this time it has also had a major impact on marketing activities in the for-profit sector, being credited with increased customer cooperation, increased purchases and decreased customer defection. (Morgan and Hunt, 1994; Gummesson, 1999) Traditional marketing has emphasised the importance of acquiring new customers (Gummesson, 1997). Relationship marketing, however, has put a more overt emphasis on the importance of developing long-term supportive relationships with existing customers and posits that energy and resources are better spent on (Gronroos, 1997) this group than on attempting to attract new customers. Several theorists have suggested that relationship marketing activities would be particularly suited to the nonprofit sector (Sargeant, 2001a; Burnett, 1998).

## 3. Funder relationships

The literature suggests a number of motivations for firms to become donors to NPOs. These include enhancing the corporate image (Scott, 2000; Polonsky and MacDonald, 2000), tax breaks (Allen, 1999; Foran and Theisen, 2000), CEO interest in the cause of an NPO (Werbel and Carter, 2002) and having control over the donated property (Kistner, 2000). Whatever other motivations there are for donating, Sargeant and Lee (2001) found that trust in the NPO was a key factor associated with motivation and intention to continue donating.

Rothschild (1979) argues that funder relationships with NPOs are fundamentally different from orthodox customer–organisation relationships. He believes that individuals in customer relationships are usually the direct consumers of the organisations' services. Funders, however, are not the direct consumers of an NPO's services, nor do they normally have direct experience or involvement in service delivery. Consequently, this is why theorists have argued that funder trust in NPOs is critical (Sargeant and Lee, 2001). Even when there is a direct customer transactional relationship with an NPO, Garbarino and Johnson (1999) found that trust is more important in generating long-term loyalty than the benefits received in the exchange itself.

Trust is central to relationships with organisations (Kramer and Tyler, 1996). The development of trust is a key activity in relationship marketing generally (Gummesson, 1997) and in the NPO sector (Thomas et al., 2002). Trust has been associated with many positive organisational outcomes, not specifically related to NPOs. These include, for example, buffering against poor economic conditions (e.g., Taylor, 1996); long-term competitive advantage (e.g., Silinpaa and Wheeler, 1998); long-term financial success and shareholder value (e.g., Collins and Porras, 1998); innovative solutions to organisational challenges (e.g., Kay, 1993) and organisational advantage from intellectual capital (e.g., Nahapiet and Goshal, 1998).

Commitment is an important outcome of trust in the Morgan and Hunt (1994) model. In the NPO sector funder commitment is particularly important because this group often provides the NPO with its main source of income. But what type of relationship will generate this commitment? While trust is still likely to be a key driver of commitment, the key question is how NPOs cause funders to trust and be committed to them when there is no direct consumer transaction.

## 4. The drivers of trust and commitment

Fig. 1 presents the Morgan and Hunt (1994) model of relationship marketing. In addition to trust, commitment and their antecedents, the model also has several outcome variables. For reasons of simplicity and focus, this paper excludes consideration of the outcome variables, which are left as suggestions for further research later in the paper. At this stage we shall concentrate only on the drivers of trust and commitment. According to Morgan and Hunt (1994), trust and commitment are at the heart of any successful relationship with customers. They believe commitment depends on four variables: relationship benefits, relationship termination costs, shared values and trust. Trust itself is dependent on three variables: shared values, communication and opportunistic behaviour.