Exploring Trust and Satisfaction as Drivers of Supporter Loyalty in Nonprofit Organizations

By

JEONG, Hyejin

THESIS

Submitted to

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ABSTRACT

EXPLORING TRUST AND SATISFACTION AS DRIVERS OF

SUPPORTER LOYALTY IN NONPROFIT ORGANIZATIONS

By

HyeJin Jeong

Researchers and practitioners have focused on motivation to increase acquisition in the charitable market while neglecting the facilitation of existing supporters for sustainable donation. The purpose of this study is to examine how the antecedents of trust and satisfaction are related to each factor and explain how both trust and satisfaction have positive effects on loyalty. Loyalty is measured by the intentions towards retention and recommendation. This study collected data via an online survey and applied statistical analyses such as regressions and t-test. As a result, this study found that transparency and professionalism affect higher level of trust while accountability does not, and service quality, communication and performance affect higher level of satisfaction. Major drivers of loyalty, trust and satisfaction have a positive effect on supporter loyalty, and these two factors interdependently give an impact. This study intends do provide managerial and political implications for fostering supporter loyalty in nonprofit organizations.

Key Word: Trust, Satisfaction, Intention, Loyalty, Nonprofit organization, Charitable Market

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I. Introduction

Charitable donation has been decreasing since the global economy entered its crisis, and South Korea is no exception to this situation. The participation rate of South Korea's donation has decreased steadily every year since 2011. Statistics Korea (2017) shows that the participation rate in donation is 26.7 percent in 2017, and this is almost 10 percent downturn from the last 6 years. As the South Korean economic slowdown reduces the volume of donations, nonprofit organizations are also struggling to raise funds.

The previous studies (Amos, 1982; Dawson, 1988; Clary & Snyder, 1995; Clerkin, Paynter & Taylor, 2009; Henke & Fontenot, 2009; Ashley, Ball & Eckel, 2010; Sargeant & Shang, 2011) focused on the motives of giving to predict causes and facilitate donation. Motivation accounts for the determination of behavior in all its aspects and this has been counted as a significant factor which affects individual giving behavior. Marketing researchers also looked at motivations of giving to adopt particular solicitation and market segmentation approaches (Prince, File & Gillespie, 1993). Through the understanding of the current giving climate, researchers believe fundraising strategies targeting new supporters could be effectively designed. Van Slyke and Brooks (2005) proposed that "building models of who gives, why they give, and what would cause them to give more," it could cultivate relationships with potential supporters along with existing supporters (p.212). Kashif, Sarifuddin and Hassan (2015) stated that for a strategic marketing approach the knowledge of why people donate can help to promote giving money.

On the other hand, nonprofit organization loses supporters each year. Fundraisers used to allocate more resources to solicit one-time donors rather than

develop committed supporters; in addition, fundraising programs and management for existing supporters are vulnerable (Shen, 2016). Reichheld, Robert Jr and Hopton (2000) found that "a five-percentage point shift in customer retention consistently resulted in twenty-five to a hundred percentage profit swings" and stressed the importance of retaining current customers (p.135). In the charitable market, Sargeant (2008) also claimed that if a nonprofit organization prepares marketing strategies to existing supporters, it could even reduce its marketing expenditure by nearly five times. Therefore, there has been an increasing interest in supporter loyalty which makes supporters maintain their contributions because the charitable market experienced difficulties by the growing number of supporter attrition. The empirical studies investigated the impact of supporter retention and ensured nonprofit organizations would increase their profits if they are more proficient at retaining supporters (Nathan & Hallam, 2009). To maintain supporters for a sustainable giving, loyalty plays a vital role. Retention, which brings profits, is recognized by loyalty (Trasorras, Weinstein & Abratt, 2009) and achieving supporter loyalty is important for long-term giving, which is consequently helping the organization accomplish its mission.

The purpose of the study is to explore which predictors foster trust and satisfaction of supporters and examine how trust and satisfaction affects the level of supporter loyalty. It aims to investigate current supporters who make cash donations monthly and are living in South Korea. This study intends to give insights to adopt better marketing strategies in nonprofit organizations and provides direction on how to increase the loyalty to the retention of supporters. It also offers policy implications to help, providing better policies on nonprofit market in South Korea, and this study aims to answer following research questions:

RQ1) How do the antecedents of trust, *accountability, transparency and professionalism* affect a level of trust in nonprofit organization?

RQ2) How do the antecedents of satisfaction, *service quality, communication and performance* affect a level of satisfaction in nonprofit organization?

RQ3) How do trust and satisfaction have a positive effect on supporter loyalty?

RQ4) How do trust and satisfaction affect each other?

Therefore, the following the research questions have been formulated to prove the relationship between each antecedents, trust and satisfaction. Moreover, it attempts to find the relationship how trust and satisfaction foster to a level of loyalty.

Following this chapter, Chapter II covers overall review of loyalty, trust and satisfaction, and Chapter III presents a theoretical background. In Chapter IV, it introduces the hypothesis development, and survey development and data collection will be discussed in Chapter V. Following Chapter VI shows results of hypotheses testing and findings of this study with data analysis. Finally, Chapter VII makes the conclusion and give insights for fundraising managers, policy makers and researchers.

II. Literature Review

Over the years, the firms try to foster customer loyalty to ensure profitability. Higher loyalty itself cannot be a fundamental and ultimate objective in any kind of industry, but there is no denying that loyalty is regarded as the primary factor in an organization's success (Wah Yap, Ramayah & Nushazelin Wan Shahidan, 2012). Then, multiple causal factors that can impact the loyalty have been discovered by researchers and practitioners, and Sergeant and Woodliffe (2007) stated "a wider variety of context specific factors might drive loyalty" (p.49). In this study, the following literatures

examine the concept of loyalty and the primary drivers of loyalty, trust and satisfaction are proposed.

2.1. The Construct of Supporter Loyalty

2.1.1. The Concept of Loyalty

According to the Cambridge Dictionary, loyalty is defined as "feelings of support or duty towards someone or something." American philosopher, Josiah Royce argued that loyalty is "the devotion of a person to a cause" (Goldfarb, 2011, p.722). By feeling that people have "obtained value from a product or service may develop loyalty" (Trasorras, Weinstein & Abratt, 2009, p.619), they tend to select the object over competition. The nature of loyalty is characterized by valuing an association that is willing to secure or not endanger the object of loyalty in its own way. In staying with the object of loyalty, it is showing strong supports and "bounding up with one's own" (Kleining, 2007). This attachment brings a commitment, as a result, loyalty is a key for increasing revenue in any kind of industry.

Accordingly, all business firms strive to achieve customer loyalty in the marketing field, and it can be an excellent marketing tool (Raman, 1999). Dick and Basu (1994) conceptualized loyalty as "the relationship between the relative attitude toward an entity (brand/service/store/vendor) and patronage behavior" (p.100). As such, customer loyalty is related to consuming power along with repurchasing power, and customers tend to stay loyal in order to maintain their power. Regardless of pricing, loyalty develops a steady preference towards the certain product or service of brand. Thus, loyal customers make a justification of what they decided to support and believe their supporting brand is superior to others (Cohen & Houston, 1972). As they express

their loyalty over time, it works as a long-term profitability that helps the firms safely be sustained at least. That is the reason that the firms keep trying to provide value and benefits to customers. Gounaris and Stathakopoulos (2004) argued that to have lasting competitive advantage loyalty is an important factor of strategy. True loyal customers would advocate for their supporting brand without any incentives.

2.1.2. Loyalty in the Charitable Market

Even in the charitable market high supporter loyalty generates long-term values for every supporter. Loyalty is necessary to ignite supporters to donate their time and funds to nonprofit organizations and it is an important variable to keep a relationship (Sargeant & Woodliffe, 2007). This can be a great asset for acquiring sustainable financial support, therefore, the organization can easily draw the attention from loyal supporters rather than new ones (Reichheld, 1993). To address the importance of supporter loyalty, Sargeant and Woodliffe (2007) reported "small improvements in loyalty can have a profound impact on the profitability of a fundraising database" (p.48). Beyond commercial commodities, increasing loyalty is a strategy for sustained giving.

Wymer and Rundle-Thiele (2009) described supporter loyalty as an allegiant heart towards the mission, purpose or cause of the organization, and the individual recognition of these core values is a starting point of having a feeling of loyalty. In the nonprofit field, understanding why supporters give is critical because it includes what they are passionate about. Supporters pursue specific missions or values that the organization carries out, thus without providing experiences that enhance causes to give or personal values, it is not easy to increase supporter loyalty. Thus, supporter loyalty is a complex construct, but this study conceptualizes it as *a willing devotion of unifying principles and missions to the supporting nonprofit organization.*

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2.2. Trust of Supporter Loyalty

2.2.1. The Concept of Trust

The literatures define trust depending on situations and contexts and it is a vital factor in many interactions (Aljazzaf, Perry & Capretz, 2010). There are large views surrounding the meaning of trust, and Tschannen-Moran and Hoy (2000) said it is "not a feeling of warmth or affection but the conscious regulation of one's dependence on another" (p.547). Moorman, Zaltman and Deshpande (1992) reported that trust is "a willingness to rely on an exchange partner in whom one has confidence" (p.82). Schoorman, Mayer and Davis (2007) simply described trust as a "willingness to be vulnerable to another party" (p.347). Thus, trust is fundamental in maintaining organizational process and it is the "cornerstone of long-term relationships" (Sirdeshmukh, Singh & Sabol, 2002, p.15).

The importance of trust has appeared since the recent developing of trust-based marketing. In addition, trust has been associated with many positive outcomes in relationship marketing because trust "reduces the perceived uncertainty" (Moorman, Zaltman & Deshpande, 1992, p.315). Building trust contributes to the positive association between customer and company (Raimondo, 2000; Delgado-Ballester & Luis Munuera-Alemán, 2001; Morgan & Hunt, 1994). Likewise, the constructs of trust show that the one who trusts has positive expectations towards the one they are trusting. As trust towards a firm increases, consumers are willing to take a risk and make a commitment which is in a causal relationship with trust (Sargeant & Woodliffe, 2007). However, trust is not given enough attention as a major player in increasing loyalty

(Delgado-Ballester & Luis Munuera-Alemán, 2001); instead, many studies examined relationships between variables and loyalty.

Due to the emergence of relationship marketing, trust has been reviewed and discussed as an inherent value when it comes to customer loyalty. Now it is regarded as a key driver (O'Reilly, et al., 2012) to develop loyalty. Garbarino and Johnson (1999) demonstrated that trust highly drives the future intentions of customers and it is an important ingredient in order to have a confident relationship. Reichheld and Schefter (2000) straightly stated "to gain the loyalty of customers, you must first gain their trust" (p.107). Trust is likely to enhance loyalty, therefore, fostering trust helps consumers sustain their behaviors by perceiving positive outcomes (Wah Yap, Ramayah & Nushazelin, 2012).

2.2.2. Trust in the Charitable Market

In the nonprofit context, trust also helps supporters to become attached with their supporting organization by driving a level of commitment that brings up supporter loyalty. Naskrent and Siebelt (2011) defined that "trust of the donor is a mental attitude, which is based on the ability and the willingness regarding the NPO that, despite the donor's lack of control, it fulfills their future-related expectations" (p.763). Trust reflects the supporters' belief that the supporting NPO efficiently uses funds and makes a positive impact on its beneficiaries (MacMillan et al., 2005). Bennett and Barkensjo (2005) also identified that "trust can be interpreted as the donor's assumption that the charity can be relied upon to behave in such a manner that the long-term interests of its beneficiaries will be served in an excellent manner" (p.129).

The nonprofit organizations highly depend upon supporters who take a prominent role for funding their resources. Without trust, it is hard to enable supporters

to commit financially to the NPO (Sargeant and Lee, 2004). Building a strong trusting relationship between organizations and supporters will make it easier for supporters to justify their decisions. Moreover, gaining trust in the charitable market is not only applied to supporters, the general public also stresses that NPOs should be trustworthy. Thus, the scandal of certain NPOs is a very critical issue which can affect the whole charitable market. In response, NPOs are required to be credible and regulate themselves using third parties in order to strength the public's trust, and Charity Navigator (2018) highlighted that it could help to reduce risks of misuse of funds by the NPO and engagements in inappropriate activities.

2.3. Satisfaction of Supporter Loyalty

2.3.1. The Concept of Satisfaction

Satisfaction has been explored for decades as a means of indicating whether customers fulfill their needs or wants. To have a collective impression of events, consumption experiences are evaluated and appear as satisfaction (Hunt, 1977; Oliver, 1981). The involvement of customers is a prerequisite and thus satisfaction evaluates a confirmation of expectation based on experiences. Hence, customer satisfaction is a consequent from making a comparison between expected outcomes and perceived outcomes (Miller, 1977; Churchill & Surprenant, 1982; Tse & Wilton, 1988; Bruhn & Grund, 2000). Thus, a level of satisfaction is dependent on a result of performance which surpasses the demands (Bitner, 1990) and it comes out as "an emotional response to the experiences" (Westbrook & Reilly, 1983, p.256). Past experience with satisfaction leads to an increase in higher expectations as well as a rise in confidence in a firm. In contrast, consumers who experience dissatisfaction are more likely to

complain or switch their behavioral pattern. The firm needs to manage negative discomfirmation by improving service and handling complaints. By producing satisfied customers, repurchasing intention can be raised accordingly (Anderson & Sullivan, 1993).

Naskrent and Siebelt (2011) noted that satisfaction is considered "the affective reaction towards a (dis-)confirmation" of customers' anticipated performance which influences loyalty (p.764). Oliver (1999) defined it as "pleasurable fulfillment" and noted that to affect loyalty, individual satisfaction experiences become aggregated, thus "frequent or cumulative satisfaction is required" (p.34). There are thresholds and possibilities, but the firms are interested in securing customer loyalty by confirming their expectation and needs. In this sense, satisfaction is a central determinant of loyalty and higher satisfaction brings increased customer loyalty which is a driver of sustaining performance (Jones & Sasser, 1995; Sargeant, 2008). Likewise, the literatures have been illustrating satisfaction influences loyalty. Fornell and Wernerfelt (1987) believed satisfaction helps to increase behavioral intentions and curtail the marketing expenditure to retain customers rather than to attract new customers. Furthermore, in order to attain sustained customer satisfaction and loyalty, the firm should strive to deliver outstanding values (Jones & Sasser, 1995).

2.3.2. Satisfaction in the Charitable Market

Satisfaction itself cannot be a goal of nonprofit fundraisers, but it can help to track what supporters favor, and fundraisers enhance loyalty as delivering the values of the organization. McGrath (1997) believed giving good value gives supporters reason to donate again, in turn, reduces lapse rates. Naskrent and Siebelt (2011) also defined "satisfaction is the affective reaction towards a (dis-)confirmation, which is based on a

complex cognitive process of comparison between ex ante expectations and subjective experiences" (p.764). Supporters also evaluate performances of organizations and react based on their confirmation.

Increased supporter loyalty is the most important factor to facilitate long-lasting revenue in the charitable market. Mittal and Kamakura (2001) maintained that "the functional form relating rated satisfaction to repurchase behavior is highly nonlinear" (p.140). It is a leap to set satisfaction as a direct factor of a repurchase intention or behavior. However, several researchers also investigated a strong and positive relationship between satisfaction and loyalty intentions (Garbarino & Johnson, 1999), and Bennett and Barkensjo (2005) supported and believe the relationship can be significant for 'good quality' relationship marketing. Therefore, satisfying supporters is highly associated with retaining them.

III. Theoretical Background

3.1. Brand Loyalty Theory

Brand is a core identity for products and services which creates values and helps consumers to distinguish them from other competing brands. When consumers are loyal to the brand, they favor it and give credibility to its products or services. In any situation, loyal consumers make a consistent purchase from the same brand, and brand loyalty extends market share (Assael, 1998). According to the American Marketing Association, brand loyalty is defined as "the situation in which a consumer generally buys the same manufacturer-originated product of service repeatedly over time rather than buying from multiple suppliers within the category." With the same

point of view, Bamossy and Solomon (2016) found that "brand loyalty is a conscious decision of a consumer to continue buying the same brand. For this, repeat purchase must be accompanied by an underlying positive attitude towards the brand." They determine brand loyalty as a repeated and positive pattern of consumer behavior. Thus, brand loyalty is a great asset for strategic marketing and generates competitive and economic profits by reducing marketing and operating costs (Reichheld, Robert Jr & Hopton, 2000; Matzler, Grabner- Kräuter & Bidmon, 2006).

Brand loyalty reflects a faithfulness of consumers to a specific brand. To maintain consumers and increase their loyalty with the brand, it is essential for the organizations to understand consumer behavior, on the other hand, a construct of brand loyalty is not simply characterized by a behavioral approach. Jacoby and Kyner (1973) collectively defined brand loyalty as "(1) the biased (non-random), (2) behavioral responses (i.e. purchase), (3) expressed over time, (4) by some decision making unit, (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision making, evaluative) processes" (p.2). Similarly, Sheth and Park (1974) presented multidimensional brand loyalty and proposed to view it as "a positively biased emotive, evaluative and/or behavioral response tendency."

Oliver (1999) developed a framework of brand loyalty with four phases (cognitive, affective, conative and action loyalty); loyalty of consumers becomes deeper and eventually brings commitment and action inertia. In addition, he viewed loyalty and satisfaction as not the same, instead satisfaction is a foundation to build brand loyalty like a seed which needs care and support to grow. Satisfaction is not directly associated with loyalty, however, Amine (1998) stated satisfaction can be considered as an indirect source because dissatisfaction adversely affects repurchasing behaviors of consumers. Schultz (2000) also emphasized satisfying customers tend to

build and maintain brand loyalty.

3.2. Relationship Marketing Theory

Relationship marketing has appeared as an emerging marketing tool which is shifted from traditional marketing theories. Among various definitions of relationship marketing, it is mainly considered appealing, sustaining, and improving customer relationships (Berry, 1983; Grönroos, 1994; Berry & Parasuraman, 2004) and it happens based on relationships, networks and interaction (Gummesson, 1994). Aijo (1996) described it as "a close long-term relationship between various (network) participants involved in exchanging something of value (total market process)" (p.15). Harker (1999) proposed a new definition stating "an organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] overtime is engaged in relationship marketing" (p.16). To engage and maintain relationships with customers, organizations try to build long-term relationships rather than to only make acquisitions or one-time sales.

Lewin and Johnston (1997) believed that relationship dependence, trust, commitment, communication, cooperation, and equity are the essential forms in relationship marketing theory. Especially, "the partnering relationship is characterized by a high level of trust, a long-term relationship orientation, intensive information exchange, and a high level of mutual cooperation" (p.23). This partnering relationship is a good opportunity to build a bond with consumers which could help to gain advantages (Ganesan, 1994). To have better communication flows and develop marketing strategies, customer relationship management (CRM) is driven by the

integrated information and communication infrastructure (Hunt, Arnett and Madhavaram, 2006). Most companies have experience using CRM for maximizing relationships with consumers and developing long run profitability. Chen and Popovich (2003) state interacting and communicating effectively with customers result in customer retention and profitability by extending better understanding of them.

However, relationship marketing is a challenge to practice, and customers are not always welcome to building intimate relationship with organizations (Zinkhan, 2002). Fournier, Dobscha, and Mick (1998) pointed out how inconsiderate relationship marketing was offered in the name of cultivating a close relationship with customers. Firms would like to have a friendship, loyalty and respect of customers, but they do not provide these in return. For a good and healthy partnership, a balance between giving and taking is required. In order to regain trust, organizations show how they value customers "through better communication, faster delivery and personalized products and services" (Chen and Popovich, 2003, p.686).

IV. Hypothesis Development
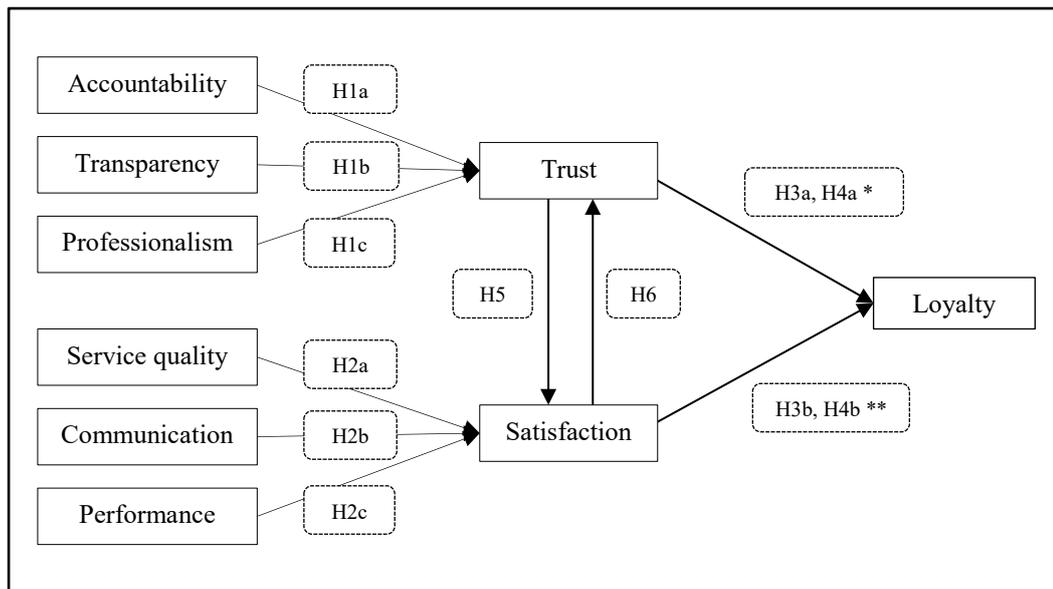
Figure 1. The Proposed Model of Study

* Effects of trust on 2 types of loyalty, intentions of retention and recommendation.
** Effects of satisfaction on 2 types of loyalty, intentions of retention and recommendation.

4.1. The Factors influencing Trust towards the supporting nonprofit organization (NPO)

4.1.1. Accountability

Since the nonprofit sector has expanded, higher demands for accountability towards NPO are growing. Accountability in the nonprofits is generally interpreted as "the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions" (Edwards and Hulme, 1996, p.967). Charity Navigator (2018) defined it as "an obligation or willingness by a charity to explain its actions to its stakeholders." With various definitions of accountability, two essential questions, *accountability to whom and for what* (Walsh, 2016) are posed

in all accountability literatures.

Compared to for-profit organizations, the accountability system of an NPO is more complicated. It is not easy to identify the principal and develop accountability since an NPO is considered as a mission-oriented organization and responds to multiple stakeholders (Costa, Ramus & Andreaus, 2011). Freeman (2010) stated stakeholders refer "any group or individual who can affect or is affected by the achievement of the organization's objectives (p.46). In this sense, NPOs have economic, social and missional responsibilities to different stakeholders such as supporters, beneficiaries, governments and the public. However, in this study only supporters are regarded as stakeholders of NPOs hereafter. By reporting its activities and providing sufficient information to supporters, NPOs could reinforce their trustworthiness. When an NPO takes its accountability seriously, trust of its supporters increases, which leads to the hypothesis below:

H1a: The perception on accountability affects the level of trust in an NPO.

4.1.2. Transparency

Nonprofit organizations are currently undergoing a lack of transparency and accountability which damaged their credibility. Transparency is simply described as an openness and how nonprofits handle their resources is critical for the decision-making process of (potential) supporters. "Transparency is a key issue in the NGO sector because there are private information and hidden actions in the NGO-beneficiary-benefactor nexus" (Burger & Owens, 2010, p.1264). Particularly, NPOs handle big flows of public and private cash (Mawdsley*, Townsend & Porter, 2005), thus,

transparency in necessary to behave responsibly and ethically, and in this regard, organization's proper use funding impacts the trust the public has in their organization. Supporters empower nonprofit organization based on their trust in reporting expenditure and best ethical practices for fund managements. This study hypothesized transparency affects the level of trust in an NPO as below:

H1b: The perception on transparency affects the level of trust in an NPO.

4.1.3. Professionalism

Professionalism asks, "professionals to be worthy of that trust, to put clients first, to maintain confidentiality and not use their knowledge for fraudulent purposes" (Evetts, 2013, p.780). Based on knowledge, experience, understanding and skills, professionalism is reproduced. But professionalism is not described with only perception of ability, the image of professionalism is determined by the appearance and attitude of staffs who interact with supporters and act as representatives of NPOs. It also includes motivation, moral character, the way of dealing with uncertainty and risks; therefore, it is assessed by overall values coming from supporters' own standards. In turn, the professionalization has allowed NPOs to work more effectively and to bring more positive change with authority in their sectors. (Tandon, 2003). Engaging in behaviors that inspire supporters could establish trust. This study hypothesize professionalism contributes to increase trust, which leads to the hypothesis as follows:

H1c: The perception on professionalism affects the level of trust in an NPO.

4.2. The Factors influencing Satisfaction towards the supporting nonprofit organization (NPO)

4.2.1. Service Quality

Service quality is widely studied and regarded as "a global judgment, or attitude, relating to the superiority of service" (Parasuraman, Zeithaml & Berry, 1988, p.16). It is conceptualized by two main dimensions, *technical quality* ("what is received by the customer") and *functional quality* ("how a service is provided") (Grönroos, 1994, p.1339) and this occurs by mutual interactions.

Service quality can be viewed between ideal and perceived aspects, in this study, service should be performed, thus it is identified as perceived service quality. In Oliver's Satisfaction-Service Quality Model (1993), he believed that perceived service quality is an antecedent of satisfaction. The other literatures added the view that service quality is one of core determinants of satisfaction (Anderson, Fornell & Lehmann, 1994; Spreng & MacKoy, 1996; Cronin, Brady & Hult, 2000; Caruana, 2002) and this consequently drives for positive behavioral intentions (Olorunniwo, Hsu & Udo, 2006). By applying business factors in charitable marketing, NPOs offer tangible and intangible services to supporters to shape individual needs. When service quality is well delivered in a customer-oriented climate, customers are more likely to be retained (Jones and Farquhar, 2003). This service quality also impacts on the satisfaction of supporters and given this argument, this study formulates the following hypothesis:

H2a: The perception on service quality affects the level of satisfaction in an NPO.

4.2.2. Communication

Communication and satisfaction are closely related, and there are several researches about communication satisfaction. Thayer (1968) defined communication satisfaction as "the personal satisfaction a person experiences when communicating successfully" (p.144). The information and communication technology (ICT) rapidly developed, and the form of communication engaging in ICT varies. Communication is a process to reach mutual understanding through diverse channels that utilizing avenues such as email, SMS, website, magazine and others. In NPOs, the relationship between supporters and the organization is realized by communication and it is an effective tool to ignite supporters to reach its goals (Dee & Henkin, 1997). According to Nathan and Hallam (2009), using 'donor-centric communications' is more engaging for a personal touch. NPO communication should focus on producing relevant messages to supporters as much as possible rather than generic communication in a lack of horizontal network. With provided information to supporters, the form, attitude and frequency of communication are evaluated in this study. It leads to hypothesize communication plays as a useful role in determining the overall degree of satisfaction as follows:

H2b: The perception on communication affects the level of satisfaction in an NPO.

4.2.3. Performance

Performance has been regarded as a result of operation in for-profit organizations and even in nonprofit organizations. Payer-Langthaler and Hiebl (2013) described it as "intentional action." The results show whether organizations accomplish their objectives or not (Helmig, Ingerfurth & Pinz, 2014). For supporters, performance

could be an important piece of information to assess whether their inputs such as time or money are well implemented for outputs. There are several ways to measure organizational performance, but it can be categorized into three parts; *financial performance, operational performance, and organizational effectiveness* (Venkatraman & Ramanujam, 1986). An NPO's performance can also be measured with this multidimensional approach. By understanding its vision and strategy, NPOs enhance their performances (Liao & Huang, 2016). Individual supporters have their own reasons to support NPOs under the condition they agree with its mission. Thus, NPOs produce both financial and nonfinancial perspectives of performance from their point of view, it is understandable for the effectiveness of the organization. Well-conducted performance leads to increased satisfaction and the following hypothesis is given:

H2c: The perception on performance affects the level of satisfaction in an NPO.

The key factors, trust and satisfaction associated with intentions can assume supporters' future giving behavior is related to loyalty. Ouellette and Wood (1998) found that intentions can be informed by past behaviors through self-perception and cognitive consistency processes. To maintain intentions, supporters should ensure that some positive consequences emerge from their behavior. Behavioral expectations are more dependent on the frequency of past acts. To continue, the donation commitment of supporters is required, and it is operationalized in terms of consistent focused behavior such as the frequency in participation and the number of years participated. Traditionally, sociologists and social psychologists explained the concept of commitment as a consistent behavior. In addition, commitment is underlined as a dedication, inner conviction or a moral imperative (Kim, Scott & Crompton, 1997).

There are various approaches to measure the level of loyalty, and this study measures loyalty by defining loyalty as behavioral responses, what supporters intend to do in the future. With their behavior responses, future intentions 1*) retaining current donation activity (retention) and 2) recommending the supporting NPO to others (recommendation)* are measured.

4.3. Effects of trust and satisfaction on the intention for retention

The most predictive factor in order to measure the future intentions of supporters is to assess their potential to continue to support or quit (Zeithaml, Berry and Parasuraman, 1996). Within the nonprofit context, future intentions deeply involve future donating activity (Garbarino & Johnson, 1999), and the intention of supporter retention is measured in loyalty with following hypotheses:

H3a: Trust has a positive effect on supporter retention

H3b: Satisfaction has a positive effect on supporter retention

4.4. Effects of trust and satisfaction on the intention of recommendation

As existing supporters promote or recommend an NPO and its activity to their friends, they can become supporters. Jones and Sasser (1995) reported recommendation means a positive behavior based on customer experiences and it is one of the important factors to attract new ones. Thus, intention to recommend is measured in loyalty with the following hypotheses:

H4a: Trust has a positive effect on supporter intention of recommendation

H4b: Satisfaction has a positive effect on supporter intention of recommendation

Trust and satisfaction are a construction in supporter loyalty, and there could be a link between the two factors. Therefore, trust and satisfaction are correlated leading to the following hypotheses:

H5: Trust affects the level of satisfaction in an NPO

H6: Satisfaction affects the level of trust in an NPO

V. Methodology

The survey was randomly distributed to 250 people and the data was collected through an online survey. The respondents should be supporters who donate regularly to the nonprofit organization. 154 supporters in South Korea completed the survey and the response rate was 61.6 per cent. The questionnaire items included proposed antecedents, accountability, transparency, professionalism, service quality, communication and performance and determinants including trust and satisfaction on loyalty. The survey examined how each factor affects trust and satisfaction which are drivers of supporter loyalty. In addition, by measuring the intentions of maintaining donation and recommendation, it is expected to draw supporter loyalty towards the NPO. To investigate causal relationship among variables, a 7-point Likert scale from 1 = strongly disagree and 7 = strongly agree was employed.

VI. Data Analysis

6.1. Hypothesis Testing

6.1.1. The Factors effect on Trust towards the supporting nonprofit organization

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Accountability → Trust (H1a)	0.109 (1.358)
Transparency → Trust (H1b)	0.385 (4.430)***
Professionalism → Trust (H1c)	0.430 (6.356)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 1. The Summary of the Effects of Factors (Accountability, Transparency, Professionalism) on Trust

The study applies multiple regression analyses, the analyses of variance (ANOVA). Results of regression analyses for the effects the variable has towards the dependent variable based on table 1. Overall, the result of ANOVA indicated that the models were significant at the 0.01 level with $F = 118.628$ (*r-square* = 0.721). Based on these findings, hypotheses 1b and 1c are accepted, but hypothesis 1a is not accepted. In other words, higher perception on transparency and professionalism are stronger for trust than accountability. Accountability is a comprehensive meaning, and this could be vague in order to understand how to create the value directly. To respondents it may not be clear that an NPO should be accountable to whom, and supporters could feel accountability is a duty that an NPO must perform. Thus, the effect of accountability on trust is not identified in this study.

6.1.2. The Factors effect on Satisfaction to the supporting nonprofit organization

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Service quality→ Satisfaction (H2a)	0.053 (3.084)***
Communication → Satisfaction (H2b)	0.050 (3.534)***
Performance → Satisfaction (H2c)	0.049 (10.691)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 2. The Summary of the Effects of Factors (Service quality, Communication, Performance) on

Satisfaction

This study conducted factors and regression analysis for perception on satisfaction and the results are shown in Table 2. Overall, the results of the ANOVA find the models significant at the .01 level with $F = 209.581$ (*r-square = 0.820*). Based on these findings, hypotheses 2a, 2b and 2c are accepted. These results show that service quality, communication and performance significantly affect satisfaction of supporters.

6.1.3. Effects of trust and satisfaction on supporter retention

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Trust → Loyalty: retention (H3a)	0.294 (2.903)***
Satisfaction → Loyalty: retention (H3b)	0.496 (4.902)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 3. The Summary of the Effects of Factors (trust, satisfaction) on supporter retention

The study applies multiple regression analyses and the analyses of variance (ANOVA). Results of the regression analyses for the effects the variable has towards the dependent variable are based on table 3. Overall, the result of ANOVA

indicated that the models were significant at the 0.01 level with $F = 92.646$ (r-square $= 0.575$). Based on these findings, hypotheses 3a and 3b are accepted. In other words, both trust and satisfaction have a positive impact on supporter loyalty by maintaining donation.

6.1.4. Effects of trust and satisfaction on supporter intention of recommendation

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Trust → Loyalty: recommendation (H4a)	0.233 (2.002)**
Satisfaction → Loyalty: recommendation (H4b)	0.456 (3.923)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 4. The Summary of the Effects of Factors (trust, satisfaction) on supporter intention of recommendation

The study applies multiple regression analyses and the analyses of variance (ANOVA). Results of regression analyses for the effects the variable has towards the dependent variable are based on table 4. Overall, the result of ANOVA indicated that the models were significant at the 0.01 level with $F = 53.581$ (r-square $= 0.439$). Based on these findings, hypotheses 4a and 4b are accepted. Both trust and satisfaction have a positive impact on supporter loyalty by recommending to others. But the results show that satisfaction significantly influences supporters' intention of recommendation than trust.

6.1.5. Effect of trust on satisfaction

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Trust → Satisfaction (H5)	0.837 (18.079)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 5. The Summary of the Effect of Trust on Satisfaction

The study applies multiple regression analyses and the analyses of variance (ANOVA). Results of regression analyses for the effects of variable to the depend variable based on table 5. Overall, the result of ANOVA indicated that the models were significant at the 0.01 level with $F = 326.834$ (*r-square* = 0.700). Based on these findings, hypothesis 5 is accepted and it shows trust influences the satisfaction of supporters.

6.1.6. Effect of satisfaction on trust

Variable (Independent → Dependent)	Standardized Coefficient (t-value-Sig)
Satisfaction → Trust (H6)	0.837 (18.079)***

Note. *** Significant at 0.01 level (2-tailed). ** Significant at 0.05 level (2-tailed). * Significant at 0.1 level (2-tailed).

Table 6. The Summary of the Effect of Satisfaction on Trust

The study applies multiple regression analyses and the analyses of variance (ANOVA). Results of regression analyses for the effects of the variable towards the dependent variable based on table 7. Overall, the result of ANOVA indicated that the models were significant at the 0.01 level with $F = 326.834$ (*r-square* = 0.700). Based

on these findings, hypothesis 6 is accepted and it shows satisfaction also influences the trust of supporters. From the analysis of hypotheses 5 and 6, this study finds trust and satisfaction interdependently give an impact.

6.2. Findings

Hypothesis	Path	*p* Value	Result
H1a	Accountability → Trust	.177	Not accepted
H1b	Transparency → Trust	.000	Accepted
H1c	Professionalism → Trust	.000	Accepted
H2a	Service quality → Satisfaction	.002	Accepted
H2b	Communication → Satisfaction	.001	Accepted
H2c	Performance → Satisfaction	.000	Accepted
H3a	Trust → intention of retention	.004	Accepted
H3b	Satisfaction → intention of retention	.000	Accepted
H4a	Trust → intention of recommendation	.047	Accepted
H4b	Satisfaction → intention of recommendation	.000	Accepted
H5	Trust → Satisfaction	.000	Accepted
H6	Satisfaction → Trust	.000	Accepted

Table 7. The Results of the Study

This framework conceptualized the key relationships among trust, satisfaction and loyalty. According to the results of the study, transparency and professionalism have a significant influence on trust, however as shown in Table 7, accountability does not affect trust. Traditionally, accountability is operated in the principal-agent relationship, which is a hierarchical structure, on the other hand, in a complex nonprofit environment, principal is not clearly identified, and it is not precise whether NPOs

should be accountable for whom (Costa, Ramus & Andreaus, 2011). However, for accountability of NPOs, to prove their effectiveness is a difficult process to measure.

On the other hand, all three variables, service quality, communication and performance have a strong effect on satisfaction. These factors keep engaging in supporter journey; thus supporters have expectations based on prior experience and it could be positively impacted when they are satisfied. Also, the results reveal that there is a direct relationship between trust and satisfaction. Building each factor, therefore, helps to influence positively with each other. To increase supporter loyalty, it is important to formulate a strategy which fosters trust and satisfaction by enhancing significant contributions. In conclusion, an NPO could cultivate trust and satisfaction to increase supporter loyalty. Both factors generate intentions of retention and recommendation. This proves that trust and satisfaction are still seen as essential promoters to loyalty, therefore, donating behavior could be driven by trust and satisfaction.

6.3 Additional Findings

6.3.1. A Sense of Belongingness and Loyalty

McMillan and Chavis (1986) noted "a feeling that members have of belonging, a feeling that members matter to one another and to the group, and a shared faith that members' needs will be met through their commitment to be together" (p.9). When supporters feel a sense of belongingness, they tend to be more supportive and keep a relationship. Based on this argument, this study hypothesized the means of loyalty from

supporters who feel a sense of belongingness or not is different.

Using a *t*-test, this study also hypothesized that means of retention and recommendation on loyalty while the results also show that means are not the same. The *p*-value of intentions of retention (0.328) and recommendation (0.108) are bigger than the level of significance $\alpha = 5\%$. These results show that the hypothesis is not accepted, this demonstrates a sense of belongingness does not affect loyalty.

6.3.2. Gender and Loyalty

People perceived different roles by gender and even in the contents of charity men and women respond differently. Chang and Lee (2011) believed that gender roles determine how charitable appeals and segmentation should be considered. In this study, it hypothesized that the means of loyalty is different depending on a supporters' gender.

Using a *t*-test, this study observed that the means of retention and recommendation on loyalty are not different based on gender. The *p*-value of intentions of retention (0.383) and recommendation (0.493) are bigger than the level of significance $\alpha = 5\%$. The means of men and women on loyalty are equal, therefore, it rejects the hypothesis.

VII. Conclusions

Since the charitable market is competitive, NPOs are continuously engaging in the process of creating funds and expanding their share of wallet. Fundraisers and researchers focused on supporter acquisition for many years; however, acquiring new supporters cannot be enough to increase the donation volume. For sustainable funding, loyalty is a key to retain supporters and to make them advocate their supporting NPO. In order to foster loyalty, building trust and satisfaction of supporters toward the NPO is a basis. Thus, transparency and professionalism are the antecedents of trust and they foster higher trust; also, higher satisfaction is achieved by increasing a level of service quality, communication and performance. These factors eventually affect supporter loyalty and each other in a positive way.

Managerial Implications

By analyzing interrelationships between each factor, this study gives a direction for how NPOs can make supporters retain their current donation activities. Supporters' trust and satisfaction become aroused during interactions, thus all types of service and product provided to supporters are matters used to increase or defect their loyalty. Supporters empowers an NPO to fulfill its mission which impacts beneficiaries, supporters and society at large. By contributing financially in nonprofit organizations, supporters feel a high level of involvement and responsibility. To gain profitability and accomplish objectives of their organization, marketing managers in nonprofit organizations need to engage existing supporters by building trust and satisfaction, besides creating values. Moreover, supporters need to expect to experience those values and find the meaning to continue supporting NPOs in their journey. For this reason,

managers keep offering ways that supporters could participate in various ways and make them feel as if they are a part of the organization. Thus, NPOs should communicate with them often to provide information including outcomes and be responsible for their ethical and professional implementations.

Policy Implications

To activate donation culture, distrust towards the nonprofit organization needs to be reduced first. Since the news about donation funds being spent improperly are reported, Korean people are more likely to be against donation activities. The phenomenon that people excuse for not donating is recently described as "donation phobia." This noticeable state is threatening the charitable market and leads to a decrease in the volume of donation. Transparency is a very important value, but there should be countermeasures so that one critical event cannot impact the entire social trend and system. The Korean government has recently worked towards the activation of giving and increasing the transparency and accountability of nonprofit organizations. However, to secure social trust, offering a benefit or sharing all definite information will not be effective because reporting financial statement of funds is already provided by most NPOs. The lack of trust among people is still rampant, and some of them have an implicitly negative view on administrative cost. Understanding how organizations effectively work and why the organizations require administrative costs beforehand, and the continuously disclosure of the values and social impact of donation through mass media would increase satisfaction and trust. Furthermore, in order to enhance satisfaction, the accessibility should be considered for fundraising since most people use and pay with mobile payments. Thus, new ways of raising donations which are applied with FinTech should replace from the traditional means of giving money. This

kind of creative and convenient fundraising ways could help potential contributors to easily donate which might affect their satisfaction. On the other hand, to develop a system, it costs a tremendous amount, therefore, the practical and financial supports from the government could lead the change in the donation culture.

Limitations and Opportunities

In this study, only 154 supporters who regularly donate responded, and if the sample size was larger it could draw more confident and meaningful results. Also, this study was limited because the respondents measured every variable with their subjective norm. The key factors also have varied meaning, for this reason, it would be better to provide the definitions, so all can share the same understanding and respond questionnaires accordingly. Especially the meaning and the object of accountability, which was not clarified, thus it could cause an inaccurate construction by the respondents. Additionally, this study did not consider multi-supporters who donate to several nonprofit organizations. For them, it was a difficult process to assess their support for an NPO.

This study focused on loyalty and found both trust and satisfaction mediate the effect of behavioral intentions on supporter loyalty. Distrust exists among the dissatisfied supporters; thus, supporter defection should be further considered to predict and prevent a termination of support in future researches. In addition, studying supporter's retention and recommendation rates rather than intentions would be interesting in analyzing whether factors really impact loyalty or not.

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Appendix A. Survey Questions

[Background Information]

Q1. Are you a regular supporter of nonprofit organization? (If it is not, stop from here)

   ○ Yes (1)   ○ No (2)

Q2. How much do you donate every month?

   ○ Less than 10,000 KRW (1)   ○ Less than 30,000 KRW (2)

   ○ Less than 50,000 KRW (3)   ○ Less than 100,000 KRW (4)   ○ Others (5)

Q3. How long have you donated?

   ○ Less than 1 year (1)   ○ 1 year ~ Less than 3 years (2)

   ○ 3 years ~ Less than 5 years (3)   ○ 5years ~ Less than 10 years (4)

   ○ More than 10 years (5)

Q4. Why do you start to donate?

   ○ Sympathy (1)   ○ Self-realization (2)   ○ Responsibility for the society (3)

   ○ Religious or personal conviction (4)   ○ Others (5)

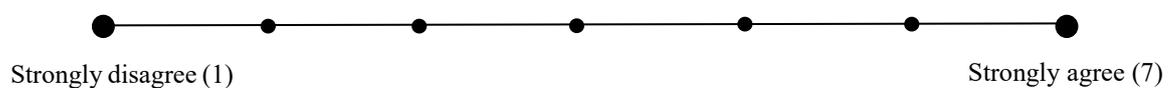Q5. What was your main reason for donating to this NPO?

   ○ Recommend from family or friends (1)   ○ Awareness of NPO (2)

   ○ Vision and Mission of NPO (3)   ○ Distinctive Program of NPO (4)

   ○ Others (5)

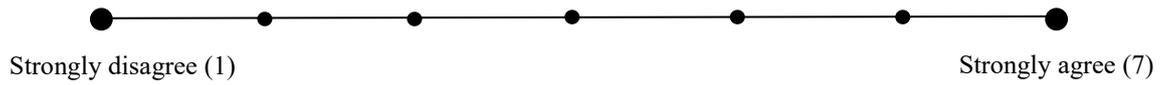Q6. Do you feel a sense of belongingness to your supporting NPO?
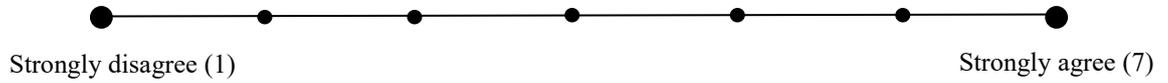
   ○ Yes (1)   ○ No (2)

[Trust]
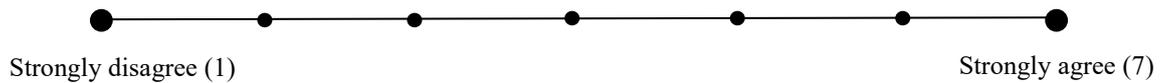
Q7. My supporting NPO is accountable.

Strongly disagree (1)   Strongly agree (7)

Q8. My supporting NPO is transparent.

Strongly disagree (1)   Strongly agree (7)

Q9. My supporting NPO is professional.

Strongly disagree (1)   Strongly agree (7)

Q10. I trust my supporting NPO.

Strongly disagree (1)   Strongly agree (7)

[Satisfaction]

Q11. I am satisfied with the service quality of my supporting NPO.

Strongly disagree (1)   Strongly agree (7)

Q12. I am satisfied with the communication (form, frequency, attitude, etc.) of my supporting NPO.

Strongly disagree (1)   Strongly agree (7)

Q13. I am satisfied with the performances my supporting NPO achieves.

Strongly disagree (1)   Strongly agree (7)
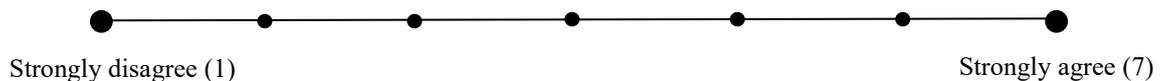
 Q14. I am pleased with my organization overall.

Strongly disagree (1)   Strongly agree (7)
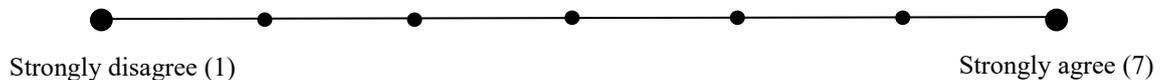
[Loyalty]

Q15. I am willing to continue donating to my supporting organization.

Strongly disagree (1)   Strongly agree (7)
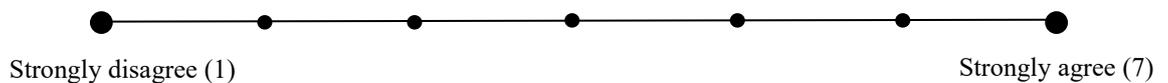
Q16. I am willing to recommend my supporting organization to others.

Strongly disagree (1)   **Strongly agree (7)**
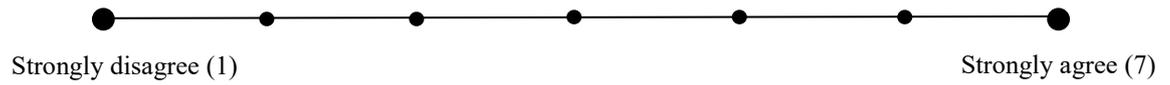
Q17. I am willing to increase my donation if my economy status gets better.

Strongly disagree (1)   **Strongly agree (7)**
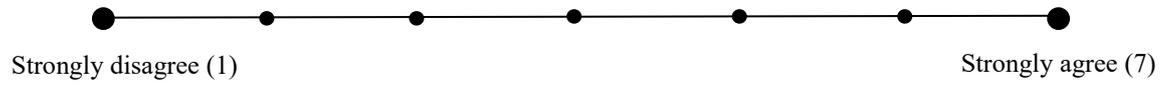
[Demographic information]

Q18. Gender

   ○ Female (1)   ○ Male (2)

Q19. Age

   ○ Less than 19 (1)   ○ 20 ~ 29 (2)   ○ 30 ~ 39 (3)

   ○ 40 ~ 49 (4)   ○ 50 ~ 59 (5)   ○ More than 60 (6)

Q20. Marital Status

   ○ Single (1)   ○ Married (2)

Q21. Religion

   ○ Protestant (1)   ○ Catholics (2)   ○ Buddhism (3)   ○ Atheism (4)

   ○ Others (5)

Q22. Occupation

   ○ Student (1)   ○ Office Worker (2)   ○ Public Officer (3)   ○ Businessman (4)

   ○ Housewife (5)   ○ Others (6)