



Contents lists available at ScienceDirect

Food Policy

journal homepage: www.elsevier.com/locate/foodpol

Cause related marketing in the German retail sector: Exploring the role of consumers' trust

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ARTICLE INFO

Article history:
Available online xxx

Keywords:
Consumers' trust
Cause related marketing (CrM)
Corporate Social Responsibility (CSR)
Retail sector
Structural equation modelling (SEM)

ABSTRACT

Cause related marketing (CrM) has become one of the most dynamic marketing tools. CrM allows companies to signal their overall business culture regarding Corporate Social Responsibility (CSR) at the point of sale. More recently retail chains in Germany have started to use CrM as a strategy to differentiate themselves and their products and to secure customer loyalty in highly competitive markets. For consumers the information necessary to assess the fairness of the terms of a CrM campaign is in general not available. Thus, trust becomes an important issue. The aim of our study is to understand the role of trust for the success of a CrM campaign. We consider consumers' trust in a retailer's CrM campaign for the success of a specific campaign as well as the role of consumers' general trust in CrM and thus of potential spillover effects. The empirical study is based on a standardised online consumer survey carried out in Germany. Our hypotheses are tested using structural equation modelling (SEM). The results reveal that consumers' trust in a retailer's CrM campaign increases consumer's loyalty in the retailer. We, in addition, show that general trust in CrM campaigns, a factor external to the influence of the retailer, has a significant influence on trust in a specific campaign. Based on our results we derive market and policy recommendations.

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Introduction

The German retail sector is characterized by high market saturation, low profitability and fierce competition (Spencer and Rehder, 2012). In 2010 the four largest retail chains accounted for 85% of all food sales in Germany (Bundeskartellamt, 2011). At the same time, the sector is confronted with increasingly critical and demanding consumers. Food products are required to be safe, of high quality, good taste and reasonably priced but they are also expected to be produced in a sustainable way, especially with regard to animal welfare, environmental degradation and social conditions (Hartmann et al., 2010).

To differentiate themselves and their products and to secure customer loyalty and trust in this competitive and demanding environment, many retail chains engage in corporate branding (Grewal et al., 2004). Private labels play a crucial role in this strategy (Burt and Sparks, 2002; Metrixlab, 2013). 'Organic' and 'regional' retail brands have been introduced by almost all large retail

chains in Germany as part of a Corporate Social Responsibility (CSR)¹ strategy. Connecting a retail brand to a cause related marketing (CrM) campaign is a more recent development. CrM can be defined as a strategic positioning and marketing tool which links a company or a brand to a relevant social cause or issue, for mutual benefit (Stumpf and Teufl, 2014).

During the past 15 years a research stream has evolved investigating success factors of CrM campaigns taking into consideration the consumer, the cause and the company as well as the fit between these factors (e.g. see the overview in Roos, 2012). Most previous analyses have investigated consumers' perceptions of CrM at a rather abstract level not referring to a real campaign linked to a specific company and product (e.g. Nan and Heo, 2007). To our knowledge, no study has focused on the role of consumers' trust in the success of a CrM campaign so far.

¹ According to ISO 26000 (ISO, 2010) CSR is defined as: '... the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and welfare of society, takes into account expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behavior and is integrated throughout and practiced in an organization's relationships'.

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The role of trust, however, is a crucial issue when dealing with such marketing campaigns. CrM is a credence attribute. Verifying the true purpose of a CrM campaign is difficult if not impossible, due to substantial or even prohibitively high information costs, thereby leaving considerable room for fraud (Hartmann, 2011; Schoenheit et al., 2007). Opaque and/or misleading campaigns might not only harm the CrM campaign under consideration but also reduce trust in CrM campaigns in general, thus inducing negative spillover effects. Countries deal differently with these problems. With the reform of the 'Statute Against Unfair Competition'² the German legislator decided against a transparency requirement (Kienzle and Rennhak, 2009; Roos, 2012). As a consequence, in Germany CrM campaigns cannot be prohibited due to a lack of transparency. Campaigns that lead to the deception of consumers, however, remain illegal. Nevertheless, there seems to be considerable wiggle room regarding what is considered to be deceptive (Kienzle and Rennhak, 2009; Roos, 2012).

Given this background, we add to the literature by focusing on the role of trust for the success of a specific CrM campaign. We investigate the campaign of one of the largest retail discounters in Germany for two private brand meat products: a packaged ham and a pork cutlet.³ The social cause advertised on the meat packages via a CrM label is 'Heart for farmers – guaranteed + 10 cents for local agriculture'. Each time a consumer purchases one of the CrM promoted meat products from this discounter, a mark-up of ten Euro cents is paid into a special fund and then distributed to the benefit of farmers. Similar meat products not advertised via a CrM label are also sold at the discounter but cost ten Euro cents less.⁴

The objective of our paper is twofold: first, to understand the role of consumers' trust in a retailer's CrM campaign for the success of the campaign, here measured as its impact on consumers' loyalty to the retail chain; second, to test for the existence of spillover effects. More precisely, does consumers' general trust in CrM have an impact on a retailer's CrM campaign?

The empirical study is based on an online survey. Our hypotheses are tested by means of a structural equation model (SEM). We have chosen to concentrate on meat as it is of major importance in consumers' food expenditures in Germany (StBA, 2010). In addition, meat scares, such as bovine spongiform encephalopathy (BSE) and swine flu (H1N1 influenza), but also scandals about dioxins in eggs and salmonella in chicken, rotten meat, inadequate animal husbandry and labor conditions as well as the most recent horsemeat fraud have gained considerable media attention and put the reputation of the meat sector and the food retail sector at risk. Thus, despite the existence of a complex set of legally mandated public (e.g. Hazard Analysis and Critical Control Point (HACCP)) and quasi mandatory private (e.g. International Food Standard (IFS), Qualität und Sicherheit (QS)) quality and safety standards in the German food sector, consumers' trust, or more precisely,

the lack of consumers' trust is an important issue with respect to meat (Chen, 2008; Meijboom et al., 2006).

The next section presents a literature review on the concepts of trust and CrM and develops a set of hypotheses. Section 'research design and method' explains the research design and data collection methods. Results of the SEM analysis are presented in section 'results', and the paper concludes with a discussion of the implications in section 'discussion and conclusion'.

Literature review and hypotheses development

The concept of consumer trust

Trust is a concept that has received considerable attention in several research disciplines such as social psychology, philosophy and economics (Bachmann and Inkpen, 2011; Blomqvist, 1997; Rousseau et al., 1998; Welter, 2012). It plays an important role in situations characterized by risk and uncertainty. In consumers' decision making processes, trust reduces complexity, thus, acting as cue for facilitating this process (Savadori et al., 2010).

There exists no single consensual definition for trust (Welter, 2012). In addition, different authors distinguish between various typologies and forms of trust. Bachmann and Inkpen (2011) differentiate trust according to the level where it occurs, into micro-level and macro-level trust, a categorization which is of relevance also for our study.⁵

Micro-level or relational-based trust⁶ develops on the basis of personal experience between two (or more) actors. To build up relational trust some exposure to risk is required. As risk provides opportunities for opportunism, abstaining from exploiting another person's vulnerability creates relational trust (Barney and Hansen, 1994; Blomqvist, 1997; Fehr, 2009; Kollock, 1994). However, consumers' willingness to buy from a retailer alone is not necessarily a sign of trust, as this reliance might be the result of power or control (e.g. due to market power no freedom for the consumer to choose the seller) and not based on positive expectations about the seller (Blomqvist, 1997). Trustworthiness (trusting beliefs) is seen as an antecedent of consumer trust (attitude) (Colquitt et al., 2007). Trustworthiness itself is regarded as a multifaceted construct that captures the competence (ability) and the character (benevolence, integrity) of the trustee (e.g. Gabarro, 1978).⁷ According to Sapp et al. (2009) the latter is about three to five times more important than the former in building relational trust. However, studies dealing with trust in retailers or trust in specific food attributes often do not differentiate between the terms (e.g. Perrini et al., 2010; Pivato et al., 2008).

Macro-level or institutional-based trust implies that trust can develop between two parties due to institutional safeguards even without the existence of any prior relational experience. Institutions can be of a formal nature such as laws or certifications, as well as informal including corporate reputation or community norms. Thus, at the macro level the "institutional environment in which interactions are embedded are viewed as constitutive elements in trust development" (Bachmann and Inkpen, 2011, p. 283).

Modern food sector and trust

Expanded global sourcing, outsourcing, as well as the introduction of new technologies (e.g. biotechnology, nanotechnology) over

² Gesetz gegen unlauteren Wettbewerb (UWG); according to the former UWG and thus up to 2004 CrM was illegal (Kienzle and Rennhak, 2009; Roos, 2012). Since that time CrM campaigns have gained considerable relevance in Germany (Oloko, in press).

³ This campaign was selected as it was one of the few retailer CrM campaigns and to the knowledge of the authors the only CrM activity in Germany linked to meat.

⁴ On request we received the information from the discounter that the entire mark-up is paid into a special fund. No information was provided on how the distribution of the money from the fund to producers takes place. According to a study of the Consumer Protection Agency in Bavaria the more meat packages from the 'Heart for Farmers' campaign are sold the higher the average mark up for producers, which then is distributed through an organization for the benefit of farmers collectively (Verbraucherzentrale Bayern, 2011). Though there are some similarities to 'Fair Trade', major differences are that the latter provides farmers with a guaranteed price beforehand, is linked to products originating from developing countries and goes far beyond a price mark-up but aims at changing the rules and practice of conventional international trade which is perceived as unfair (see World Fair Trade Organization and Fairtrade Labelling Organizations, 2009).

⁵ For overviews to other typologies and forms of trust see e.g. Castaldo et al. (2009), Rousseau et al. (1998) and Welter (2012). In contrast to Bachmann and Inkpen (2011), who differentiate between micro and macro level trust, Welter (2012) distinguishes three levels: micro, meso and macro.

⁶ Interaction-based trust is often used as a synonym for relational-based trust.

⁷ Other authors see trustworthiness as a concept covering the following factors: ability, benevolence, integrity and predictability (Mayer et al., 1995; McKnight et al., 2002; Serva et al., 2005).

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