

## **Reciprocity as a Virtue in Relationship Marketing**

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### **Abstract**

This paper examines the role of reciprocity, as a virtue of human behaviour, in relationships in marketing. We propose that it both drives and is reliant on marketing relationships. This is because its maxims lead to the attainment of certain primary goods, expectation, self-concept, and equilibrium. Primary goods are those traits necessary for rational agents to acquire to act productively in social exchange. They both create, and are obtained within, a stable exchange environment. We argue that the pursuit of these primary goods through reciprocity both creates and helps to maintain marketing relationships. This has implications for key relational constructs, with expectation a surrogate for trust and self-concept and equilibrium additional antecedents to commitment.

### **Introduction and Background**

“Charging ahead with relational programs without an understanding of what marketing relationships can and cannot be puts the cart before the horse,” (Price and Arnould, 1999, p.38).

A number of prominent articles published in the *Journal of Marketing* and the *Journal of Marketing Research* on relationship marketing (herein referred to as RM) in the last ten years, have operationalised key antecedents to relationship success, trust and commitment in terms of how party A feels about party B’s performance on some key dimensions (Garbarino and Johnson, 1999; Grayson and Ambler, 1999; Moorman et al. 1992; Morgan and Hunt, 1994). Furthermore the results have been typically analysed using a form of regression analysis thus presenting inputs that correlate with outputs. Whilst this can provide important information it does, however, represent a black box effect. To attribute relational properties to variables which correlate with trust and commitment is somewhat premature when there is little information available about how the antecedents were processed to reflect these. To conclude that relational exchange is causing this we need to first define a relationship. For example, perhaps these exchanges reflected the norms of friendships or some other dimension of social exchange (Price and Arnould, 1999).

Bagozzi (1995) cites our neglect of efforts to conceptualise what a marketing relationship is as a glaring omission in the emerging relationship marketing literature (p.275). Others are now joining the call for research in this area (Barnes, 1997; Day and Montgomery, 1999; Price and Arnould, 1999; Sheaves and Barnes, 1996). An awareness of all of the dimensions that may need to be managed will aid in the initiation, growth and maintenance stages of relational exchange. A lack of awareness carries the risk of failure in what is likely to represent a significant outlay of an organization’s resources (Day, 2000).

Clearly to define RM completely is an enormous task and one that is outside the scope of this research. What is perhaps more useful here is to follow the Bagozzi (1995) and Sheaves and Barnes (1996) suggestion that we engage in the examination of one aspect of its common parts or dimensions which in time may lead towards its broader conceptualisation. This research proposes to examine the relevance of a specific virtue of human (social) behaviour

that has long been held by philosophers, psychologists, and sociologists, as fundamental to social stability and as a driver of relational exchange. This is the virtue of reciprocity.

Marketing invites voluntary exchange (Day and Montgomery, 1999), to this end reciprocity, summarily defined as the notion that people owe one another duties because of their prior actions (Gouldner, 1960, p.171), is at the core of its relationships (Bagozzi, 1995; Day and Montgomery, 1999; Duck 1991; Sheaves and Barnes, 1996). Reciprocity is, however, more than a just a norm of behaviour, it is a virtue. What's more it is seen by some as more important and with greater impact than other virtues (Bagozzi 1995; Becker 1986). Further it is defined here as more than just a calculative act of balanced exchange. We use the Bagozzi (1995) definition taken from the following summarized maxims of philosopher Lawrence Becker (1986): "that we should return good for good, in proportion to what we receive...we should resist evil, but not do evil in return...we should make reparation for the harm we do...furthermore that obligations should be felt in retrospect."

### **Reciprocity and Relationship Marketing**

It is a premise of this research that reciprocity is more prevalent as a virtue held by those engaging in successful relationships, where trust and commitment is strong than by those engaging in ongoing transactional exchange, unsuccessful as relationships, where trust and or commitment is weak or absent. Reciprocity is treated here as a higher order norm, a virtue, which stabilizes exchange processes in marketing. We contend that marketing relationships are in the first instance manifestations of, and subsequently drivers of, this form of virtuous behaviour. The remainder of this analysis sets out to explain this with concluding remarks on reciprocity's relationship with the key constructs of trust and commitment.

#### **Reciprocity as a Virtue**

Becker (1986) asserts that a fundamental virtue represents a trait that is necessary for a rational agent, one who is capable of reasoned choices, to have to achieve excellence in moral behaviour. Reciprocity is an avenue to a number of these traits, known as "primary goods". A primary good is defined as, "a state or object, or disposition that is necessary to the conduct of rational agents – that is, to deliberation and choice, or to goal satisfaction per se..." (Becker, 1986, p.81). There are three primary goods for which reciprocity is fundamental; these are equilibrium, self-esteem, and reliable expectations. Further to this, reciprocity represents a universal social norm that enables us to operate within the exchange paradigm and thereby attain these primary goods.

#### **Universal Norm of Reciprocity**

Norms are expectations about behaviour that are at least partially shared by a group of decision makers (Heide and John, 1992, p.34). In the sociology literature there is strong empirical evidence in support of the existence of reciprocity as a norm applicable to all of society (Blau, 1964; Ekeh, 1974; Gouldner, 1960; Malinowski, 1932; Sahlins, 1972). Its universality is predicated on the assumption that social life operates within a paradigm of exchange. In marketing the exchange paradigm is a primary focus (Bagozzi, 1975; Dwyer et al., 1987; Ferber, 1970; Hunt, 1983; Kotler, 1972; Kotler and Levy, 1969; Luck, 1969; Luck, 1974). It's comparatively indeterminate in that it simply requires the return of good for good, means that it is able to continue acting as a stabilizing mechanism even as the dynamic of an

exchange relationship changes, for example the identified shift of RM antecedents from economic to social (Morgan, 2000). To this end Bagozzi (1995) sees reciprocity as a resolver of exchange rather than an initiator. The only parameter placed on defining “good” is that it be fitting and proportional.

## **Primary Goods**

### **Equilibrium**

In all facets of life there is a desire for equilibrium. Unconsciously the body reacts physiologically, to maintain balance. For example the activation of sweat glands to cool an over heated body, or the release of endorphins to quell pain. People also react consciously. For example psychological balancing mechanisms such as an adrenalin rush in times of fear. In social exchange reciprocity reflects equilibrium and this disposition is evident from a very early age, though it may not be applied consistently amongst infants and children and others who have not yet, or will not, due to disability or acutely abnormal environmental conditions, become rational agents. Nevertheless infants, before their first birthdays learn to return a smile for a smile and children will provide a thank you and/or a hug in return for a gift. Evidence of the need for balance in relationship marketing is extensive. Sheaves and Barnes (1996) contended that, “relationships that are mutually regarded and which both parties wish to perpetuate must, of necessity, convey reciprocal benefits to both sides” (p.220). Similarly Shultz and Bailey (2000) saw the sharing a norm of reciprocity as central to succeeding in a customer driven market place, defining it as the continual balancing of inputs to and outcomes of the relationship. They determined that with the empowerment of customers through increasingly mature global markets and the information technology at hand, organizations were having to move away from standardised excellence in product provision to maintain loyal customers towards a system of “negotiated value” administered via a series of ongoing, tailored, and balanced exchanges. Palmer (2000) also saw the information technology revolution as a reason for reciprocity’s increased relevance. This was because it had made the documentation of an organization’s “image profile” much more viable (Palmer 2000) allowing an assessment of indirect reciprocity as an important reputation gauge. Where organisations had not previously exchanged with each other, evidence of past successful exchanges helped to determine the potential that they had for relationship building prior to committing the necessary resources (Bowen and Jones, 1986; Evans and Laskin, 1994; Weigelt and Camerer, 1988). Dwyer Schurr and Oh (1987) in citing McCall (1966) considered marriage as an apt framework for analysing the interdependent nature of business relationships with the notion that individuals agree to exchange with one another as long as the balance of trade is favourable.

### **Self-concept**

“Man is not, in the first place, man, but fellow-man,” (De Vries, 1968, p.32).

We gain our sense of worth by what we give and what we receive. By accepting that reciprocity is fundamental to our normal course of development we must accept that it is the primary driver of our self-esteem (Becker, 1986). A sense of self worth is a necessary condition for us to function as productive rational agents. Having internalised a norm of reciprocity we may feel discomfort even hurt if others did not reciprocate with us, and similarly if we failed to live up to our own standards by not reciprocating. Reciprocity therefore adds a second order obligation to exchange good for good, in essence a safety margin (Gouldner, 1960). For example, a supplier may deliver goods on time to a client not just because they are contracted to do so but because previous positive exchange with the client mean the supplier is motivated to do so through moral obligation and the development

of self that meeting this provides. As Bagozzi (1995) comments the affect and various symbolic information that accompany marketing exchange often functions to reinforce and solidify one's interpretation and commitment to the process of the objects exchanged. Furthermore that in addition to the anticipated gain or pleasure from the exchange of objects changing hands in a transaction, the process of exchange itself and the pride or joy of fulfilling any demands in the transaction introduce complex layers of emotional reinforcement (p.276). The internalisation of reciprocity as a moral obligation also helps to counter the disruptive potentialities of power differentials (Gouldner, 1960).

### Expectation

Finally reciprocity promotes predictability in behaviour and therefore bolsters expectations between parties (Bagozzi, 1995). We require reliable expectations as to how people will generally behave. Without this we would likely experience chaos as social transactions increased in their complexity, therefore hindering a rational agent's ability to behave productively. Even initiating exchange would be problematic if there was no internalised expectation to return good for good (Gouldner, 1960). It is expectation that leads to continuing processes. In this way reciprocity acts as a motor of historical development (De Vries, 1968, P.36). For this reason it is an important component of exchange conflict resolution. Examined closely most exchange, and particularly relational exchange, involves a complex array of instrumental and expressive behaviour (Price and Arnould, 1999). This may lead at times to perceived imbalances with resultant tensions (Bagozzi, 1995; Price and Arnould, 1999). Reciprocity's maxims that evil should be resisted but not returned, and that reparation should be made for harm done, may serve to quell any negative emotions and instead fuel expectations that good will prevail. As (Bagozzi, 1995) comments; "it serves as a shock absorber that temporarily at least satisfies the parties to an exchange, within reasonable bounds," (p.276).

### Reciprocity and Trust

Expectation can arguably be seen as a surrogate for trust in traditional RM models. Trust has been defined as a perception of confidence in the exchange partner's reliability and integrity (Morgan and Hunt, 1994) which reflects both a belief in the credibility and benevolence of another (Ganesan, 1994) as well as a behavioural intention (Dwyer et al., 1987; Moorman et al., 1993; Morgan and Hunt, 1994; Smith and Barclay, 1997). Reciprocity as expectation reflects both credibility through the expectation of fitting and proportional exchange as well as benevolence through its requirement of reparation for harm done and non-retaliation of evil.

### Reciprocity and Commitment

Commitment is defined as an enduring desire to maintain a valued relationship (Moorman et al., 1993); it includes a willingness to act towards another party, an attitude that the relationship should endure and a temporal belief that the relationship will produce valued returns in the long-term (Gundlach et al., 1995). In so much as reciprocity as expectation is akin to trust we can infer links between reciprocity and commitment given those constructs established correlations (see Geyskens et al., 1999). However, reciprocity provides two further drivers of commitment to a relationship, the need for equilibrium and self-esteem. Here the iterative relationship between reciprocity and RM can be illustrated. As relational exchange transpires over time, with each transaction viewed in terms of its history and its anticipated future (Czepiel, 1990; Macneil, 1978; Macneil, 1980) there is an expectation of

mutuality of interest and behaviour is designed to enhance the wellbeing of the relationship as a whole (Heide and John, 1992). The result is a situation of ongoing mutual dependence based on economic but also complex personal, non-economic satisfactions (Dwyer et al., 1987). These can be further interpreted as including the attainment of primary goods. It is therefore the desire for primary goods that forms part of the foundation for relationships, and in turn the maintenance of that relationship that ensures their continued attainment.

## **Conclusion**

There have been relatively few investigations into what defines a marketing relationship. Work has been conducted on the impact of opportunism and other relational norms through transaction cost analysis (Heide and John, 1992). There is also some interest in social exchange theory (Anderson and Narus, 1984; Anderson and Weitz, 1990; Frazier, 1983; Hallen et al., 1991; Smith and Barclay, 1997), as well as relationship types, most notably friendships (Price and Arnould, 1999). Relationships in marketing are clearly very complex phenomena, and what has been achieved in studies in these areas is slowly painting a broader picture of them. It is hoped that this research will provide impetus to complete another piece in that jigsaw. Secondly reciprocity has never been closely examined in marketing though it is considered to be potentially fundamental to our understanding of RM (Bagozzi, 1995; Day and Montgomery, 1999; Sheaves and Barnes, 1996).

## **Managerial Importance of the Topic**

Understanding reciprocity as being fundamental to RM could provide managers with a mechanism for monitoring and developing new and existing relationships. At the early stages of exchange a manager may review the current reciprocal exchange behaviour to determine the likelihood of relational properties developing and to plan any subsequent resource allocation. Investing in an exchange scenario where one party is not consistently returning good for good may prove fruitless if the aim is to develop a long term mutually rewarding relationship. Similarly in the developmental and maintenance stages reviewing acts of reciprocity may be a key monitoring process. For example a sales manager may have their sales teams periodically review the exchanges they have had with clients over regular time periods. Were wrongs put right? Were the client's positive advances met with fitting and proportional returns and vice versa? Finally, managers could impart an ethos of reciprocity at all levels of the organization to better prepare it for the potentiality of relational exchange.

## **Future Research**

Future research includes the need to empirically examine reciprocities role in relationship marketing. Further, a measure of reciprocity needs to be developed. There have been related measures in the anthropology (ethnography), sociology (justice theory) and the economic and sociometry literature (game theory, ultimatum theory). However, these reflect straight assessments of balance and do not include any of the moral dimensions outlined here. Currently there appear to be two more detailed scales developed in the health/sociology literature, the Perception of Parental Reciprocity scale and Care Giver Reciprocity scale. Both are clearly not contextually appropriate and again do not include all of the dimensions proposed here.

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