

## How Reciprocity Theory Drives Customer Satisfaction and Customer Loyalty

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**Abstract:** *This paper present about reciprocity theory. Reciprocity theory is a social rule that means to evaluate people towards their behaviours and attitudes against people. The theory explain more about the expectation and real action that people will respond to each other's in similar way. The result shows that people should repay or give back in kind that what another person has provide to them, it was a received a good treatment and give a good treatment to others. Reciprocity is not a new in the economics and it will give a benefit or good impact to the person, business and economy.*

**Keywords:** - *Reciprocity, behavioural, action, business, economics*

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### 1.0 Introduction

Nowadays people are becoming selfish rather than being kind to others (Basha, Mason, Shamsudin, Hussain, & Salem, 2015). The said situation can be well explain using reciprocity theory. The theory begins in 1974, when sociologist Phillip Kunz did an experiment (Kunz & Woolcott, 1976). He mailed out handwritten Christmas cards, along with a note and a family photo, to about 600 randomly selected strangers (Seggar & Kunz, 1972). Soon enough, responses started to trickle in. Kunz received approximately 200 replies. But why would those people reply back to someone who is a complete stranger? This is reciprocity at work (Kunz, 1969). Since Kunz had done something nice for them as example the holiday card, many were compelled to do something in return (Bolton & Ockenfels, 2000; Cox, 2004; Dufwenberg & Kirchsteiger, 2004; Falk & Fischbacher, 2006; Gouldner, 1960). As a result, it show that some people will do a favour if someone being kind to them even though it is a stranger if there are any rewards to them (M. F. Shamsudin, Razak, & Salem, 2018). Same goes in the business, if the employees or seller give a good services and be kind to their customer and at the same time giving a reward or a gift, customer will repay or give back in be a satisfied or loyal customer to them (M. F. Shamsudin, Shabi, & Salem, 2018). Negative reciprocity will lead to negative expectation from others.

### 2.0 About the theory

Reciprocity theory explains about why human behavioural and actions was differently among them towards other people (M. Shamsudin et al., 2015). There are two types of categories in this theory. Firstly is an emotional reciprocity and secondly was financial or material reciprocity (Diekmann, 2004; McCabe, Rigdon, & Smith, 2003; Ostrom, 1998). Emotional reciprocity is more about the feeling like when people feel goods and doing a appreciated by saying something nice like thank you, it is my pleasure, it was a great time to work with you, or really appreciated what have you done for me. Whatever that you have done or you said that make them feels better, it is a positive reciprocity (Chiu, Hsu, & Wang, 2006; Diekmann, 2004; Shiau & Luo, 2012; Watanabe et al., 2014).

The next reciprocity theory is a financial or material. This section is more to the action towards people (Hasim, Shamsudin, Ali, & Shabi, 2018; M. F. Shamsudin, Nurana, Aesya, & Nabi, 2018; M. F. Shamsudin, Razak, et al., 2018; M. Shamsudin et al., 2015). It is not going to be expressed by words but by the action itself (Axelrod & Hamilton, 1981; Fassin, 2012;

Siegrist, 2012). When people be a kind and doing a good thing to them like helping or something by actions then they would expose to be thankful by action also. As example, when you help people who are facing a difficulties like vehicle broke down on the highway. Then you help fix their car, they not only saying thank you but they also giving you a money and maybe invite you to join lunch together or keep changing a phone number and they were able to help you later if you have any problem. This is show that tendency of human nature to want offer or repay something when they are received something either bad or good. This is an example from reciprocity theory that works in our daily life (Aminuddin, Don, & Shamsudin, 2020).

### **2.1 How the theory is usable to Marketing**

As we knew that, reciprocity theory is important in doing a business (M. F. Shamsudin, Shabi, et al., 2018; Mohd Farid Shamsudin & Razali, 2015). The relationship between seller and customer is a first thing in business (Basha et al., 2015). Reciprocity theory also usable to marketing. The strong, deeper and longer lasting relationship with customer will give a positive for both seller and buyer (M.F. Shamsudin, Ali, Ali, & Shabi, 2019; M.F. Shamsudin, Razak, & Salem, 2018). As mentioned the reciprocity theory is usable in marketing because it will help improve the business (Fehr, Fischbacher, & Gächter, 2002; Molm, Collett, & Schaefer, 2007; Roberts, 1998).

There a good examples that how the theory is usable to marketing. If the seller keep give a good services and good relationship with their customer (Hasim et al., 2018; M. F. Shamsudin, Razak, et al., 2018; M. Shamsudin et al., 2015), it will gain trust from customer. As example distribute when you go to the car repair shop, after you buy their services and they keep asking how about their services and do you have any problem after using their services or they ask to you about it is anything to improve, it will give a satisfied feeling to their customer. Even though the price is a bit higher or there any else problem but when they keep asking and make their customer as a priority, it will lead to a satisfied customer and a loyal customer.

Other example is when seller used freebies like coupons or promotions to make customer convince to make a purchase. You can use it to generate revenue without spending much on advertisement and as well as drive referrals. You can also use it to get more leads within a short period. But remember, this norm can also flop when executed poorly. In food and beverage industry, they always do a promotions and giving a coupon. They always fight each other (healthy fight) and giving a best as they can to their customer. As example KFC distribute coupon on social media that give a low price at limited time (Lim Kai Sin, Daisy Mui Hung Kee, Shirlin Teoh Keo Shin, Low Tze Qing, 2019), while McDonald's they give a promotion on their application (Sharma, Sharma, & Kaushal, 2019). If people want their promotions, they should downloaded their application and that strategy make people will know about their product and people will try hard to get their promotions. With that marketing strategy, customer will always alert with their promotions and it will reduce advertising cost (Kadir & Shamsudin, 2019; Salem, Shawtari, Shamsudin, & Hussain, 2016).

Therefore, the relationship this theory between marketing is if seller give a good things to their customer, customer will repay with their satisfaction and loyalty to them (Muhammad, Farid Shamsudin, & Hadi, 2016; Razak & Shamsudin, 2019; M. F. M. F. Shamsudin, Esa, & Ali, 2019).

### **2.2 How industry can use the theory to increase market share and growth**

Making sure every step you take not only influence your target customers but also allow them to reciprocate positively is a big bonus. Business organization can only make sales if they win the hearts of customers (Bin et al., 2016). Industry should be the one who make the first move

of kindness in order to get a positive response according to the theory. Positive action may lead to increase in market share and market growth (Affendy Abu Hassim, Asmat-Nizam, & Mohd Farid Shamsudin, 2016). Be the first one that giving something goods to customer or others. According to (Salem et al., 2016), business organization should not only do good to customer but to their employees. Happy employee will lead to a positive productivity and as the end result customer will get the benefits of good services and satisfaction (M.F. Shamsudin et al., 2019). (M. F. Shamsudin, Nurana, et al., 2018) suggested that reciprocity theory should apply it from the internal in the organization.

Current business faced tough competition in the market. Business organization need to explore and change their marketing strategy towards market driven (Rajendran & Shamsudin, 2016). Business organizations need to identify their key competitive and promote unique selling points that may bring advantage as compared to the competitors (Bin et al., 2016). The differentiation between the business and others could lead to profit (M. F. Shamsudin, Razak, et al., 2018; M. F. Shamsudin, Shabi, et al., 2018). To gain a profit business organization must gain trust from their customer and make them satisfied with the product and services (Aminuddin et al., 2020).

Achieving customer satisfaction is not easy as customer is getting complicated and sophisticated (Rita, Oliveira, & Farisa, 2019). The longer customers stay satisfied, the more often they will return to you in the future (Zhang, Zhang, & Zhang, 2019), and prefer buying goods and services rather than from competitors' products. Customer retention is also a step towards maintaining loyalty. Satisfied customer will remain in the customer lifecycle and later turns into loyalty (Borishade et al., 2018; Broetzmann, Kemp, Rossano, & Marwaha, 1995; Chicu, Pàmies, Ryan, & Cross, 2019). Customer loyalty is very important as their role toward business development, sustainability and survival is proven by many past research (Berry, Zeithaml, & Parasuraman, 1985). Nowadays word of mouth is more powerful than other. Today customer prefers to spread their feelings through media social. Customers are more eager to share both positive and negative experiences (M.F. Shamsudin, Razak, et al., 2018). Past research (Gerdt, Wagner, & Schewe, 2019; Hirata, 2019; Kim, Cho, & Kim, 2019; Liu et al., 2019) indicates that people tend to believe other customers more than company representatives and advertisement (M. Shamsudin et al., 2015), claimed that losing one unsatisfied customer means losing up to 20 more customers because of their bad experience spreading through word of mouth.

Satisfied customers, on the other hand, will become brand advocates (Basha et al., 2015). Satisfied customer is a sign of a successful business running (Salem et al., 2016). Business that focused in taking care customer may avoid the negative word of mouth from their customer. Negative customer experience may have ruined business as the current e word of mouth is easily to spread with mass coverage within shortest period of time.

### **3.0 Conclusion**

Customer satisfaction and loyalty is depending on the organization or business itself. The satisfied customer is depending on how the employees or person in charge threat the customer. In business, satisfaction of customer will lead to customer to be loyal. Customer should be treat nicely such as give a best service as you can, giving a promotions or special gift and make them as a priority in your business. The theory shows, if the person be kind towards others, then people will repay their kindness in being a good customer and be loyal to their business even though they are stranger. Maintaining the good relationship with customer also can give a good result for both side. That why the reciprocity theory can result to customer satisfaction and loyalty because it indicates human behavioural and actions towards people and it is using method "what you give, you will get back".

#### **4.0 Limitation of the theory**

It is not easy to achieve a good result for everyone. For reciprocity theory the limit is on customer. As example, if the customer already knew about the product and quality of it then it is not easy to convince them. Another example is, we cannot force everyone to repay or give back something nice even though we already give a something nice. It is depending on person itself.

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