Jan H. Schumann

The Impact of Culture on Relationship Marketing in International Services

A Target Group-Specific Analysis in the Context of Banking Services

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RESEARCH

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The Impact of Culture on Relationship Marketing in International Services

A Target Group-Specific Analysis
in the Context of Banking Services

With a foreword by Prof. Dr. Florian von Wangenheim

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Foreword

Relationship Marketing has been one of the most often used buzzwords in marketing research and practice in recent years. Customer acquisition, development, retention, and recovery have become central goals for market-oriented companies. These different aspects are reflected in the diversity of research approaches, methods and existing results for sub domains of relationship marketing. The growing internationalization of a lot of service firms has increased the awareness for cross-cultural differences in customer behavior and cognitions that also impact the success of service firms. Despite the increasing practical importance and heightened academic awareness of service internationalization, so far the research progress in this field still lags behind the developments in and demands of international business.

In his doctoral thesis Jan H. Schumann addresses the question of cross-cultural differences in key aspects of relationship marketing of service firms. The work is based on the assumption that customers in different cultures differ in the way they develop trust, they are motivated to co-produce services, and the way in which they are influenced by word-of-mouth referral. By means of an empirical study in eleven different countries, the author provides a first large-scale international comparative study on relationship marketing in services. Thus, from a practical perspective this work is critically important. Helping organizations to understand the effects of culture on customer trust formation, customer co-production, and word-of-mouth effects has far-reaching implications for firms operating in international services.

From a theoretical perspective this is also a very important dissertation. The thesis is strongly underpinned by a broad-based, inter-disciplinary literature review on service characteristics, relationship marketing, international service marketing, and relationship

marketing in cross-cultural services. A particular important contribution in this respect is the clustering of recent articles on international services, which show that the field appears to be moving from a focus on international service failures to an examination of the key drivers of establishing and maintaining long-term customer relationships in international contexts. This shows the relevance of his work to the current state-of-the-art in international services research. With regard to the three research foci, the work first clarifies that each of four dimensions of culture impacts the effect of a particular trust driver in determining customer trust in their service provider. In addition, customers in more collectivist cultures are shown to have higher levels of trust in their service provider than do customers in individualist cultures. The author also demonstrates significant cross-cultural differences in customer willingness to engage in service co-production. Third, word-of-mouth recommendation is significantly more important in countries with cultures that are higher on the uncertainty avoidance scale. Finally, Jan H. Schumann uncovered some interesting differences in the cultural characteristics of his sample as compared with Hofstede's original results.

The work by Jan H. Schumann breaks new grounds in cross-cultural relationship marketing research. Based on profound empirical analyses with an exceptionally extensive and elaborately collected data set Jan H. Schumann derives insights for academics as well as managerial practice. The contributions of this thesis have already been awarded by several international academic organizations and have the potential for publications in major marketing journals. I highly recommend this book to any academic and practitioner who are interested in international service research.

Florian v. Wangenheim

Preface

Cross-cultural research is a great experience. My original motivation for this research was my interest to learn about the impact of culture on customer behavior and cognitions in the context of relationship marketing. I quickly realized though that my dissertation project would also provide me with a lot of interesting contacts and experiences that made it highly rewarding. The publication of my thesis allows me to recapitulate and to thank all the people and organizations that contributed to its successful completion.

First of all, I thank my supervisor Prof. Dr. Florian v. Wangenheim. This thesis is the result of my time as a research assistant with him, first at the Universität Dortmund and later at the Technische Universität München. I am very grateful for all his support, advice and guidance. His passion for research inspired me and provided a challenging and productive atmosphere. He enabled me to attend academic conferences and spend time as a visiting research scholar at Thunderbird School of Global Management. He also introduced me to several of my research partners without whom the scope of this project would not have been possible.

These research partners therefore also deserve my special gratitude. They supported me by developing and translating the survey, collecting data in their countries and most importantly with their experience and knowledge on their culture. Their knowledgeable and valuable comments on my research further contributed to the development of this thesis. Partners involved were Dr. Vera Blazevic (Maastricht University), Dr. Marcin Komor (University of Economics, Katowice), Fernando Jimenez (Oklahoma State University, Stillwater), Dr. Sandra Praxmarer (University of Wollongong), Prof. G. Shainesh (Indian Institute of Management, Bangalore), Dr. Randall M. Shannon

riching experiences but also great fun. I would also like to thank Sebastian Ackermann, Armin R. Arnold, Christian Heumann, Sabine Mayser, Anne Scherer, and Marcus Zimmer for being great colleagues and providing a supportive and enjoyable atmosphere in the department. Especially their proofreading and their support in the last phase of the thesis were of invaluable help in the completion of this thesis, such as the support by my assistant Maximilian Cappel.

My special appreciation goes to my dear parents and my wife Angi. Their great encouragement and loving support enrich my life far beyond the writing of this thesis. This book is dedicated to them.

Jan H. Schumann

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List of Abbreviations

AB	Ability
AGFI	Adjusted goodness-of-fit index
ANOVA	Analysis of variance
APEC	Asia-Pacific Economic Cooperation
ATM	Automated teller machine
AVE	Average variance extracted
AZ	Arizona
B2B	Business-to-Business
B2C	Business-to-Consumer
BEN	Benevolence
CFA	Confirmatory factor analysis
CFI	Confirmatory fit index
CVS	Chinese value survey
CVSCALE	Cultural values scale
df	Degree of freedom
DVI	Direct values inference
e.g.	exempli gratia (= for instance)
ED	Ethnological description
EFA	Exploratory factor analysis
EM algorithm	Expectation-maximization algorithm
et al.	et alii
EU	European Union
EV	Explained variance
FAD	Willingness to follow advice

FC	Fixed contact person
FR	Factor reliability
GATS	General Agreement of Trade in Services
GDP	Gross domestic product
GFI	Goodness-of-fit index
GNI/PPP	Gross national income based on purchasing power parity per capita
GNP/CAP	Gross national product per capita
GPI	Willingness to give personal information
HLM	Hierarchical linear modeling
I.B.	International business
i.e.	Id est (that is)
I/C	Individualism/collectivism
IBM	International Business Machines Cooperation
ICC	Intra-class correlation coefficient
ICT	Information and communications technology
INT	Integrity
Invar.	Invariance
IR	Indicator reliability
IT	Information technology
IVI	Indirect values inference
LOR	Length of relationship
M/F	Masculinity/femininity
MBA	Master of business administration
n.a.	not applicable
NAFTA	North American Free Trade Agreement
NFI	Normed fit index
p	Probability
p.	Page
PD	Power distance
PRD	Predictability
RA	Regional affiliation
RMSEA	Root mean squared error of approximation

RPI	Repurchase intention
RWM	Received word of mouth
S.D.	Standard deviation
S.E.	Standard error
SAT	Satisfaction
TR	Trust
U.S.	United States
UA	Uncertainty avoidance
VRA	Validated regional affiliation
vs.	Versus
WMB	Word-of-mouth behavior
WTO	World Trade Organization

Summary

In recent decades, global trade in services has increased dramatically. Whereas previously services were considered predominantly local activities, today they account for a substantial share in international trade. Several drivers, including the general growth of the service sector, deregulation, and liberalization of markets, as well as developments in information and communications technologies, suggest this growth will continue. The twenty-first century even may become the *century of international services*. Yet, exporting services remains more challenging than exporting products. Service characteristics, such as customer involvement in the service production process, make services much more susceptible to the impact of *culture*. Global service firms thus face the challenge of adapting their services to the varying requirements of different cultures. International marketing research still lags behind this actual development and provides marketing practitioners with answers to only a limited number of questions.

This doctoral dissertation studies the effect of culture on the *behavior and cognitions* of service customers. Specifically, this thesis focuses on *consumer services* and investigates the extent to which cultural values play roles in relationship marketing activities. It begins therefore with an overview of the development of international service research. The analysis shows that developments in this field resemble the steps that service providers take in their internationalization processes. In the early phase of international service marketing research, researchers primarily analyzed internationalization modes and market entry strategies. Similarly, after they have entered a foreign market, service firms must address the challenge of serving customers that differ significantly in their *service expectations and evaluations of service*. A next challenge after analyzing and understanding customer needs in different countries is to build and maintain suc-

cessful and lasting relationships with customers. In parallel, the next frontier for service firms in foreign markets requires researchers increasingly to address *relationship marketing* topics. Research on this topic, however, has so far primarily dealt with complaint handling. Relationship marketing in international services thus can be considered still an upcoming field with major potential for further research.

In the empirical part of this thesis, the author addresses three relationship marketing issues that are of relevance for both marketing academics and practitioners: (1) the establishment of *trusting customer relationships*, (2) *customer co-production*, and (3) the effect of *word-of-mouth referrals*. These research topics are analyzed in the context of *banking services*. In 11 countries, customers from the *target group* of business students were surveyed about their personal customer experience with their bank service provider, as well as *individual cultural values*. The results show that customers in different countries differ significantly in their cultural values. Furthermore, these differences in cultural values have an effect on consumers' behavior and cognitions.

Trust traditionally stands as a central relational driver in relationship marketing. Despite several calls for more research on cross-cultural differences in trust building, prior research predominantly entails conceptual work. This study attempts to fill this void. The author shows in an empirical study that across 11 countries, service customers differ significantly in their trust building. Four main drivers of trust explain customers' overall feeling of trust in all countries. The impact of each driver on trust, however, differs according to the cultural values of the particular target group in the given country. The author proposes and finds support for a framework that links each trust driver to a specific cultural value. He further shows that the general level of trust in the service provider differs across countries and that these differences can be explained by cultural value differences.

Relationship marketing in services also works to develop a cooperative customer relationship that enhances cooperation between the service provider and customer and further increases customers' willingness to engage in the service production process. Although customer co-production has evolved as a highly relevant issue for service providers, little is known about the impact of culture on customers' willingness to co-produce. The author contributes to this question by analyzing cross-cultural dif-

ferences in the customer willingness to contribute to the financial consulting process. Two aspects of customer co-production have real relevance in the context of banking: customers' willingness to provide personal information and their willingness to follow advice. The cultural values of a given target group should directly affect their willingness to contribute to the consulting process. The diverse results pertaining to this question indicate that both aspects differ between countries, the differences are much stronger for customers' willingness to provide personal information. Accordingly, the impacts of cultural values emerge predominantly in relation to customers' information provision. No effect of cultural values appears for the customers' willingness to follow advice.

Acquiring new customers and retaining existing customers is another key goal for relationship marketing in service industries. One critical means to achieve these goals involves fostering positive word-of-mouth referral behavior. Prior research shows that word of mouth has a positive effect on customer retention, yet the underlying reason for this effect is still unclear. Further research is needed regarding the moderating effect of culture on word of mouth. Prior research offers unclear or contradictory suggestions about the moderating effects of cultural values. The author therefore addresses these issues and shows that received word of mouth has a significant effect on customers' service evaluations in service relationships. Specifically word of mouth influences customers' service quality perceptions, satisfaction, and trust in their service provider. The effect differs significantly across countries though. Cultural value differences may account for these differences, according to the data.

Finally, this study reveals the considerable differences in the cultural values of the specific target group of students compared with secondary data on the country level by Hofstede. The primary data pertaining to cultural values are better suited to predict the behavior and cognitions of the customers of the target group. Moreover, the sample, which spans a large number of countries, allows for the test of the effect of several cultural values. Using additional other sources, the author posits, and finds support for the notion, that there is always only one cultural value that moderates a particular effect. These moderators should be the cultural values that conceptually are particularly close to the moderated effect.

Overall, the findings from this doctoral study highlight the need for culture-specific relationship marketing in services. Global service firms must find *localized solutions* that fit the cultural values of their specific target group. Service managers should understand these value structures and not consult secondary country classifications. Instead, they need to conduct their own market research to identify the actual values of their target group, when adapting their services to a new target market. Service providers that ignore these cultural value differences or rely on general country classifications when marketing their services to customers in different countries are more likely to fail.

Chapter 1

Introduction

1.1 Internationalization of Services

> *"The world is flat."*
>
> *– Thomas L. Friedman*[1]

Services have grown increasingly international in recent decades. According to the World Trade Organization (WTO), the volume of exported commercial services being exported has increased fivefold during the past 25 years (WTO 2006). These commercial services currently account for approximately 19% of total world exports, equal to $3,290 billion in volume (WTO 2008). Furthermore, the sector's growth rate of 18% means that trade in services enjoys a 3% higher growth rate than trade in goods (WTO 2008). Long-term forecasts predict that the share of services in world exports likely will continue to increase (WTO 2006), largely due to several key factors.

First, services account for a steadily increasing percentage of the global gross domestic product (GDP) (WTO 2006). In more developed economies, commercial services account for more than 70% of the GDP, developing economies similarly are demonstrating an increasing contribution of services to their GDP. In recent years, China's and India's exports of commercial services, for example, have increased much faster

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[1]   (Friedman 2005)

than has the world average (WTO 2008). Second, the internationalization of services results from globalization in general, combined with greater deregulation and liberalization of markets (Knight 1999; Netland and Alfnes 2007), which particularly affects service industries (Toivonen 2004). Third, as numerous authors note, developments in information and communication technologies (ICT) facilitate cost-effective international business operations (Bryson 2001; Knight 1999; Roberts 1999; Vandermerwe and Chadwick 1989).

In addition to these external meta-drivers, demand-driven needs force service firms toward internationalization (Roberts 1999). For example, in the case of "client following" (Bryson 2001; Roberts 1999; Vandermerwe and Chadwick 1989), producers go global, so their service providers necessarily follow them. Alternatively, the service firms themselves may seek new markets in response to their supply-driven, pro active motivations (Bagchi-Sen and Kuechler 2000; Roberts 1999). Such supply-driven motives may become increasingly important, as service firms internationalize even more (Roberts 1999).

The political precondition for dramatic increases in service exports is a general decline in trade barriers (Knight 1999; Netland and Alfnes 2007). The Uruguay Round trade negotiations provide the legal framework for trade in commercial services (Knight 1999), though the WTO General Agreement on Trade in Services (GATS), which entered into force on 1 January 1995, also sets common multilateral and legally enforceable rules for international trade in services and has had a major impact on service exports. GATS legislation differentiates four modes of transnational service supply are differentiated:

1. *Cross-border supply*: Only the service crosses the border. The service can be provided through telecommunications (e.g., telephone, fax, television, Internet), or mailed documents, tapes, disks, and so on.

2. *Consumption abroad*: Consumers consume the service while outside of their country. Examples encompass medical treatment or visits to restaurants or museums or taking a language course.

3. *Commercial presence*: The service provider establishes branches or subsidiaries in another country, such as bank services provided by a subsidiary of a foreign

bank.

4. *Presence of natural persons*: A person moves temporarily to the consumer's country to provide a service, whether as an employee or through self-employment. IT-specialists might move to the customer's factory to implement a new computer system (WTO 2006).

These four modes illustrate the many ways in which services can be traded and thus the opportunities for future growth in service exports. Although GATS is often considered the catalyst for service internationalization (Clark and Rajaratnam 1999; Javalgi, Griffith, and White 2003), additional free-trade structures have facilitated the growth in service exports, including the North American Free Trade Agreement (NAFTA), the Asia-Pacific Economic Cooperation (APEC), and the European Union (EU) (Knight 1999). Considering these general conditions and the predicted further development of service internationalization, Clark and Rajaratnam (1999, p. 307) conclude that "during the nineteenth and twentieth centuries, the world has moved from a manufacturing toward a service-based economy. The twenty-first century will see this transformation complete. Indeed, the twenty-first century will be the *century of international services*."

Yet service providers that internationalize their business face considerable challenges, in that ample evidence indicates consumers in different cultures think and behave in different ways (McCort and Malhotra 1993; Triandis 1972). The world may have become flat in an economical sense, but it is far from flat in terms of consumer behavior de Mooij (2000); Sheth (1986). This variation is particularly challenging for services, which are mostly provided through direct contacts and interactions between provider and customer (Lovelock 1983), such that consumers' perceptions of services are particularly culture-bound (Zeithaml, Bitner, and Gremler 2002). In an encompassing review of cross-cultural consumer marketing research, Zhang, Beatty, and Walsh (2008) show that culture influences consumers' service expectations, their service evaluations, and their reactions to service. These authors therefore argue that "a solid understanding of the role of culture in the service delivery process is more crucial than ever for service firms operating globally" (Zhang, Beatty, and Walsh 2008, p. 212).

Despite the increasing importance of this topic though, research on international service marketing is still scarce (Furrer and Sollberger 2007; Zhang, Beatty, and Walsh 2008).

Recently, researchers have been trying to catch up; for example, an analysis of service marketing literature reveals 57 studies dealing with international services between 1999 and 2003 (Furrer and Sollberger 2007), approximately 10% of all service studies during this period. Compared with the preceding six-year period though, this level represents an increase of 100%, which suggests heightened awareness of the topic among service researchers. Furthermore, the basis of their analysis, Furrer and Sollberger (2007, p. 106) conclude that internationalization and cross-cultural service research is still in its "take-off stage." This view receives support from considerations that imply "culture will likely become a more significant ingredient of international marketing strategy in the years ahead" (Yaprak 2008, p. 224).

1.2 Research Scope

The predicted boost in cross-cultural service research will be necessary to fill the many gaps that are still evident in cross-cultural consumer service research. Global service firms must confront the challenges of acting in a new environment, serving customers who might have different ways of thinking and acting than customers in their home country (McCort and Malhotra 1993). Service providers moving into international markets must be aware of this possibility, because they might need to adapt their marketing activities to the needs and values of this new target group (de Ruyter, van Birgelen, and Wetzels 1998). Thus far, cross-cultural service marketing research offers only limited support to these firms.

Prior research deals primarily with customer service expectations and their evaluation of service, often applying SERVQUAL measures across cultures (Zhang, Beatty, and Walsh 2008). Some of these service expectations research topics include assessments of the cross-cultural applicability of a service quality measure (Espinoza 1999), a comparison of airline passenger expectations and perceptions of service quality across countries (Sultan and Simpson 2000), and the role of culture in quality perceptions and customer satisfaction (Laroche et al. 2004), as well as a cross-cultural comparison of the mediating role of satisfaction on the link between service quality and customer behavioral intentions (Brady, Robertson, and Cronin 2001), a cross-cultural analysis of patient sat-

isfaction with medical encounters (Winsted 2000), and a cross-national study on customer satisfaction in the fast food industry (Gilbert et al. 2004). Only few cross-cultural service studies address the relational aspects of the buyer-seller relationship. In the specific realm of service quality research, the primarily investigated topics include the behavioral consequences of poor service and service recovery (Hui and Au 2001; Liu and McClure 2001; Warden, Liu, and Huang 2003) and behavioral consequences of relationship investments and relational benefits (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Patterson and Smith 2001a;b). What is missing thus far, however, is a focus on factors that may affect the development and retention of customer relationships, as well as the cooperation between customers and service providers.

The lack of research on *relationship marketing* topics seems surprising, given the central importance of long-term relationships in the service industry (Berry 1995; Gummesson 1987; Sheth and Parvatiyar 1995). The full potential of international services thus cannot be realized until marketing research provides a deeper understanding of the cross-cultural differences that influence the marketing of services to customers in different cultures. This doctoral thesis therefore focuses on three key issues that are of central importance in relationship marketing but have not been addressed in previous cross-cultural service research: (1) the establishment of *trusting customer relationships* (Berry 1995; Morgan and Hunt 1994), (2) *customer co-production* (Bendapudi and Leone 2003; Lengnick-Hall 1996), and (3) the effect of *word-of-mouth referrals* (v. Wangenheim and Bayón 2004; 2007).

Establishing trusting relationships with customers has particular importance in services, because *customer trust* is a central relational driver in relationship marketing (Berry 1995). Because of its central importance in understanding buyer-seller relationships, trust is one of the most intensively studied constructs in relationship marketing research (Palmatier et al. 2006). Existing studies investigate, for example, key drivers of trust (Doney and Cannon 1997), the effect of trust on consumer attitudes toward the service provider (Morgan and Hunt 1994), or behavioral consequences of trust (Sirdeshmukh, Singh, and Sabol 2002). The vast majority of research, however, takes place in a Western context, predominantly in the United States. Relatively little research considers trust and the development of trust in different cultures. In a Western context, research identifies several drivers of trust, such as integrity or benevolence (Moorman, Desphandé,

and Zaltman 1993; Sirdeshmukh, Singh, and Sabol 2002) and suggests the general validity of these established trust drivers (Tan and Chee 2005; Wasti et al. 2007). Yet most studies are either qualitative studies, often in a single country (Tan and Chee 2005), or they deal with the measurement validity of trust drivers without testing their impact on trust (Wasti et al. 2007). No test addresses the validity of a general model of *trust building* across a broad range of countries with diverse cultural backgrounds. If the well-established trust drivers are valid across cultures, the next relevant question becomes whether they are equally important across cultures. Several authors argue that trust building differs across countries and that cultural values moderate the trust-building process (Doney, Cannon, and Mullen 1998; Schoorman, Mayer, and Davis 2007), yet empirical research still is needed to test this assumption. Moreover, research indicates that the general level of trust differs across countries (Inglehart 2004). To my knowledge, no research tests whether this differentiation also applies in a service context. Therefore, in the first study I address these open questions by testing the validity of a model of trust building on banking customers in 11 countries. Furthermore, I develop and test a model of the moderating and direct effects of *cultural values* on trust.

A second important goal of relationship marketing in services is to develop cooperative relationships with customers that facilitate mutual support and enhance customers' willingness to co-produce (Berry 1995). Professional service providers, which tailor their services to their customers' needs, depend particularly on the cooperation of their customers (Berry 1995). Research shows that *customer co-production* positively affects service quality (Lengnick-Hall 1996; Bitner et al. 1997) and productivity (Bendapudi and Leone 2003) and therefore has beneficial effects for customers' evaluations of services (Dellande, Gilly, and Graham 2004). Engaging customers in the service provision process also might be challenging in different cultural contexts. For example, differences exist in people's motivation to engage in e-commerce (Lim, Leung, and Lee 2004) or self-service technologies (Nilsson 2007), but such findings might not apply to other service contexts, because motivation is a domain-specific concept (Bandura 1994). Additional research is needed to understand the effect of culture on customer co-production in different service settings. Particularly scarce is evidence about the underlying reasons for these cross-cultural differences. Therefore, in the second study, I addresses the issue of customers' motivation to co-produce financial advisory products. In turn, I contribute

to existing research by developing and testing a model of the impact of *cultural values* on customers' willingness to provide personal information and follow advice.

Relationship marketing in services also aims to establish new and to foster existing customer relationships (Berry 1995). A key means to achieve these goals involves *positive word-of-mouth referral behavior* (Money 2004; v. Wangenheim and Bayón 2004; 2007). Word-of-mouth referrals provided by existing customers offer significant benefits in terms of winning new customers (Bansal and Voyer 2000; Gremler 1994). In addition, early evidence indicates that word-of-mouth behavior can help firms retain existing customers by reducing their switching behavior (Money 2004; v. Wangenheim 2002; v. Wangenheim and Bayón 2004). Word-of-mouth behavior is thus a highly relevant relationship marketing tool and is even promoted as perhaps the most influential determinant of company growth (Reichheld 2003). Yet existing research predominantly addresses the effect of word of mouth on behavioral outcomes, without clarifying the underlying processes that lead to this positive effect. In addition, the impact of word of mouth differs across cultures (Fong and Burton 2008; Money, Gilly, and Graham 1998; Money and Crotts 2003). Due to methodological constraints, these studies cannot clearly identify the cultural value that moderates the effect of word of mouth on consumer behavior. Further research is needed to offer a more general understanding of this phenomenon, and in the third study of this thesis, I attempt to address the moderating effects of *cultural values* on the effect of word-of-mouth referrals on customers' evaluations of their service provider with a large, multi country study, in which I rely on primary data about customers' cultural values.

Finally, international service marketing research reveals the need for more *methodological rigor* and more *robust culture theorizing* (Holden 2004; Nakata and Jain 2003; Steenkamp 2001). Although recent studies increasingly apply more precise methods, such as primary data about cultural values, the methodological aspects remain a major concern (Yaprak 2008; Zhang, Beatty, and Walsh 2008). This thesis aims to contribute to this debate by comparing cultural values at various levels of analysis. Following an approach by Lenartowicz and Roth (1999), I combine primary and secondary data for the country selection and culture assessment. With this large-scale study across different countries and a homogeneous target group, this research aims to identify the effect of single cultural values on consumer behavior and perception. The results of the *primary*

assessment of cultural values then can be compared with secondary, country-level data on cultural values by Hofstede (2001).

1.3   Proceedings of the Study

To approach the topic of relationship marketing in international services, in the following chapter, I provide a short introduction to service characteristics and their challenges for service marketing, followed by a discussion of the basic premises and core concepts of relationship marketing. Next, I provide an overview of the state of the art in international service marketing research. I outline some challenges of international service marketing, then trace the development of this research. Building on an analysis of current issues in relationship marketing in cross-cultural consumer research, I outline opportunities for further research. Finally, I identify three current issues in relationship marketing to be addressed in the empirical part of this thesis: cross-cultural differences in the development of trust, cross-cultural differences in customers' willingness to co-produce services, and cross-cultural differences in the effect of word of mouth in relational service exchanges.

Chapter 3 starts with a definition and conceptualization of culture. I also discuss different approaches to culture assessments and highlight the importance of frameworks that describe culture in terms of a limited number of cultural values. Through a discussion of the use of the cultural dimensions framework by Hofstede (1980; 2001) in cross-cultural research, I provide an illustration of why I have chosen Hofstede's framework as a theoretical basis for this thesis. Next, I discuss Hofstede's cultural dimensions framework and its validation in greater detail. Finally, I offer a critical assessment of Hofstede's framework and outline some implications for its application in marketing research.

In *Chapter 4*, I focus on the three critical research topics in relationship marketing in international services. To address cross-cultural differences in the development of trust in relational service exchange. I initially develop a research model for trust development. Based on Hofstede's framework, I propose some moderating effects of cultural values on the development of trust and suggest a direct effect of culture on the level

of trust in the service provider. I then address cross-cultural differences in customers' willingness to co-produce services with a brief discussion of co-production and value co-creation in professional services. I particularly deal with co-production in professional services and focus on customers' willingness to provide personal information and to follow advice. I propose that both aspects may be directly reveal the impact of cultural values. With regard to cross-cultural differences in the effect of word of mouth in relational service exchange, I offer an overview of the effect on customer evaluations, then focus specifically on customers' service quality perceptions, customer satisfaction, and customer trust. Finally, I propose a moderating effect of uncertainty avoidance on the effect of received word-of-mouth referrals on customer evaluations of their service provider.

Chapter 5 introduces the research context of this thesis and gives a detailed description of the different aspects of the research design, such as the data collection and sampling. Due to the cross-cultural nature of this thesis, I discuss several cultural aspects as well, such as the emic versus etic debate, concept equivalence, and culture assessment. Next, I validate the measurement model using first- and second-generation reliability tests and analyze the impact of common method variance. I also assess the measurement invariance of the scales across countries. After discussing the analysis procedure and the fundamentals of multilevel analysis, I test the hypotheses associated with my three studies. To finish this chapter, I compare the primary cultural values of my target group with the Hofstedian scores of the respective countries.

In *Chapter 6*, I discuss the theoretical and managerial implications of each of the three studies. This chapter also includes a discussion of their respective limitations and some potential directions for further research.

Finally, *Chapter 7* provides a short summary of the major findings of this thesis. Through a more general discussion of the study and its implications for further research, I develop an outlook for future directions in international service research. The general proceedings of this study appear schematically in Figure 1.1.

Introduction	1. **Service Internationalization and Scope and Proceedings of the Study**
Theoretical Background	2. **Relationship Marketing in International Services: State of the Art** / 3. **Culture Analysis in Cross-Cultural Research**
	4. **Development of the Research Models and Hypotheses on Trust, Customer Co-Production and Word of Mouth**
Empirical Analysis	5. **Empirical Analysis of the Hypotheses on Trust, Customer Co-Production, and Word of Mouth**
Discussion and Outlook	6. **Discussion of the Empirical Findings on the Three Research Models**
	7. **General Reflections and Future Research Directions**

Figure 1.1: Flowchart of the Proceedings of the Study

Chapter 2

Relationship Marketing in International Services: State of the Art

2.1   Service Characteristics and their Challenges for Service Marketing

A basic premise of service marketing as a discipline highlights is differences from product marketing. Parallel to the increasing importance and dominance of services, marketing academics began to realize and outline these differences (Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966; 1974; Shostack 1977; Zeithaml 1981). Despite the widespread agreement across academia and practice that services differ substantially from goods, a clear cut and generally accepted definition of service remains lacking. Different scholars provide varying definitions that differ considerably in their length, focus, and scope. According to an early definition, services are acts, deeds, performances, or efforts, unlike products, which are articles, devices, materials, objects, and things (Berry 1980; Rathmell 1966). Grönroos (1990, p. 27) defines service as "an activity or series of activities of more or less intangible nature that normally, but not necessarily, takes place in interactions between customer and service employees and/or physical

resources or goods and/or systems of the service provider, which are provided as so-
lutions to customer problems." According to a definition by Fitzsimmons and Fitzsim-
mons (2006, p. 4), "a service is a time-perishable, intangible experience performed for
a customer acting in the role of co-producer." However, recent research also proposes
abolishing the distinction between services with the idea that everything is a service
(Rust 2004; Vargo and Lusch 2004). Table 2.1 gives an overview of several common
definitions of service.

Even without a generally accepted definition of service, services can be described in
terms of their shared characteristics that differentiate them from goods. Several authors
characterize services (Bateson 1977; Bell 1981; Berry 1975; 1980; Fisk 1981; Grönroos
1977; Lovelock 1981; Shostack 1977; Zeithaml 1981), and Zeithaml, Parasuraman, and
Berry (1985) summarize these approaches to propose four core characteristics:

- Intangibility

- Heterogeneity (nonstandardization)

- Inseparability of production and consumption

- Perishability (cannot be inventoried)

These four characteristics provide the underpinnings for the argument that service mar-
keting differs from product marketing (Fisk, Brown, and Bitner 1993); many researchers
continue to use them to differentiate services from goods (Lovelock and Gummeson
2004). Although not all the characteristics apply to every form of service, they are very
helpful for understanding the peculiarities of service marketing. In discussing these
characteristics in more detail, I will highlight the challenges for service marketing that
result and mention some management strategies that have been proposed to meet these
challenges (Zeithaml, Parasuraman, and Berry 1985) .

The characteristic of *intangibility* recognizes that services are deeds, acts, or perfor-
mances that cannot be observed, tasted, touched, or felt, as goods and products (Zei-
thaml, Parasuraman, and Berry 1985). Some services may contain a tangible physical
element, such as hotel beds, ATMs, spare parts in a repair shop or a dentist's chair.
However, the predominant value of a service derives from intangible elements, such
as processes, transactions, or the expertise and attitude of the service personnel (Love-

Author	Definition
Berry (1980); Rathmell (1966)	Services are acts, deeds, performances, or efforts.
Grönroos (1997, p. 27)	"A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, takes place in interactions between customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems."
Zeithaml and Bitner (1996, p. 5)	"Services are deeds, processes, and performances."
Lovelock and Gummeson (2004, p. 15)	"Services are economic activities offered by one party to another, most commonly employing time-based performances to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. In exchange for their money, time, and effort, service customers expect to obtain value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved."
Rust (2004, p. 24)	"Everything is a service."
Fitzsimmons and Fitzsimmons (2006, p. 4)	"A service is a time-perishable, intangible experience performed for a customer acting in the role of co-producer."

Table 2.1: Selected Definitions of *Service*

lock 2007). Without a clear-cut distinction between purely tangible services and purely intangible goods, Shostack (1977) proposes a spectrum from tangible-dominant (e.g., salt) to intangible-dominant (e.g., teaching) (see Figure 2.1). Some ambiguous products are in the middle of this continuum, but this spectrum generally helps differentiate between more product-based and more service-based offerings. According to Bateson (1979), intangibility provides the critical characteristic for distinguishing goods from services, and from it all other differences emerge. Furthermore, the intangible nature of services poses several challenges to service firms (Zeithaml, Parasuraman, and Berry 1985). First, services cannot be stored, which makes it difficult to display or communicate the value of services. To meet this challenge, firms might stress some tangible cues related to the service or engage customers in post-purchase communications. Alternatively, they might build a strong organizational reputation for providing excellent service through their high service standards and stimulation of word-of-mouth communications. In line with the challenge of communicating the value proposition, it is also difficult to set prices for services. Second, because services are ideas and concepts, service innovations are not patentable. Service firms therefore need to expand rapidly to secure the benefits of their novel concept or keep abreast of service innovations (Zeithaml, Parasuraman, and Berry 1985).
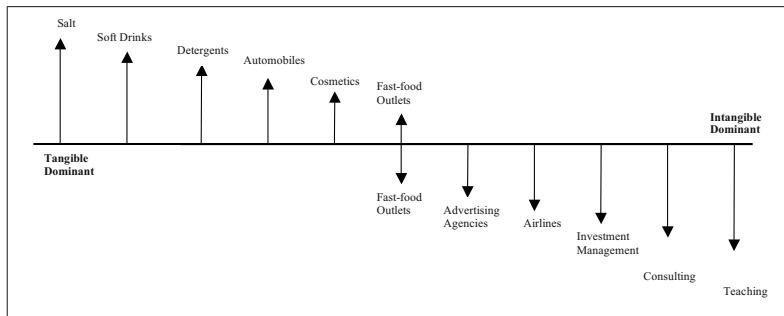
Figure 2.1: Scale of Market Entities
Source: Shostack (1977, p. 77)

Heterogeneity reflects the potential for high variability in service performances (Zeithaml, Parasuraman, and Berry 1985). Service delivery and quality can vary greatly

from customer to customer, from service representative to service representative, and over time. Service firms can implement quality standards, but they cannot entirely standardize the service delivery process. Moreover, reliable controls on the quality of a service are difficult to achieve, especially in labor- and contact-intensive services. Two options for dealing with this problem are customizing the service or, at the other extreme, industrializing and standardizing the service offering. To achieve the latter goal and reduce contact intensity, more and more service providers have been applying information technology tools in their service delivery processes (Fitzsimmons and Fitzsimmons 2006).

Another characteristic applicable to most services is the *inseparability of production and consumption* (Zeithaml, Parasuraman, and Berry 1985). Unlike goods, which are first produced, then sold, and finally consumed, services are first sold and then produced and consumed simultaneously. As a consequence, customers must be present during the production of many services. To offer their services to a greater number of customers, service providers often use multisite locations. They also may invite customers to actively participate in the production process. This interactive moment with the customer requires well-trained service contact personnel, as well as education of the customers to enable them to play an active part in the production process (e.g., fitness studios). Customers are not alone in the production process; they share the servicescape with other customers who are also involved. Service providers thus must actively manage their customers who mutually influence the service experience. The high involvement of customers in the service production process also poses a severe challenge for the mass standardization of services (Zeithaml, Parasuraman, and Berry 1985).

Finally, *perishability* refers to the general inability to inventory services (Zeithaml, Parasuraman, and Berry 1985), with the exception of offerings such as music, films, and software. Empty capacities, such as hotel rooms or flight seats, cannot be held for a later time. And capacities that are lacking in peak times cannot be sold at another time. To cope with this significant demand management challenge, service providers make simultaneous adjustments in the capacity of their service offering to minimize any gap with demand for those services (Zeithaml, Parasuraman, and Berry 1985).

In addition to these four core service characteristics, several researchers propose clas-

sification schemes to highlight management challenges that confront certain types of services. For example, Schmenner (1986) differentiates services according to their *degree of interaction and customization* (high vs. low), as well as their *degree of labor intensity* (high vs. low) (see Figure 2.2). The four resulting quadrants illustrate the nature of the particluar service. That is, *service factories* are characterized by standard services with high capital investment, and *service shops* also require high capital investment but allow for more customization. For both types, managers need to monitor any advances in technology to stay competitive (Fitzsimmons and Fitzsimmons 2006, p. 27). Furthermore, the high capital investment demands effective management of capacity and demand to maintain equipment utilization. Whereas *mass services* are highly labor-intensive and provide customers with an undifferentiated service, *professional services* feature a highly trained service provider offering individual attention to solve a customer's problem (Fitzsimmons and Fitzsimmons 2006, p. 27).

Degree of interaction and customization		
	Low	High
Low	*Service factory:* • Airlines • Trucking • Hotels • Resorts and recreation	*Service shop:* • Hospitals • Auto repair • Other repair services
High	*Mass service:* • Retailing • Wholesaling • Schools • Retail aspects of commercial banking	*Professional service:* • Physicians • Lawyers • Accountants • Architects

(row labels under **Degree of labor intensity**)

Figure 2.2: The Service Process Matrix
Source: Schmenner (1986, p. 25)

Another classification scheme proposed by Lovelock (1983), notes that service providers, unlike manufacturing firms, are often in direct contact with their customers, which gives

them the opportunity to build long-term relationships. Therefore, Lovelock (1983) dif-
ferentiates services according to the *type of relationship between the service organi-
zation and its customers* ("Membership" relationship vs. no formal relationship) and
the *nature of the service delivery* (continuous delivery of service vs. discrete transac-
tions), as Figure 2.3 shows. Fitzsimmons and Fitzsimmons (2006, p. 27) summarize the
changes in this classification scheme since 1983, such as the addition of car rental firms
and major hotels to frequent flyer programs. Public highways have introduced annual
passes that allow customers to pay electronically without having to stop at tollbooths.
These examples imply an increasing trend toward more formal relationships with cus-
tomers, because memberships offer great potential for service firms (Lovelock 1983).
Service firms can collect data about members and their usage behavior, which gives
them a significant competitive advantage, as well as customer segmentation, targeted
marketing, and prize awarding, and it allows for more individualized treatment of cus-
tomers. Customers attain benefits from these relationships, in that they are convenient
and often provide special rewards (Fitzsimmons and Fitzsimmons 2006).

		Type of relationship between service organization and its customers	
		"Membership" relationship	No formal relationship
Nature of the service delivery	Continuous delivery of service	Insurance Telephone subscription Electric utility Banking	Radio station Police protection Lighthouse Public highway
	Discrete transactions	Long-distance phone calls Theater series tickets Transit pass Wholesale buying club Airline frequent flyer	Toll highway Pay phone Movie theater Public transportation Restaurant

Figure 2.3: Relationships with Customers
Source: Lovelock (1983, p. 13)

2.2   Basic Premises and Core Concepts of Relationship Marketing

Relationship-oriented marketing practices are not a new phenomenon; they are as old as the first economic exchanges (Grönroos 1994; Sheth and Parvatiyar 1995). The relationship orientation of buyer-seller relationships, however, became replaced by a more transactional approach when mass production and mass consumption came to the fore (Sheth and Parvatiyar 1995). Initial hints of a reorientation toward a relational understanding of exchange processes in marketing theory can be traced back to the works of Arndt (1979), Bagozzi (1974; 1978), Day and Wensley (1983), and Levitt (1983), who introduced the idea that long-term buyer-seller relationships are an important factor in the growth of market shares in saturated markets.

The term *relationship marketing* was first introduced by Berry (1983, p. 25), who defines it as "attracting, maintaining, and ... enhancing customer relationships." Grönroos (1991) further introduces the notion that relationships should be mutually beneficial. Therefore, the goal of relationship marketing should be "to establish, maintain, and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met. This is done by mutual exchange and fulfillment of promises" (Grönroos 1991, p. 8). Subsequent definitions mainly build on this encompassing definition of relationships and consider relationship marketing based "within networks of relationships" (Gummesson 2004, p. 136) that exist among "a business, its customers and different stakeholders" (Bonnemaizon, Cova, and Louyot 2007, p. 50). Table 2.2 contains selected definitions of relationship marketing, some of which refer to it as an encompassing orientation toward all stakeholders of the firm. In contrast, this research focuses specifically on customer relationships in a service context.

The notion that a relational orientation has particular relevance in the context of services appears in previous research, including Grönroos (1991), Gummesson (1987), and Berry (1983). According to Bendapudi and Berry (1997) relationship marketing is critical in services for three reasons:

First, as Lovelock (1983) points out, many services by their very nature require ongoing membership (e.g., insurance, cable television). Second, even when membership is not

Author	Definition
Berry (1983, p. 25)	Relationship marketing is "attracting, maintaining and ... enhancing customer relationships."
Grönroos (1991, p. 8)	The goal of relationship marketing is "to establish, maintain, and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met. This is done by mutual exchange and fulfillment of promises."
Gummesson (1996, p. 32)	"Relationship marketing is marketing seen as relationships, networks and interaction."
Morgan and Hunt (1994, p. 22)	"Relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges."
Shani and Chalasani (1992, p. 44)	Relationship marketing is "an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time".
Sheth and Parvatiyar (1995, p. 257)	Relationship marketing is "a marketing orientation that seeks to develop close interactions with selected customers, suppliers and competitors for value creation through cooperative and collaborative efforts".

Table 2.2: Selected Definitions of *Relationship Marketing*

required, customers may seek on-going relationships with service providers to reduce the perceived risk in evaluating services characterized by intangibility and credence properties. Third, customers are more likely to form relationships with individuals and with the organizations they represent than with goods (Berry 1995). Because services are performances where the employee plays a major role in shaping the service experience (Bitner 1995), the service setting is especially conducive to customers forming relationships with individual service providers (Bendapudi and Berry 1997, p. 16).

Other researchers investigate the *development of customer relationships*, as well as the different phases of a relationship between customers and service providers (Dwyer, Schurr, and Oh 1987; Ford 1980). Such investigations prompted the idea that customer relationships can be conceptualized, analogous to the product life cycle, according to a customer life cycle (Jain and Singh 2002; Wheaton 2000). Thus, an ideal customer life cycle would include three phases: (1) the customer acquisition phase, when the bond between customer and seller is still weak and few purchases occur; (2) the customer development phase, when the relationship develops and the customer becomes more and more valuable to the company; and (3) the customer retention phase, during which the company works to retain the now valuable customer.

The idea that customer value increases with their *relationship length* received further support from the work by Reichheld and Sasser (1990), who argue that "as a customer's relationship with the company lengthens, profits rise. Companies can boost profits by almost 100% by retaining just 5% more of their customers" (Reichheld and Sasser 1990, p. 105). This proposition reflects the idea that customers in later phases of their life cycle are willing to pay price premiums and spread positive word of mouth, are cheaper to maintain, and will engage in cross-buying activities (Reichheld 1991). In turn, it became a fundamental premise of relationship marketing that all relationships eventually lead to long-term commitment and consequently profits (Bendapudi and Berry 1997). This notion may seem intuitively plausible, but unraveling the precise chain of how relationship marketing affects company profits is challenging. Researchers therefore confront questions such as: (1) What type of input by the service firm is necessary to develop a relationship with their customers? (2) What constitutes the relationship of a customer with his service firm? and (3) How does this relationship lead to beneficial economical outcomes for the service firm? Several researchers propose effect chains that link

company relationship marketing efforts to company profits (Anderson and Mittal 2000; Heskett, Sasser, and Schlesinger 1997). The satisfaction-profit chain (Anderson and Mittal 2000), for example, suggests that the company's performance influences service attribute performance, which should increase customer satisfaction. Customer satisfaction in turn should lead to customer retention and finally to profit for the company. Figure 2.4 displays a prototypical effect chain by Bruhn (2009), who posits company input results in psychological consequences that themselves result in behavioral consequences, which in turn have an effect on the company's output. In this research, I focus on the first three parts of this chain.
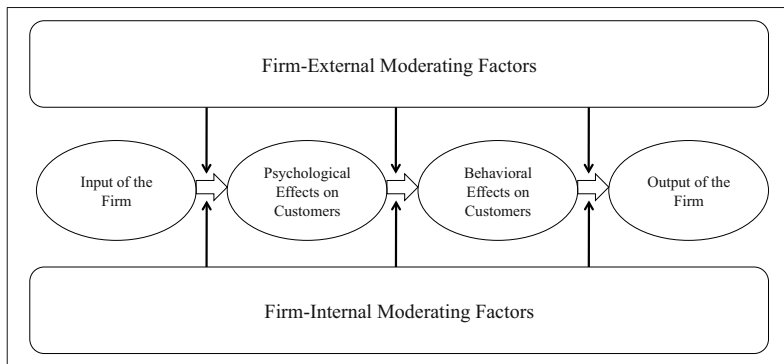
Figure 2.4: Relationship Marketing Effect Chain
Source: Adapted from Bruhn (2009, p. 66)

Various researchers consider the factors that may influence the effectiveness of relationship marketing and elaborate on the antecedents and consequences of buyer-seller relationships. In particular, Palmatier et al. (2006) provide an encompassing meta-analysis of existing research that provides a good foundation for this thesis. These authors identify four core psychological consequences that best capture the customers' relationships with their seller: *commitment*, *trust*, *relationship satisfaction*, and *relationship quality*. According to their meta-analysis, the two most often studied constructs are commitment and trust. Palmatier et al. (2006) refer to these factors as relational mediators between the antecedents and consequences of the buyer-seller relationship. Figure 2.5 reproduces their meta-analytic framework.
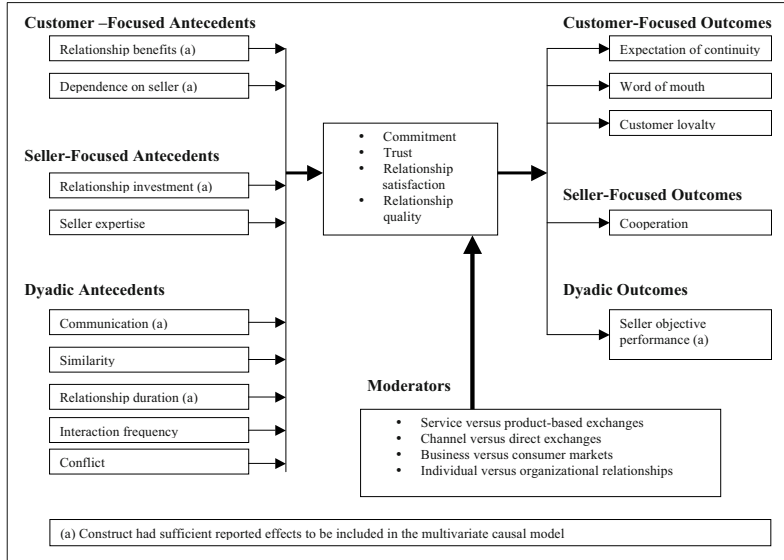
Figure 2.5: Relational Mediator Meta-Analytic Framework
Source: Palmatier et al. (2006, p. 137)

Palmatier et al. (2006) also differentiate among *customer-focused*, *seller-focused*, and *dyadic antecedents and outcomes of the relationship*. *Customer-focused antecedents* include the relationship benefits and dependence on the seller. *Seller-focused antecedents* are the seller's relationship investment and expertise. *Dyadic antecedents* that are relevant for the buyer-seller relationship are communication, similarity, relationship duration, interaction frequency, and conflict. Moreover, Palmatier et al. (2006) show in their analysis that of the various relational mediators, relationship duration is least effective, whereas most effective is reducing conflict. That is, it appears that customers pay more attention to negatives than to positives. Seller expertise provides another important factor, indicating that skills and knowledge are fundamental units of exchange (Vargo and Lusch 2004). The important role of communication in buyer-seller relationships reflects ability to uncover value-creating opportunities and resolve problems. The strong positive effects of relationship investment and relational benefits further indicate that

managers should engage in proactive relationship marketing spending. Finally, similarity between sellers and buyers has an impact on the buyer-seller relationship, such that a common reference point may be needed to move an exchange from a purely transactional to a relational basis.

On the outcome side, *customer-focused outcomes* pertain to an expectation of continuity, word of mouth, and customer loyalty. The lone *seller-focused outcome* is the seller's objective performance, measured in a variety of ways, such as "actual seller performance enhancements including sales, share of wallet, profit performance, and other measurable changes to the seller's business" (Palmatier et al. 2006, p. 140). The *dyadic outcome* refers to cooperation between buyer and seller. The combined relational quality factor on the relational outcomes have the largest effect on cooperation and on the customers' willingness to engage in positive word-of-mouth communication (Palmatier et al. 2006). Palmatier et al. (2006) consider this behavior the best indicator of intense loyalty, because only customers who have a strong relationship with the seller likely are willing to risk their own reputation by giving a referral. Other important effects relate to expectations of continuity and customer loyalty.

The authors find no strong influence of relationship quality on objective performance (Palmatier et al. 2006). Therefore, the chain from relationship marketing input by the company to economic outcomes depends on many non-relational factors, which includes contradictory findings. Although significant research indicates the positive economical effect of relationship marketing (Anderson, Fornell, and Roland 1997; Hadwich 2003; Heskett et al. 1994; Kraft 2007; Rust, Zahorik, and Keiningham 1995; Zeithaml, Berry, and Parasuraman 1996), other studies show that firms sometimes are disappointed with the results of their relationship marketing (Colgate and Danaher 2000; De Wulf, Odekerken-Schröder, and Iacobucci 2001; Dowling and Uncles 1997; Reinartz and Kumar 2000). Palmatier et al. (2007, p. 210) thus conclude that "despite a significant amount of research, the impact of relationship marketing on financial performance remains unclear."

Finally, the strength of the effect of the relational mediators on relational outcomes appears contingent to the context. Through their meta-analysis, Palmatier et al. (2007) identify several *moderators* that likely influence relationship importance. The impact

of the relational mediators is stronger in service- versus product-based exchanges, in channel versus direct exchanges, and in business markets versus consumer markets. What is not included in their meta-analysis, however, is whether also culture serves as a moderator in relationship marketing. In the next chapter, I analyze the current status of relationship marketing research in international services and identify relevant research issues. Before doing so though, I introduce the challenges for service internationalization that arise from the characteristics of services; I also outline the development of international service marketing research.

2.3   Challenges of International Service Marketing

Despite the growing need for service firms to expand into international markets, as was outlined in the introduction, large contrast persists between the dominance of the service sector in domestic economies and their share in world trade (Grönroos 1999; Javalgi, Griffith, and White 2003; Lovelock 1999; Samiee 1999). Specifically, "while the services sector generates approximately two-thirds of the total world value added, its share in total trade remains below 19 per cent" (WTO 2008, p. 6). Various authors note that due to their inherent characteristics, services are more difficult to export than are manufactured goods (Knight 1999; Javalgi and White 2002; Samiee 1999). Using the service characteristics that were outlined in *Section 2.1*, Javalgi and Martin (2007) outline some specific challenges associated with each of the service characteristics for service internationalization.

A first reason that *international service marketing* is challenging results from their *intangibility*. They are performances or experiences, which cannot be seen, touched, or physically transported, so marketers must find a way to promote and explain them. This challenge becomes exacerbated in an international context, where language barriers and illiteracy, as well as perceptions of risk and other cultural differences, are involved (Javalgi and Martin 2007).

Moreover, services are closely connected with their users due to the *inseparability of production and consumption* (Javalgi and Martin 2007). International service firms thus must establish and maintain a local presence in each market they serve (Lovelock 2007). Such local subsidiaries increase costs (Javalgi and Martin 2007) but also enable service firms to be more responsive to the demands of local customers (Campbell and Verbeke 1994). The inseparability of services also means they tend to be produced in physical proximity to and direct interaction with the service provider. In the context of international services, this requirement poses particular challenges to the service providers' ability in terms of language, knowledge of the cultural background, and country, and culture-specific service characteristics or customer demands (Javalgi and Martin 2007).

A third challenge pertains to international differences in the supply of and demand for

services, specifically, the *perishability* of services, such that they cannot be stored like manufactured goods. Well-known domestic supply and demand patterns might be different in foreign markets as a result of unique cultural norms, demographics, or competitive dynamics, which makes them more difficult to predict and harder to manage (Javalgi and Martin 2007).

Because services are *heterogeneous*, their output can vary greatly from service delivery to service delivery and from location to location (Winsted and Patterson 1998). This feature is particularly pertinent for international services, for which service firms have to deal with large variations in labor forces, customer bases and environmental traits, as well as cultural conditions. Javalgi and Martin (2007) point out that this random variation in output can have detrimental effects on service customers' expectations, perceptions, and, ultimately, their satisfaction.

Another challenge to service internationalization comes from *local government regulations* (Samiee 1999). Despite international agreements on trade in services, many service industries, such as accounting or financial services, encounter very different rules and regulations in various countries. Differences in regulations can even differ between regions within a country, as is the case in retailing, which poses an even more considerable challenge to the standardization and internationalization of services (Samiee 1995).

These challenges dictate that the level of product and marketing standardization observed in the international marketing of goods is unlikely to be matched by services (Samiee 1999). McLaughlin and Fitzsimmons (1996) argue that global marketing may not be a realistic goal for many sectors, because service businesses must be adapted to the environment to a greater extent than other industries. The authors believe instead that a multidomestic (or multilocal) internationalization mode might be more appropriate for many service sectors.

2.4 The Evolution of International Service Marketing Research

The increasing importance of *service internationalization* and the major challenges that accompany this process have sparked the interest of marketing academics. However, the emergence of this field has been rather slow, lagging business-oriented developments. In 1990 Porter still claimed that "little is known about international competition in services" (Porter 1990, p. 240). Since then, service marketing research has extended to a broad range of topics that are relevant in the context of service exports. It would exceed the scope of this thesis to provide an all-encompassing literature review of international service marketing research. Furthermore, existing literature reviews and overview articles already provide a good survey of different aspects of *international service marketing* that clarify the structure and development of the field (Clark and Rajaratnam 1999; Knight 1999; Netland and Alfnes 2007; Samiee 1999; Zhang, Beatty, and Walsh 2008). Therefore, in the following section, I provide only a broad overview over the development of the field and some major research streams. Specifically, I analyze the development in classification frameworks of international services and outline some predominant topics in empirical work.

According to a definition by Clark, Rajaratnam, and Smith (1996, p. 15) *international services* are "deeds, performances, and efforts, conducted across national boundaries in critical contact with foreign cultures." This diverse nature makes it challenging to develop precise definitions of international services (Boddewyn, Halbrich, and Perry 1986). Conceptualization is impeded by the difficulty of generalizing about services across cultures or comparing different types of service providers. Boddewyn, Halbrich, and Perry (1986) instead conclude that research should capture this heterogeneity by focusing on several service subsectors rather than trying to find a theory that accounts for all international service firms. Richardson (1987) confirms this view, arguing that no all-encompassing theory of international services can be expected. However, a literature review by Knight (1999) shows that despite this skepticism, in the early development of the field, research on international service marketing was largely *conceptual* in nature. Half of the reviewed articles between 1980 and 1998 were conceptual, review, or opinion-based contributions. This dominance suggests the need for theory development

and a conceptual foundation for subsequent empirical research. Therefore, I briefly outline two classification schemes that represent approaches to generalizing across industries and that are relevant in the context of this thesis.

A first relevant classification scheme of service firms, provided by Vandermerwe and Chadwick (1989), consists of two axes, namely, *relative involvement of goods*, which may be pure service/low on goods, services with some goods, services delivered through goods, or services embodied in goods, and the *degree of consumer/producer interaction*, ranging from low to high. The resulting six-sector matrix with prototypical examples of services for each sector is in Figure 2.4.

These authors also identify three clusters of different internationalization strategies for service firms. *Cluster 1* is the *exporting mode*, in which firms invest and control but are present only to a limited extend. Exporting services as a good represents the main service delivery mode. *Cluster 2* describes an *internationalization mode*, involving franchising, licensing or partnerships, and joint distributions with third parties. This mode requires more investment, more control, and greater permanent presence. In *Cluster 3*, service firms establish branches, wholly owned subsidiaries or mergers and acquisitions in the target countries and therefore commit to maximum investment, presence, and control. Firms often operate in more than one mode or find themselves changing modes in response to changes in the nature of the services or delivery systems (Vandermerwe and Chadwick 1989). The authors finally argue that information technology services provide a new type of "all-in-one" internationalization mode, which features characteristics of all three levels:

- "the service is exported because it is transmitted to the foreign buyer without any physical movement on the part of the service provider;

- the service provider cannot however do this alone. They must have access to an infrastructure and rely therefore on third parties including customers;

- through the technology located in the foreign country, rather than management itself, ongoing presence is established. Control is obtained primarily through systems procedures and management arrangements with the customer network and/or owning the technology" Vandermerwe and Chadwick (1989, p. 89).
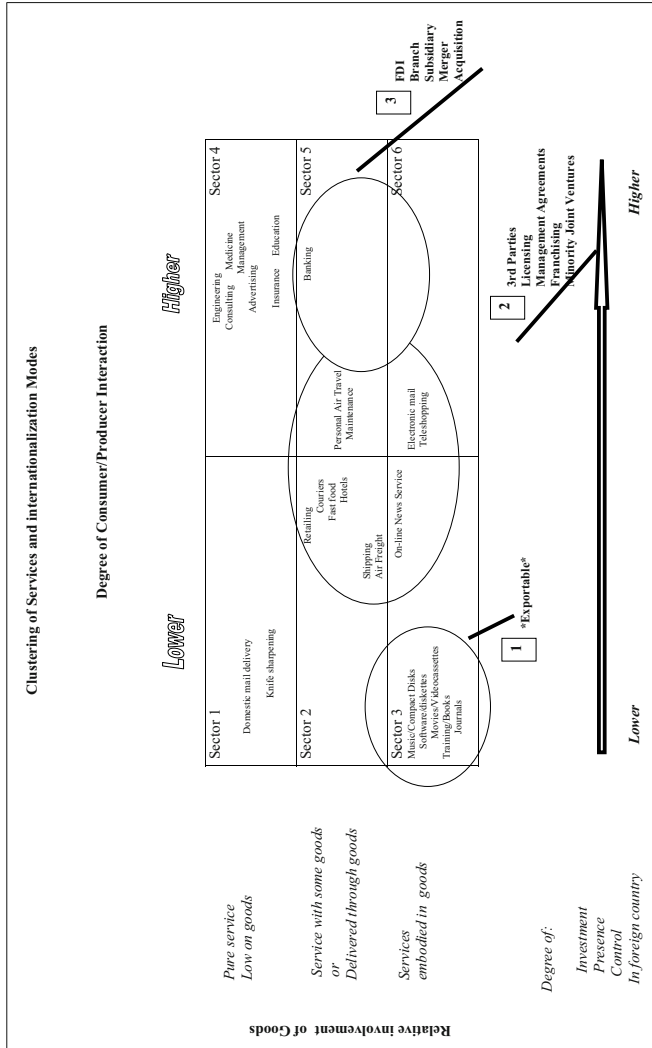
Figure 2.6: Clustering of Services and Internationalization Modes
Source: Vandermerwe and Chadwick (1989, p. 84)

An alternative classification framework incorporates the idea that the *degree of face-to-face interaction* between service provider and customer is of central importance for understanding the challenges in international service marketing (Clark, Rajaratnam, and Smith 1996). In their analysis of earlier definitions and classifications of international services, Clark, Rajaratnam, and Smith (1996) recognize that all of these classification schemes pertain to who or what crosses national boundaries. Therefore, they offer a classification scheme that identifies the critical aspects of how a service provider engages the foreign culture (see Table 2.3).

The authors define four types of services and characterize them as:

1) International contact based services are deeds, acts, or performances by service actors (producers or consumers), who cross national boundaries to conduct transactions in direct contact with counterpart service actors; 2) International vehicle-based services are deeds, acts or performances with location joining properties (allowing service producers to create the effects of their presence without actually being present), transacted across national boundaries via an industrial framework; 3) International asset based-based services are deeds, acts or performances transacted across national boundaries in the context of dedicated physical assets substantially owned or controlled from the home-country commercial service ideas; and 4) International object-based services are contact-based services fixed or embedded in physical objects that cross national boundaries (Clark, Rajaratnam, and Smith 1996, p. 15).

This classification corresponds largely to the previously provided WTO classification. With regard to marketing, the authors note the challenges of strong culture dependence of services. That is, because services are people-centered, they are highly sensitive to the impact of culture (Dahringer 1991; Porter 1990; Sandmo 1987), particularly contact-based services, in which the service provider and customer interact and communicate directly during the service production process. Their model of international contact-based services thus implies, that the market share of foreign participants in the domestic market relates negatively to their cultural distance. Clark, Rajaratnam, and Smith (1996) explain this effect according to increased difficulties that accrue in the interactions of culturally distant service providers and customers that result from *cultural distance*. Finally, the authors introduce the concept of "cultural opacity", which they define "as

Issue	Contact-based	Type of International Service Vehicle-based	Asset-based	Object-based
What crosses the national boundary?	people	electromagnetic signals	capital, organizing principles	objects
Critical boundary crossing factors	immigration/visa policy	transborder data flow policies	foreign investment policy	trade policy
Critical barriers to trade	mobility	transmission	investment	trade
Critical transaction variables	culture, communication	transmitter/receiver availability	equal treatment policies	country-of-origin effects
Comparative strength	on-the-spot interaction and adjustment possible	theoretical ease of access worldwide	permanent presence	indistinguishable from goods
Comparative weakness	people more difficult to move across boundaries for economic reasons than objects, etc.	limited to information/communication-based services	permanent presence plus service providers at whim of host government	easily copied
Examples	project management, temporary labor	CNN, MTV, computer services	retail stores, hotels	video cassettes, computer software, air transportation

Table 2.3: Classification of International Services.
Source: Adapted from Clark, Rajaratnam, and Smith (1996, p. 14)

the degree of difficulty for a person from one nation in comprehending the cultural meanings and values in another nation in a particular situation" (Clark, Rajaratnam, and Smith 1996, p. 20).

Both classification schemes combine earlier research on international services, which predominantly focused on economic aspects of international trade (Bhagwati 1984; Landefeld 1987; Sampson and Snape 1985), with research in service marketing (Berry 1980; Zeithaml, Parasuraman, and Berry 1985), and thus provide a marketing perspective to classify international services. The classification schemes also both differentiate services according to the level of personal contact involved in the service provision process. However, their different foci reflect a major trend in international service marketing research, such that early studies focus predominantly on _strategic issues_ (Vandermerwe and Chadwick 1989), whereas recent publications center more on _cross-cultural consumer behavior_ (Clark, Rajaratnam, and Smith 1996).

Clark, Rajaratnam, and Smith (1996) focus on _international contact-based services_, which are particularly prone to the influence of cultural distance. In a later paper, they argue that "the greater the cultural differences between service producer and consumer, the greater the associated cognitive and communication gaps" (Clark and Rajaratnam 1999, p. 302). Other researchers of this period support the relevance of cultural adaptation of services. According to Dahringer (1991, p. 7) "difficulties in marketing services internationally are due largely to the close cultural relationships between a society and services offered in that society." Because of the high involvement of customers in services, the degree of customer contact is a critical factor in the success or failure of service internationalization (McLaughlin and Fitzsimmons 1996). For complex services, cultural adaptation might be even more expensive, such that internationalization appears more difficult to attain. Capar and Kotabe (2003) also attribute negative performance in the early phases of internationalization in part to language and cultural problems, which require more resources from services than from manufacturing firms.

Knight (1999) summarizes these ideas and concludes his review of the first two decades of international service marketing research as follows:

The key challenge in marketing services abroad is probably that of overcoming hurdles associated with the unique characteristics of each country and the fact that services

*are particularly prone to culture and other country-specific influences. In service en-
counters, people as 'culture bearers' interact directly in simultaneous production and
consumption. Such encounters and the communications process that they rely on are
infused with the cultural idiosyncrasies that each party embodies. These are factors to
which managers must give particular attention to in international services marketing*
Knight (1999, p. 358).

This focus on culture is echoed in empirical studies with research into the impact of cul-
ture on consumer behavior in services. International service marketing research hence
took up what seems likely to be the next challenge service providers would face after
entering a foreign market: marketing their services to consumers with different cultural
backgrounds.

2.5 Relationship Marketing Literature in Cross-Cultural Service Research

As noted in the previous section, international service marketing research is a rela-
tively new field, and the first studies on the impact of culture on consumer behavior
only emerged in the late 1990s. The earliest studies of consumer behavior analyzed
cross-cultural differences in service quality without focusing on a particular cultural
framework (Herbig and Genestre 1996; Malhotra et al. 1994). Following calls for more
research on the topic (Clark, Rajaratnam, and Smith 1996; Knight 1999), further studies
on this topic emerged, dominated by investigations of cross-cultural differences in per-
ceptions of service quality and customer satisfaction. Zhang, Beatty, and Walsh (2008)
consider cross-cultural service research between 1996 and 2006 and identify the frame-
work in Figure 2.7 to capture the scope of topics.

Previous research analyzed the effect of culture on important dimensions of consumers'
service experiences, namely, their *service expectations*, subsequent *evaluations of the
service experience*, and ultimately *reactions to the service experience*. Of the 40 articles
they identified as relevant, 27 deal with customers' service expectations and evaluations
of service, especially with regard to issues of customer quality perceptions and satis-
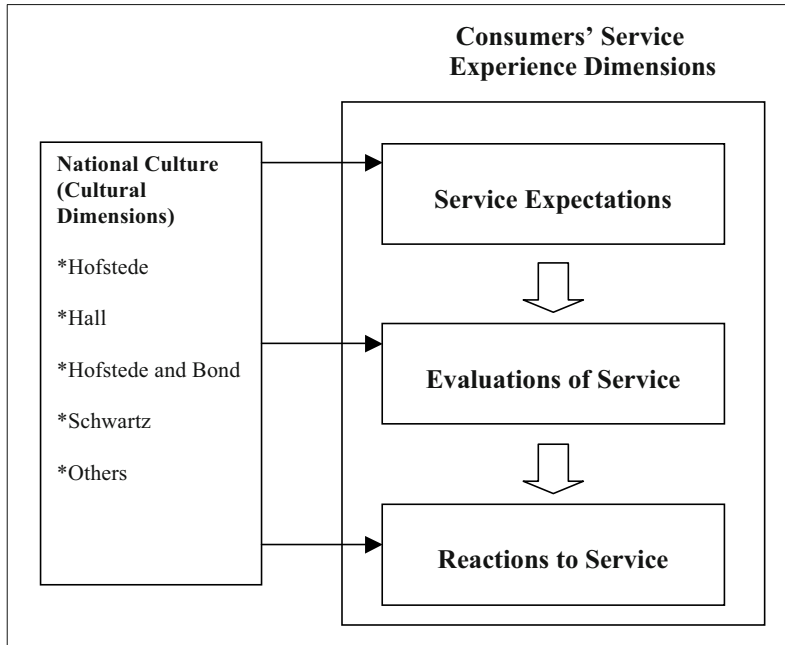
Figure 2.7: A Framework of the Role of Culture in Consumers' Service Experiences
Source: Zhang, Beatty, and Walsh (2008, p. 212)

faction, often applying the SERVQUAL framework (Parasuraman, Zeithaml, and Berry 1993; Zeithaml, Berry, and Parasuraman 1993). Only 13 of the studies they review deal with consumers' reactions to services and all these were published in 2001 or later. They often include the relationship with the service provider, indicating a trend toward relationship marketing topics in international service marketing. To describe the relevant research topics and approaches and identify further research needs, I have reanalyzed these studies dealing with consumers' reactions to service and conducted a literature review on cross-cultural research on consumer services published during 2007 and 2008. Through my review of the journals included in the review by Zhang, Beatty, and Walsh

(2008), I identified nine empirical articles, as documented in Table 2.4.

Journal	Number of Identified Articles
European Journal of Marketing (EJM)	2
International Journal of Service Industry Management (IJSIM)	2
Journal of International Marketing (JIM)	2
Journal of Services Marketing (JSM)	2
Journal of Business Research (JBR)	1

Table 2.4: Results from an Literature Review of Cross-Cultural Consumer Service Research Articles in 2007 and 2008

This analysis shows an increase in the average publications on cross-cultural consumer service research during 2007 and 2008 (average of 4.5 publications per year) compared with the period between 1996 and 2006 (average of 3.3 publications per year), which implies increased interest in the topic. However, I also find a concentration in several key journals. Surprisingly, the *Journal of Service Research*, which had published the most articles between 1996 and 2006, did not publish any cross-cultural consumer service research during the following two years.

A content analysis reveals that in 2007 and 2008, only two articles dealt with service expectations and evaluations: an empirical analysis that contributed methodologically to service quality and satisfaction measurement (Ueltschy et al. 2007) and a meta-analysis of cross-cultural research that used SERVQUAL and SERVPERF (Carrillat, Jaramillo, and Mulki 2007). No new empirical research was published. Instead, it appears that the field has reached maturity in terms of service quality and satisfaction measurement research. The recent meta-analysis and methodological contribution were excluded from further analysis.

I then pooled the 7 remaining empirical articles from 2007 and 2008 with the 13 articles

identified as dealing with reactions to service. Using this sample of 20 articles, I assess their treatment of culture and further sort them according to their main research topic. I specifically aimed to identify and cluster articles on *relationship marketing topics*, as I show in Table 2.5.

With regard to treatment of culture, Hofstede's work remains the dominant cultural framework in international service research. Although several researchers have argued for the development of cultural frameworks that extend Hofstede (1980; 2001), all studies, without exception, base their reasoning at least to some extent on his work. Zhang, Beatty, and Walsh (2008) similarly note the dominance of Hofstede's framework in international service marketing research. Other cultural values include horizontal and vertical individualism/collectivism (Triandis and Gelfand 1998) and traditional/secular-rational and survival/self-expression (Inglehart 1990; 2004). Researchers have repeatedly argued for the use of primary data about cultural values instead of relying on secondary data (Lenartowicz and Roth 1999; Soares, Farhangmehr, and Shoham 2007; Zhang, Beatty, and Walsh 2008). The majority of studies, however, have used secondary data, including the 16 studies in the focal sample that do not measure cultural values directly but base their reasoning on Hofstedian country scores. Yet the use of primary data has increased in recent years. Four of nine studies published between 2006 and 2008 collected primary data to determine cultural values. I investigate this topic and further provide a more detailed discussion of Hofstede's framework and its application in service marketing research in the next chapter.

The analysis of the research scope shows that only 4 of the 20 studies deal with a topic that cannot be subsumed under *relationship marketing research*. In particular, these studies note the *behavioral consequences of service quality perceptions*, including two studies that analyze the moderating and direct effects of culture on customer behavioral consequences that result from consumers' evaluations of the service process (Lord, Putrevu, and Shi 2008; Keillor et al. 2007). Another study deals with the individual and cultural causes and consequences of post-purchase personal and impersonal risks in a credence service (Keh and Sun 2008). Finally, a fourth study focuses on cultural differences in the demographics of consumers that use self-service technologies (Nilsson 2007).

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
Relationship Marketing Focus			
Behavioral Consequences of Service Failure/Service Recovery			
Liu, Furrer, and Sudharshan (2001)	Applied Hofstede's dimensions in hypotheses, measured and analyzed them on an individual level.	U.S., Switzerland, China, Singapore, South Korea/banking	Reactions of customers to superior and poor service, such as praising, switching, negative word of mouth or complaint behavior.
Liu and McClure (2001)	Used individualism/collectivism, in-group/out-group as pre-hoc justification, not measured.	U.S. vs. Korea/retail and restaurant	Analysis of customer reactions to dissatisfying service, such as voice behavior or private behavior (WOM or exit).
Hui and Au (2001)	Applied Hofstede's long-term orientation as part of pre-hoc justification, not measured.	China vs. Canada/hotel	Effects of complaint handling strategies (voice, compensation, and apology) on respondents' justice perceptions and post-complaint behaviors.
Warden, Liu, and Huang (2003)	Used Hofstede's dimensions as pre-hoc justification, not measured.	Taiwan vs. outside Taiwan/airline	Inter-cultural service failure seriousness and acceptance of the recovery.
Mattila and Patterson (2004b;a)	Applied Hofstede's individualism/collectivism and uncertainty avoidance as pre-hoc justification, not measured.	U.S., Malaysia, Thailand/restaurant	Compensation (discount and apology) effectiveness in restoring a sense of justice in customers.

(table continued)

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
Poon, Hui, and Au (2004)	Used Hofstede's long-term vs. short-term orientation as pre-hoc justification, not measured.	Canada vs. China/ unspecified	Perceptions of dissatisfying service encounters.
Wong (2004)	Used Hofstede's dimensions as pre-hoc justification, not measured.	U.S., Australia, Singapore/restaurant	Effect of compensation on customers' assessments of the service encounter, repurchase intentions and word of mouth.
Patterson, Cowley, and Prasongsukarn (2006)	Used Hofstede's individualism/collectivism, power distance, and uncertainty avoidance to develop hypotheses, measured at individual level.	Australia vs. Thailand/ hotel	Service recovery and its effect on customers' perception of interactional justice.
Ngai et al. (2007)	Applied Hofstede's power distance, individualism/collectivism, and uncertainty avoidance, not measured.	Asians (China, India, Japan, Malaysia, the Philippines, Singapore, Sri Lanka, and Taiwan) vs. non-Asians (unspecified/hotel	Differences in the consumer complaint behavior of Asian and non-Asian hotel guests in terms of culture dimensions.

(continued on next page)

(table continued)

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
Chan and Wan (2008)	Use Hofstede's individualism/collectivism dimension. Measured with independent-interdependent scale (Singelis 1994) and analyzed at the group-level.	U.S. vs. China/ computer repair	Multifaceted effects of culture on consumer responses to service failures using the resource preference model.
Patterson and Mattila (2008)	Hofstede's individualism/collectivism used to justify country selection. Operationalized as independent vs. interdependent self-construal (Singelis 1994). Measured and analyzed at individual level.	U.S. vs. Thailand/ restaurant	Impact of familiarity (of the individual service provider) and cultural orientation on evaluations of both successful and failed service encounters.

Behavioral Consequences of Relational Benefits

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
De Wulf, Odekerken-Schröder, and Iacobucci (2001)	Used Hofstede's dimensions as justification for country selection, not measured.	U.S., the Netherlands, Belgium/food and apparel retail	Effects of relationship marketing tactics on consumer perceptions of retailer's relationship investment, which in turn affect relationship quality and behavioral loyalty.

(continued on next page)

(table continued)

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
Patterson and Smith (2001a;b)	Used Hofstede's uncertainty avoidance, individualism/collectivism, femininity/masculinity as pre-hoc justification, not measured.	U.S. vs. Thailand/medical, hairdressers, auto mechanics, travel agents, and retail financial advisors	Effects of relational benefits (special treatment and confidence benefits) on propensity to maintain relationships.
Patterson and Smith (2003)	Used Hofstede's individualism/collectivism as pre-hoc justification, not measured.	Australia vs. Thailand/-travel agency, medical and hairdressers	Effects of switching barriers (search costs, loss of social bonds, setup costs, functional risk, attractiveness of alternatives, and loss of special treatment benefits) on propensity to stay.
Topics with other Foci			
Behavioral Consequences of Service Quality Perceptions			
Keillor et al. (2007)	Applied Hofstede's framework to justify country selection, not measured.	Australia, China, Germany, India, Morocco, The Netherlands, Sweden, and U.S./fast-food and grocery	Direct effects of technical and functional elements of the service encounter on behavioral intentions.
Lord, Putrevu, and Shi (2008)	Used Hofstede's individualism/collectivism, uncertainty avoidance, and time orientation, not measured.	U.S. vs. Hong Kong	Impact of cultural variables on perceptions, behavior, and satisfaction of cross-border vacationers.

(continued on next page)

(table continued)

Source	Treatment of Culture	Countries/Service Context	Research Scope with Regard to Cultural Differences
Behavioral Consequences of Risk Perception			
Keh and Sun (2008)	Applied Hofstede's individualism/collectivism and uncertainty avoidance. Measured with self-transcendence/self-enhancement and conservation/openness to change, analyzed at individual level.	China vs. Singapore/insurance	Individual and cultural causes, as well as the consequences, of post-purchase personal and nonpersonal risks for a credence service (i.e., insurance).
Antecedents of Technology Acceptance			
Nilsson (2007)	Assumed general country differences based on Hofstede's framework, not measured.	Sweden vs. Estonia/banking	Cross-cultural variations in the demographics of consumers using self-service technologies (SSTs).

Table 2.5: Analysis of Recent Cross-Cultural Research on Consumer Services (adapted and extended from Zhang, Beatty, and Walsh (2008))

The predominant focus of recent research on international services, however, has been on *relationship marketing*: 16 of the 20 articles deal with these issues. The research field dominant among this group of studies is *consumers' reaction to service failure and service recovery*, which accounts for 12 of the analyzed studies. They cover such diverse topics as differences in customer reactions to negative service experiences, including switching, negative word of mouth, complaint behavior, and exit (Liu, Furrer, and Sudharshan 2001; Liu and McClure 2001). Other topics are the effect of compensation (Mattila and Patterson 2004b;a) and customer reactions to inter-cultural service failures (Warden, Liu, and Huang 2003).

Four studies deal with the impact of culture on *perception and consequences of relational benefits*, such as the effect of relationship marketing tactics on consumer perceptions of a service provider's relationship investment and their subsequent effects on relationship quality and behavioral loyalty (De Wulf, Odekerken-Schröder, and Iacobucci 2001). Some topics include the effect of relational benefits, such as special treatment and confidence benefits, on relationship quality and propensity to maintain relationships (Patterson and Smith 2001a;b). Whereas some research analyses the effect of the loss of special treatment benefits on propensity to stay (Patterson and Smith 2003), a conceptual study by Hennig-Thurau et al. (2004) deals with how cultural values may moderate the effect of relational benefits on behavioral intentions and thus adds to this empirical research by offering an alternative opportunity for empirical testing.

These literature reviews might miss some single studies, and they focus only on cross-cultural issues in consumer services. However, they provide a good overview of the development of the field and the research foci thus far. Several conclusions can be drawn from this analysis that open avenues for further research on relationship marketing in international services.

2.6 Need for Further Research on Relationship Marketing in International Services

Despite major interest in relationship marketing topics, the research scope thus far has been rather narrow, focusing predominantly on service failures. In my opinion, this concentration can be attributed to the prior dominance of service quality perception and customer satisfaction studies that paved the way for current research. More extensive research considers the impact of culture on relational benefits, but other relationship marketing topics remain under-researched.

As outlined in *Section 2.2*, enhancing relationship quality between buyer and seller results in various beneficial effects for service firms, such as customer loyalty (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Sirdeshmukh, Singh, and Sabol 2002), customer word-of-mouth behavior (Hennig-Thurau, Gwinner, and Gremler 2002; Reynolds and Beatty 1999), cooperation between buyer and seller (Anderson and Narus 1990; Morgan and Hunt 1994), and ultimately increased firm profits (Heskett et al. 1994; Siguaw, Simpson, and Baker 1998). Relationship quality depends primarily on customer commitment (Anderson and Weitz 1992; Jap and Ganesan 2000), customer trust (Doney and Cannon 1997; Sirdeshmukh, Singh, and Sabol 2002), and customer satisfaction (Crosby, Evans, and Cowles 1990; Reynolds and Beatty 1999). The factors that impact relationship quality between service customers and providers include the relationship benefits for the customer (Hennig-Thurau, Gwinner, and Gremler 2002; Morgan and Hunt 1994), the relationship investments by the provider (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Ganesan 1994), and communication between customer and provider (Anderson and Weitz 1992; Mohr, Fisher, and Nevin 1996). Because establishing and maintaining long-term customer relationships are critical goals for service marketers (Berry 1995), further research is needed to understand the interplay among culture, relationship marketing efforts, relationship quality, and relational outcomes.

Marketing managers of global service providers therefore confront several key questions: (a) Can the same relationship marketing activities be applied in different cultures, or do companies need to adapt their behavior? Do relationship investments, such as

time or effort, have the same effects across cultures? (b) Related to these issues, does relationship marketing require the same efforts across cultures, or do some cultures require more relationship investment than others? Is expertise more important in some cultures than in others? Do customers in different cultures require different levels of interaction frequency? Do they differ in their acceptance level for conflict? (c) Another question framework pertains to whether relationship quality has the same effect on relationship outcomes across cultures. Does relationship satisfaction have the same effect on buyer-seller cooperation across cultures, or should service marketing managers invest in different aspects of relationship quality to foster the same outcome, such as loyalty? (d) Finally, service marketing managers might ask whether they can expect the same beneficial effects of their activities or whether the effects differ across cultures. Do, for example, purchase intentions have the same likelihood of leading to repurchase behavior across cultures? Does word-of-mouth behavior have the same beneficial effects across cultures?

Translated to the academic context, issues that need to be addressed by marketing academics include:

(1) *Cross-cultural equivalence of relationship marketing constructs*: The question of construct equivalence is a fundamental issue in cross-cultural research and has different aspects: functional or conceptual equivalence, instrument equivalence, and measurement equivalence (Singh 1995). Functional or conceptual equivalence reflects whether a construct serves the same function and is expressed similarly across cultures, in terms of attitude and behavior. Instrument equivalence addresses whether the items and scales will be interpreted similarly in various cultures. Finally, measurement equivalence reflects whether constructs can be measured equivalently using the same scales across cultures. Measurement invariance is thus a necessary precondition for comparing constructs across cultures.

(2) *Differences in the level of constructs across cultures*: Research findings show that people in different countries have different levels of general trust (Inglehart 2004). Does this also apply to the level of trust in the service provider? Other findings similarly indicate that customers in various cultures differ in their likelihood of engaging in online shopping (Lim, Leung, and Lee 2004) or purchasing personalized goods (Moon,

Chadee, and Tikoo 2008). Do these findings also generalize to other aspects of customer integration into the service provision process?

(3) *The validity of relationship marketing theories across cultures*: Are established findings, such as the link from relationship benefits or similarity to relationship quality valid in all cultures? Prior relationship marketing research has been conducted in primarily Western contexts, mostly in the United States or Western Europe. When conducting international marketing research, the first question must be whether fundamental concepts of marketing research are of general validity or culturally bound (Iyengar and Lepper 1999).

(4) *Potential moderating effects of cultural values*: Does the impact of seller expertise on customer trust differ across cultures? Cultural values moderate, for example, the effect of poor service on consumers' intention to switch or give negative word-of-mouth referrals (Liu, Furrer, and Sudharshan 2001). Further research on other aspects of international service marketing is needed to understand the scope and size of such moderating effects.

(5) *The conceptualization and operationalization of culture*: How can culture be best conceptualized and operationalized, such that it offers the highest predictive value for international marketing research? Several marketing academics propose moving beyond the Hofstedian framework (Holden 2004; Steenkamp 2001), currently the most widely applied cultural framework in marketing research (Steenkamp 2001; Zhang, Beatty, and Walsh 2008). Another related issue involves the application of primary versus secondary data on cultural values (Soares, Farhangmehr, and Shoham 2007; Steenkamp 2001; Zhang, Beatty, and Walsh 2008).

This thesis aims to address each of these issues by focusing on three topics of central importance in relationship marketing but that have not been addressed in cross-cultural service research: (1) the establishment of *trusting customer relationships* (Berry 1995), (2) *customer co-production* (Bendapudi and Leone 2003; Lengnick-Hall 1996), and (3) the effect of *word-of-mouth referrals* (Money 2004; v. Wangenheim and Bayón 2004). Before developing the research frameworks and deriving hypotheses for each of these research issues though, I discuss the concept, measurement, and application of culture in marketing research.

Chapter 3

Culture Analysis in Cross-Cultural Research

3.1   Definition and Conceptualization of Culture

Although *culture* is a relevant concept for service marketing, it is simultaneously "the most abstract construct affecting human behavior" (McCort and Malhotra 1993, p. 92). Numerous definitions of culture exist (see Table 3.1). Perhaps the most encompassing analysis on culture definitions is that provided by Kroeber and Kluckhohn (1985), who reviewed and analyzed more than 160 different definitions. Youngdahl et al. (2003) summarize the essence of these various options in the following definition:

Culture consists of patterns, explicit and implicit, of and for behavior. That is, it gives members of the culture both the script for behavior and the reasoning behind it. It is acquired and transmitted by symbols and embodied in artefacts. The essential core of culture consists of traditional ideas and especially their attached values. Culture systems may, on the one hand, be considered as products of actions, on the other, as conditioning elements of future action (Youngdahl et al. 2003, p. 111).

According to an often cited definition by Hofstede (1980, p. 21), culture also is "the collective programming of the mind, which distinguishes the members of one group from another." Hill (1997, p. 67) finally defines culture as "a system of values and norms

that are shared among a group of people and that when taken together constitute a design for living."

These definitions incorporate three aspects that are relevant in the context of this research. First, most definitions and research streams agree that culture is a phenomenon that is *shared among a group of people*. This sharedness distinguishes culture from individual phenomena (McCort and Malhotra 1993). Yet culture does not automatically correspond to country borders or ethnic groups (Steenkamp 2001); rather, it refers to any form of social environment that shares common values. Hofstede (2001) similarly argues that layers of culture exist, including national, regional, or ethnic, religious, and linguistic levels, as well as potentially gender, generational, and social class levels.

Second, culture is manifest in *shared beliefs or values*. Culture is invisible unless the related values appear in the form of behavior or practices (Hofstede 2001). Hofstede (2001) further argues that there are three visible elements that cover the core of culture, like layers of onions: symbols, heroes, and rituals (see Figure 3.1). Symbols are words, gestures, pictures, and objects that often carry complex meanings and can be recognized and understood only by members of the same culture. Heroes are persons who possess characteristics that are highly praised in the culture and therefore serve as role models for others' behavior. These persons may either be alive or dead, real or imaginary. Finally, rituals are collective activities within a culture that are not performed to achieve desired ends but instead are considered socially essential, with the function of keeping an individual bound within the norms of the collective. According to Hofstede (2001), the core of culture consists of values though. Erez and Earley (1993, p. 43) support this view and argue that culture consists of "the core values and beliefs of individuals within a society formed in complex knowledge systems during childhood and reinforced throughout life."

Third, culture *influences people's cognitions* through these shared cultural values. Cross-cultural research shows that shared cultural values lead to shared behavioral patterns, because they similarly influence the underlying cognitive constructs (Triandis 1972) and cognitive processing (McCort and Malhotra 1993) of people in a culture or subculture.

Author	Definition
Kroeber and Kluckhohn (1952)	Culture consists of "whatever it is one has to know or believe in order to operate in a manner acceptable to its members. It is the form of things that people have in their mind, their models of perceiving, relating, and otherwise interpreting (material phenomenon)" [in Hofstede (1984, p. 21)].
Kluckhohn (1954)	"Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values" [in Erez and Earley (1993, p. 41)].
Triandis (1972)	Culture is "a subjective perception of the human-made part of the environment. The subjective aspects of culture include the categories of social stimuli, associations, beliefs, attitudes, norms and values, and roles that individuals share" [in Erez and Earley (1993, p. 41)].
Hofstede (1980, p. 21)	Culture is "the collective programming of the mind, which distinguishes the members of one group from another."
Erez and Earley (1993, p. 43)	Culture is "the core values and beliefs of individuals within a society formed in complex knowledge systems during childhood and reinforced throughout life."
Sojka and Tansuhaj (1995, p. 7)	Culture is "a dynamic set of socially acquired behaviour patterns and meanings common to the members of a particular society or human group, including the key elements of language, artefacts, beliefs and values."
Hill (1997, p. 67)	Culture is "a system of values and norms that are shared among a group of people and that when taken together constitute a design for living."

Table 3.1: Selected Definitions of *Culture*
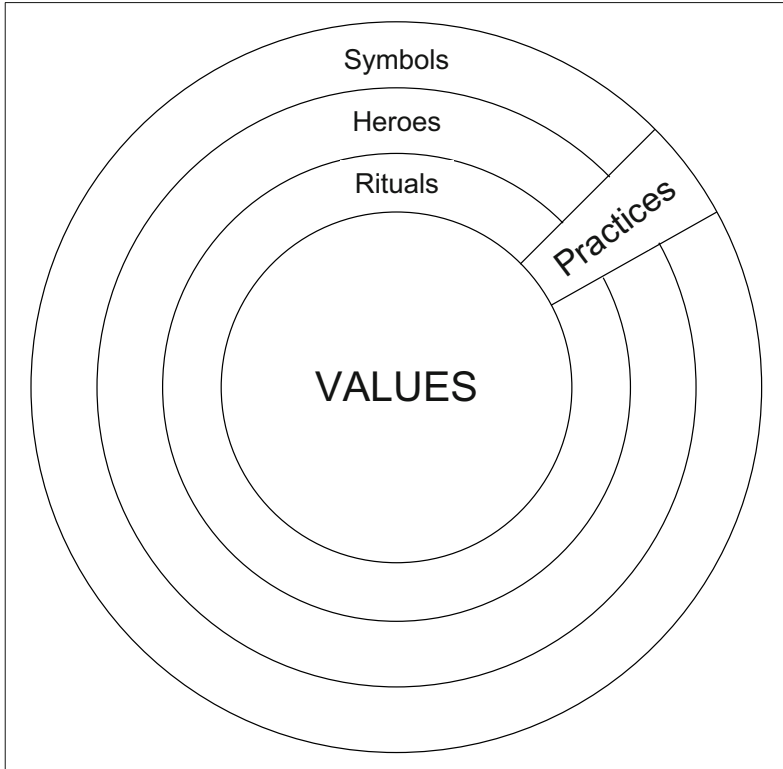
Figure 3.1: The "Onion Diagram": Manifestations of Culture at Different Levels of Depth
Source: Adapted from Hofstede (2001, p. 11)

What all definitions of culture thus have in common is that they highlight the all-encompassing and pervasive nature of culture. This encompassing influence of culture implies that it is not limited to certain aspects of human behavior. Accordingly, Mc-Cort and Malhotra (1993, p. 120) state that "culture impacts virtually every construct of concern to marketers." Soares, Farhangmehr, and Shoham (2007) highlight that the all-encompassing nature makes it challenging to differentiate cultural factors strictly from

other macro-level influences, such as the economic, political, legal, religious, linguistic, educational, technological, or industrial environment surrounding and influencing the people in a culture. As Sekaran (1983, p. 68) notes, "culturally normed behavior and patterns of socialization could often stem from a mix of religious beliefs, economic and political exigencies and so on. Sorting these out in a clear-cut fashion would be extremely difficult, if not totally impossible."

3.2 Assessment of Culture

Researchers from different disciplines have applied very different ways to operationalize and assess culture. In considering these approaches, Lenartowicz and Roth (1999) propose a typology that consists of four basic approaches: *ethnological description* (ED), *use of proxies - regional affiliation* (RA), *direct values inference* (DVI), and *indirect values inference* (IVI).

3.2.1 Ethnological Description

Ethnological description refers to "qualitative approaches, typically sociological, psychological and/or anthropological, used as a basis for identifying and comparing cultures" (Lenartowicz and Roth 1999, p. 783). This approach also can describe single cultures. Ethnological description starts with observations of social structures, artifacts, and collective behavior, which suggest conclusions about the culture. The rationale behind this approach is that culture is too complex a phenomenon to measure, but it can be observed (Haviland 1990), which requires no quantitative methods. Ethnological description instead results in detailed descriptive data about the culture studied, which then can help to develop the hypotheses for quantitative studies.

Lenartowicz and Roth (1999) consider an important advantage that it requires a precise definition of the unit of analysis of culture. Criteria that have been applied previously include ethnicity, religion, and predominantly region, because culture and place are closely interrelated (Franklin and Steiner 1992). Although the results of ethnological descriptions serve as secondary data in international marketing research, ethnological

description rarely has been used in international marketing or business research in general (Lenartowicz and Roth 1999) .

3.2.2 Use of Proxies - Regional Affiliation

This second approach builds "on the use of proxies, defining cultural groupings from sample characteristics that reflect or resemble culture" (Lenartowicz and Roth 1999, p. 784). Proxies applied most often include nationality, place of birth, and country of residence. According to Lenartowicz and Roth (1999, p. 784), "these proxies have the following theoretical foundations: the concept of national character (Clark 1990), the premise that core cultural values are learned during childhood (Hofstede 1980) and the notion that cultures and regions are intertwined (Franklin and Steiner 1992). In essence, these proxies connect cultural groupings to geographic locations." They call this approach acceptable if two conditions are met: First, researchers need to control for sociodemographic variability either through sample design or by including covariates, such as age, gender, education, and the like. Second, if individual data are available, researchers should assess where the subjects spent their childhoods, because during this period, cultural values predominantly form. Lenartowicz and Roth (1999) term this latter approach *validated regional affiliation* (VRA) and consider it an acceptable proxy for culture in cross-cultural research.

However, critics argue that culture, nation, country, and society often get used interchangeably (Nasif et al. 1991; Sekaran 1983); in empirical studies, citizenship is most often used as a proxy for culture. Nation, however, would be a poor proxy for culture, considering the large regional cultural differences within countries (Koch and Koch 2007; Naumov and Puffer 2000). Other researchers instead find wide empirical support for within- and between-country differences, which justify the use of nationality as a proxy for culture (Hofstede 2001; Steenkamp 2001). A further downside of this approach is that culture can be categorized and applied only as a nominal measure (Lenartowicz and Roth 1999). To make meaningful use of the cultural groupings, secondary, external information about cultural characteristics also is required. Despite these disadvantages, the use of proxies - regional affiliation remains a commonly used approach for international marketing and business research (Lenartowicz and Roth 1999).

3.2.3 Direct Value Inference

According to Lenartowicz and Roth (1999, p. 784), direct value inference "measures the values of subjects in a sample, and infers cultural characteristics, based on the aggregation of these values." This approach is based on a values-based conceptualization of culture (Kluckhohn 1954; Hofstede 1980; Adler 1984; Haviland 1990). These authors argue that "culture is a set of learned characteristics shared by a particular group of people" (Lenartowicz and Roth 1999, p. 784), and broad acceptance concedes that culture is shared among people and manifested in their shared beliefs or values. As noted previously, this sharedness distinguishes culture from individual phenomena (Hofstede 1980; McCort and Malhotra 1993). Lenartowicz and Roth (1999) propose that the basic mechanisms that value models use to capture culture are as follows:

1. "The hierarchy of individuals' values shapes the process of satisfaction of human needs (Maslow 1954)

2. The process of satisfaction of human needs influences human behavior common to social groups, and

3. Culture is characterized by the human behavior common to these groups" (Lenartowicz and Roth 1999, p. 785).

Several models build on this conceptualization. The two most prominent and common are the cultural dimensions model (Hofstede 1980; 2001) and the Schwartz values system (Schwartz 1992; 1994). Lenartowicz and Roth (1999) note three methodological issues with regard to direct value inference though. First, sociodemographic variables must be controlled for or large randomized samples should be applied, to address the impact of value differences between sociodemographic groupings. Second, the values must be be understood by all subjects in the same way, and this common understanding might need to be ensured through personal interviews. Third, DVI alone is insufficient to define cultural groups. Value scores can offer multiple empirical solutions, even for relatively homogeneous groups.

3.2.4   Indirect Values Inference - Benchmarks

The fourth approach "ascribes characteristics of cultural groupings without surveying members" (Lenartowicz and Roth 1999, p. 786), based on secondary data about cultural characteristics that have been identified by other researchers, such as Hofstede (1980; 2001). In his international survey, Hofstede (1980; 2001) provides scores for more than 70 countries; these scores have been extensively applied in business research (Søndergaard 1994) and international marketing research (Steenkamp 2001). In turn, "indirect value inference is based on the assumption that the sample studied corresponds directly to the sample from which the benchmarks are taken" (Lenartowicz and Roth 1999, p. 786). This extrapolation of values from one entity to another bears the strong potential for measurement error, because the group that provided the secondary data and the one to which these values are ascribed might differ in geographical or demographical characteristics. Depending on the differences between groups, serious measurement error can result. Furthermore, established value systems predominantly focus on work-related values, which do not necessarily correspond to general values that may guide human action beyond the workplace. Researchers can overcome this sampling problem in two ways: Either they ensure that both the benchmark and the research sample are sufficiently large and randomized, or they confirm that the research sample characteristics are congruent with those of the benchmark sample. Lenartowicz and Roth (1999) term the latter approach a *validated benchmark*. A summary of the methods used to assess culture appears in Table 3.2.

On the basis of their discussion of the strengths and weaknesses of these four approaches, Lenartowicz and Roth (1999, p. 787) conclude "that no single methodology is able to address the inclusive set of criteria relevant to culture assessment in business studies." Following the suggestion of a "marriage of methodologies" (Clark 1990), these authors argue for a combination of two or three approaches, which compensate for the weaknesses of each individual approach. Lenartowicz and Roth (1999) particularly highlight the importance of a direct assessment of cultural values. At some point in any cross-cultural study, DVI should be applied to confirm the expected values, and test convergent validity by comparing the results with other studies pertaining to the same culture, as well as verify the homogeneity within groups.

Method	*Presence in the I.B. Literature*	*Measures Provided*	*Major Weaknessess*	*Major Strength*
Ethnological Description (ED)	Very limited	N/A	• Quantitative measures are not developed • Time consuming	Theoretical support Group identification
Validated Regional Affiliation (VRA)	Extensive	Nominal	• Validity • Confounding factors • Group identification	Convenience
Direct Value Inference (DVI)	Limited	Interval	• Sampling • Confounding factors • Intellectual level of subjects • Group identification	Interval measures
Validated Benchmark (VB)	Limited	Interval	• Secondary data • Potential measurement error • One measure per culture only	Convenience

Table 3.2: Summary of Methods to Assess Culture
Source: Lenartowicz and Roth (1999, p. 787)

3.2.5   The Role of Cultural Values

Dimensional approaches and their underlying functionalist paradigm may be reduction-ist and too simplistic, such that they fail to capture all facets of culture (Briley, Morris, and Simonson 2000; Keillor and Hult 1999). Despite this criticism though, the benefits of this approach have led to a widespread acceptance of dimensional approaches that use cultural values to characterize and differentiate cultures in cross-cultural marketing research (Clark 1990; Steenkamp 2001; van de Vijver and Leung 1997). Cross-cultural researchers do not doubt the relevance of qualitative analyses, and they acknowledge that culture is complex and encompassing (Baggozi and Baumgartner 1994; Steenkamp 2001). Yet, according to Samiee and Jeong (1994, p. 215) "differences in dependent variables should not be attributed to differences in culture unless components of cul-ture have been identified. Likewise, group mean differences are much more meaningful when the investigator articulates why they should exist." Hence, to allow for meaning-ful cross-cultural research, the ultimate goal of cross-cultural researchers is to find a "limited set of dimensions that captures the most prominent differences, integrates mul-tiple features, and relates meaningfully to socio-historical variables" (Schwartz 1995, p. 118). Smith, Dugan, and Trompenaars (1996) support this view and argue that valid frameworks of national cultural values are needed to create a nomological framework of culture that integrates diverse attitudinal and behavioral phenomena and can develop hypothesis regarding the systematic variations of countries in terms of their attitudes and behavior.

Hofstede (1980; 2001) further argues that the use of a limited number of dimensions to compare cultures has roots in anthropology. That is, scholars in this field posit that cul-tural diversity results when different cultures find different answers to similar universal questions, such as "the existence of two sexes; the helplessness of infants; the need for satisfaction of the elementary biological requirements such as food, warmth and sex; the presence of individuals of different ages and of different physical and other capaci-ties" [Kluckhohn in Hofstede (1984, p. 36)]. Academics from different disciplines also propose different frameworks for cultural value systems (Hofstede 1980; 2001; House et al. 2004; Javidan et al. 2006; Schwartz 1992; 1994), predominantly reflecting or-ganizational and sociological research origins. Cross-cultural marketing research also

employs these frameworks, yet thus far, no theory of culture originates from international marketing research (Steenkamp 2001). The most widely applied and accepted framework of cultural values is the cultural dimensions framework by Hofstede (1980; 2001).

3.3   The Use of Hofstede's Cultural Dimensions in Cross-Cultural Research

3.3.1   Reasons for the Wide Acceptance of Hofstede's Work

Hofstede's work has been applied in various disciplines, including psychology, management, and marketing (Søndergaard 1994; Steenkamp 2001). According to Søndergaard (1994), Hofstede's framework is even the most cited academic work of all time, cited in more than 7,000 publications and still increasing. In 2008 alone, Hofstede was cited 800 times. The applications range from mere citations, to reviews and criticism to empirical applications of Hofstede's framework (Søndergaard 1994). Numerous overview articles and meta-analyses discuss and evaluate the development, application, and value of his work. Several reasons help explain this widespread acceptance of Hofstede's work.

First, Hofstede's work offers a *profound empirical foundation*, based on a large empirical study in more than 70 countries. This exceptional sample provided credibility that far exceeded those of prior cultural frameworks. Previously frameworks were predominantly theoretical or validated only with small sample sizes (Eysenck and Eysenck 1969; Inkeles and Levinson 1969; Kluckhohn and Strodtbeck 1961). Hofstede also proposed scores for all countries to reflect their cultural values. These scores provided cross-cultural researchers, for the first time, with a tool to classify and differentiate many countries. Cross-cultural researchers then adapted these scores in their subsequent studies so that they could develop and test hypotheses about cultural differences. In addition, Hofstede's comprehensive research approach coincided with a dramatic increase in international business (Gladwin 1981). The increasing globalization of business since the beginning of the 1980s prompted more and more researchers to include culture in their studies, which just enhanced the success and applicability of Hofstede's framework.

Second, Hofstede provides *good theoretical foundation and external validation* for his dimensional model. As mentioned previously, Hofstede (1980; 2001) characterizes national cultures according their level of power distance, individualism/collectivism, un-

certainty avoidance, masculinity/femininity, and long-term orientation. Hofstede also relates his findings to prior work on cultural dimensions, such as that by Inkeles and Levinson (1969), whose theoretically derived dimensions reveal great overlap with Hofstede's findings. Subsequent studies also support Hofstede's dimensions (House et al. 2004; Schwartz 1992; 1994). Despite different wordings and some differences in the number and scope of identified cultural dimensions, these studies again demonstrate great conceptual overlap with Hofstede's work (Clark 1990; Doney, Cannon, and Mullen 1998; Soares, Farhangmehr, and Shoham 2007; Steenkamp 2001). The most recent review of these conceptual overlaps, proposed by Soares, Farhangmehr, and Shoham (2007), suggests that Hofstede's power distance dimension corresponds to the concepts of relation to authority (Inkeles and Levinson 1969), psychoticism (Eysenck and Eysenck 1969), and orientation toward human relationships (Kluckhohn and Strodtbeck 1961). Masculinity relates to conceptions of self (Inkeles and Levinson 1969), extroversion (Eysenck and Eysenck 1969), and perceptions of human nature (Kluckhohn and Strodtbeck 1961). Soares, Farhangmehr, and Shoham (2007, p. 280) summarize their review by arguing that "it shows a high level of convergence across approaches, supports the theoretical relevance of Hofstede's framework, and justifies further use of his dimensions." In Table 3.3, I provide an overview of other frameworks and their overlaps with Hofstede's dimensions, as proposed by Soares, Farhangmehr, and Shoham (2007).

Third, Hofstede's dimensions *possess external validity* in various disciplines, from business to psychology to sociology, which shows that culture influences literally every aspect of human perception and behavior. Hofstede's model has been applied successfully to explain differences in leadership (House et al. 1999), entrepreneurial behavior (Thomas and Au 2002), social networks (Zaheer and Zaheer 1997), motivation (Lam, Schaubroek, and Aryee 2002) and subjective well-being (Diener and Diener 1995). Meta-analyses consolidate these isolated results and underline the broad predictive value of Hofstede's work (Kirkman, Lowe, and Gibson 2006). In marketing, Hofstede's work is the dominant cultural framework, proven to explain such diverse aspects as consumer innovativeness (Steenkamp, ter Hofstede, and Wedel 1999), service perceptions (Sultan and Simpson 2000), advertising appeals (Albers-Miller and Stafford 1999), information exchange behavior (Dawar, Parker, and Price 1996), and sex role portrayals (Milner

	Masculinity/ femininity	Individualism/ collectivism	Power distance	Uncertainty avoidance	Long-term orientation	Other
Hofstede (1984)						
Hofstede (1991; 2001)						
Inkeles and Levinson (1969)*	Conceptions of self		Relation to authority	Primary dilemmas or conflicts		
Triandis (1995)						
Chinese Culture Connection (1987)	Human heart-edness	Integration			Confucian work dynamism	Moral discipline
Inkeles and Levinson (1969)*	Relations to self		Relation to authority	Relation to risk		
Trompenaars and Hampden-Turner (1997)	Neutral/ emotional	Universalism/ particularism Individualism/ communitar-ianism		Attitudes to time	Confucian work dynamism	Specific/diffuse Achievement/ ascription Attitudes to the environment

(table continued)

	Masculinity/ femininity	Individualism/ collectivism	Power distance	Uncertainty avoidance	Long-term orientation	Other
Dorfman and Howell (1988)						Paternalism
Schwartz (1994)	Mastery/ harmony	Autonomy/ conservatism	Hierarchy/ egalitarianism			
Smith, Dugan, and Trompenaars (1996)		Loyal involvement/ utilitarian involvement	Conservatism/ egalitarianism			Discussion of a third dimension 3 deferred
Keillor and Hult (1999)						National heritage/ culture homogeneity/belief systems/ consumer ethnocentrism
Steenkamp (2001)*		Autonomy/ collectivism	Egalitarianism/ hierarchy	Uncertainty avoidance	Mastery/ nurturance	

*Refers to theoretical contributions. The remainders are empirical studies.

Table 3.3: Comparison of Hofstede's Cultural Framework with other Models
Source: Adapted from Soares, Farhangmehr, and Shoham (2007, p. 280)

and Collins 1998). As mentioned, in international service marketing, Hofstede's dimensions are the most often applied framework and explain cross-cultural differences for a wide range of consumer expectations, perceptions, and behavior (Zhang, Beatty, and Walsh 2008). This broad validation of their usefulness in explaining differences in human behavior across cultures has fostered the application of Hofstede's dimensions to cross-cultural research in various disciplines.

Fourth, an extensive and fruitful debate on the measurement of his dimensions has resulted in *several validated scales*, that allow for reliable measurements of cultural values. In response to a critical assessment on Hofstede's scales (Bearden, Money, and Nevins 2006; Spector, Cooper, and Sparks 2001) and the need for scales that provide reliable measures of the dimensions on an individual level, several marketing researchers have developed scales on Hofstede's cultural dimensions (Donthu and Yoo 1998; Furrer, Liu, and Sudharshan 2000; Liu, Furrer, and Sudharshan 2001). For example, one scale that has been applied repeatedly in international service marketing and that possesses acceptable reliability on the individual level is the CVSCALE (Patterson, Cowley, and Prasongsukarn 2006; Yoo, Donthu, and Lenartowicz 2001; Yoo and Donthu 2002).

Fifth, the acceptance and application of Hofstede's dimensions enables researchers to *relate their research results to other findings* and thus further develop existing knowledge. Therefore, many researchers at least anchor their hypotheses on Hofstede's work, even if they use different scales and constructs. The review of research in international service marketing in *Section 2.5* of this thesis shows that all these recent publications apply or at least relate to Hofstede's work.

These five points contribute to the choice of Hofstede's framework as a theoretical basis for this thesis. Despite calls in marketing research for more theory development and a move beyond Hofstede (Holden 2004; Steenkamp 2001), other authors continue to argue for the primary need for a more rigorous application of the existing frameworks (Nakata and Huang 2004; Zhang, Beatty, and Walsh 2008). Zhang, Beatty, and Walsh (2008) complain that culture rarely is directly measured and instead gets used only post-hoc to explain unpredicted results. Or, they claim, it is used pre-hoc to provide a study context. They therefore demand a strong, theoretical, cultural framework and

the development of precise hypotheses that are based both on theory and logic. Further criticisms stress that most studies apply secondary data at the country level, without ever acknowledging the potential for measurement error. Few studies actually measure cultural values and orientations. International marketing research therefore needs to identify which cultural dimensions affect consumer behavior and the size and extent of this impact. To achieve this aim, more rigorous and advanced methodology needs to be applied. In the following, I therefore discuss Hofstede's work in more detail and derive some conclusions for its application in international marketing research.

3.3.2 Hofstede's Cultural Dimensions

Hofstede's framework originated in a major study that he conducted between 1967 and 1973 at IBM. The data collection took place through an employee survey project, designed initially as a management tool for organizational development. During the course of the project, Hofstede and his colleagues collected about 117,000 questionnaires from 88,000 respondents from different units at IBM. Overall, the data set encompasses respondents from 71 countries.

Hofstede took an exploratory research approach to developing his cultural dimensions framework. Using responses to the section about employees' personal goals and beliefs, he and his colleagues conducted analyses of any country differences and thereby identified four cultural dimensions: *power distance*, *uncertainty avoidance*, *individualism/collectivism*, and *masculinity/femininity*, which I subsequently describe in detail. In an extension to Hofstede's original work, he included a fifth dimension, *long-term vs. short-term orientation*, which I do not address herein, because it is not part of my research framework. Hofstede's focus was on culture and its characteristics within organizations; I instead focus on more general aspects of culture that are relevant beyond the organizational context and have a broader influence on people's behavior.

3.3.2.1 Power Distance

The cultural dimension of *power distance* refers to relations to inequality in a given culture. As a measure of interpersonal power and influence, it reflects the view of the

less powerful member of a hierarchy (Hofstede 2001). Power distance is self-enforcing in the sense that people in powerful positions strive to maintain or increase their power, whereas people with less power are motivated to reduce this distance, especially if it is already relatively small. Hofstede (2001) argues that national culture determines the extent to which power distance is accepted and supported by the social environment. He further states that "culture sets the level of power distance at which the tendency of the powerful to maintain or increase power distance and the tendency of the less powerful to reduce them will find their equilibrium" (Hofstede 2001, p. 83).

People in high power distance cultures share norms for differential prestige, power, and wealth, as well as the belief that talents and capabilities are unequally distributed across society (Hofstede 2001). This inequality may pertain to physical and mental characteristics, social status and prestige, wealth, power, laws, rights, or rules. These characteristics also can, but do not necessarily have to, go together. People that have exceptional physical abilities, such as sport stars, may accumulate a lot of wealth, but usually they do not possess power. Scientists enjoy high social status and prestige but are not necessarily particularly wealthy.

The norms for differential prestige, power, and wealth in high power distance cultures often are expressed by authoritarian values and support for conformity (Hofstede 2001). Along with the belief that there should be inequality in the world, people in high power distance cultures think that hierarchy reflects the existential inequality of people. People in powerful positions therefore are expected to stress and exert their power and are entitled to privileges. People in low power distance cultures in contrast, adopt a norm for a more equal distribution of prestige, power, and wealth. In their opinion, inequality in a society should be minimized. Thus, people in low power distance cultures and especially national elites hold relatively antiauthoritarian values.

3.3.2.2   Uncertainty Avoidance

Uncertainty avoidance reflects "the extent which the members of a culture feel threatened by uncertain or unknown situations" (Hofstede 2001, p. 161). Hofstede (2001) states that the unpredictability of the future is a given fact of human existence, of which all people are conscious. However, people in different cultures deal with this fact in

different ways.

Uncertainty necessarily creates intolerable anxiety, and human societies deal with this anxiety in three ways: technology, law, and religion. He further states that there is no simple differentiation between modern or traditional societies in their approaches to uncertainty. Rather, the ways societies deal with uncertainty differ strongly even among modern societies and reflect the cultural heritage that gets passed on and retained by societal institutions. Because coping with anxiety is not necessarily a rational process, the ways a society deals with uncertainty often may not seem comprehensible to members of other societies.

Hofstede (2001) further stresses that uncertainty avoidance should not be mistaken for risk aversion. He clarifies this difference by relating the concepts: Uncertainty is to risk as anxiety is to fear. Both risk and fear are directed at concrete objects or situations, so avoiding risk and fear likely results in very concrete actions with a circumscribed scope. Uncertainty and anxiety are more abstract and diffuse feelings, which means they are difficult to avoid, and they result in more general consequences. High uncertainty avoidance cultures therefore strive for strong structures in their organizations, institutions, and relationships to enhance the interpretability and predictability of events.

High uncertainty avoidance also implies a relatively high level of anxiety in a given society, which leads to more stress. As in the case of power distance, uncertainty avoidance represents a value system that is shared among the majority of the middle class in a given society. The high level of anxiety that goes along with high uncertainty avoidance also leads to a more hurried social life and the inner urge to remain busy. Emotions are more openly displayed, for which society provides outlets. High uncertainty avoidance cultures further exhibit greater conservatism and a stronger desire for law and order, along with a high need for clarity and structure. Moreover, xenophobia is higher, such that all things perceived as different or divergent from the norm appear dangerous.

In low uncertainty avoidance cultures, anxiety can be reduced through passive relaxation; thus people are expected to control their emotions. Being busy is not a virtue per se. Moreover, low uncertainty avoidance cultures are characterized by a greater openness to change and new ideas, making them more comfortable with ambiguity and chaos. They often embrace diversity, and are more curious about those things that do

not conform to the norm. Finally, people in low uncertainty avoidance cultures have a greater sense that they are able to influence their lives and the world in general (Hofstede 2001).

3.3.2.3   Individualism/Collectivism

Individualism/collectivism reflects the relationship between an individual and the collective in a given culture (Hofstede 2001). The core origins and characteristics of this dimension are differences in family units and the extent to which they influence people's lives and everyday behavior. Whereas in individualist cultures, the most important distinction is between self and others, in collectivist cultures, the self is always defined in the context of social networks, and the important distinction is the line between ingroup and out-group. The relationship between individuals and the collective relates intimately to societal norms that affect people's thinking and behavior, as well as the structure and functioning of societal organizations.

According to Hofstede (2001), collectivists are often born into extended families or clans, which protect them in exchange for their loyalty. Collectivists are characterized by a "we" consciousness, which means their identity is based on the social system in which they are embedded. Collectivists emphasize belonging and depend emotionally on institutions and organizations. It is even accepted and common that such institutions and organizations invade their private lives. Moreover, following Gudykunst and Ting-Toomey (1988), Hofstede argues that collectivist cultures are characterized by high context communication (Hall 1976), because the tightly knit social system encompasses many rules that regulate people's behavior. Therefore, much of the information contained in communication depend on the context in which it is said, so it does not have to be made explicit.

Individualists instead live in a society in which everyone is supposed to take care of him- or herself and his or her immediate family only. These cultures are characterized by a strong "I" consciousness and the emotional independence of individuals from institutions and organizations. Everyone thus seems entitled to private life, so the intrusion of institutions and organizations in one's privacy are not accepted. Parsons and Shils (1951) characterize individualist cultures by their strong self-orientation. According

to these authors, self-orientation also goes along with a universalism of values. These cultures live based on the premise that the same value standards should apply to all people. According to Hofstede, individualist cultures also can be described as guilt cultures (Benedict 1974). That is, sanctioning by a group may play a minor role, but a feeling of honor is rooted in the responsibility of living up to one's own principles and idea of oneself. Individualist cultures furthermore are characterized by low context communication (Hall 1976). Without strong group norms and regulations, little information gets communicated by the social context in which the communication takes place. Therefore, individualists need to communicate more openly and directly about what they have to say.

3.3.2.4   Masculinity/Femininity

The *masculinity/femininity* dimension refers to the way "tough" values, such as assertiveness, success, or competition, dominate "tender" values, such as solidarity, nurturance, or service (Hofstede 2001). These differences can appear in how the culture defines and deals with the gender roles of men and women. All societies must cope with biological differences between male and female but they do so in a multitude of different ways. Hofstede cites the role expectations for men as assertive, competitive, and tough: those for women pertain more to taking care of the home, the children, and people in general. These different roles lead to varying distributions of dominance and power in economic and social life. However, each society adopts a different extent of similarity or variance in the gender roles of men and women.

High masculine cultures are characterized by a stronger ego orientation, such that people define themselves and their reason for being according to their work and money or belongings. In masculine cultures, emotional and social role differentiation between genders is maximal: Men should be tough and take care of performance, and women should be tender and take care of relationships. It is expected that men will be assertive and ambitious, while such behavior, even if accepted, is not necessary for women. Hofstede (2001) also characterizes masculine cultures as sympathetic to the strong and perceiving big and fast as beautiful.

Feminine cultures are characterized by a stronger relationship orientation. For them,

the quality of life and people are more important. They stress who a person is and they work rather to live than the other way round. The two genders thus experience minimal emotional and social role differentiation. Men and women both should be tender, should take care of both performance and relationships, and everyone should be modest. Hofstede (2001) moreover characterizes feminine cultures as having sympathy for the weak and perceiving small and slow as beautiful.

3.3.3   Validation of Hofstede's Work

To understand any validation of Hofstede's data, it is necessary to understand the *level of analysis* used in his work. As already expressed by his definition, culture is a phenomenon shared among a group of people and therefore requiring study on the group level. Hofstede calculated the mean country-level scores for each question that constitutes his dimensions for the seven different occupations represented in the IBM study for both data collections. The country scores represent unweighted central tendencies in the answers of the respondents from each country. The reliability of the scales in turn was assessed by correlations of the aggregated scores between countries.

Hofstede also stresses that scale development for measures of culture should be distinguished from scale development at the individual level. Correlations of individual-level scales and correlations of aggregated, country-level scales have a fundamentally different meaning. On the country level, Hofstede found, for example, a high correlation between the item scores of low rule orientation and high willingness to leave. To apply these measures on the individual level and expect similar results would mean committing an *ecological fallacy* (Robinson 1950). With such measurement developments it is not possible to infer that this relationship would have prognostic validity on the individual level. Individual stress, for example, does not imply that people want to stay with their company; instead, at this level, the relation might be negative. Hofstede further argues that when studying culture, researchers run the danger of committing a reverse ecological fallacy, such as when scales developed on the individual level get aggregated into indices and applied at the country level, without any testing for ecological validity or reliability at this level. "Cultures are not king-size individuals" (Hofstede 2001, p. 17), and their dynamics cannot be understood using knowledge about interper-

sonal dynamics that has been established on the individual level. Hofstede (2001) also suggests that the differential effects of individual- and group-level phenomena might best be analyzed using multilevel analysis. A classical study by Meltzer (1963) shows that individual social attitudes can be predicted better from their group-mean scores on group-related issues than from their own individual scores.

Nevertheless, even when developed on the country level, indices must be shown to possess discriminant validity. Hofstede (2001) found a particularly strong negative correlation between the power distance index and the individualism index. In his factor analysis, both indices even loaded on the same factor. Based on theoretical reasoning though, he nevertheless decided to treat them as independent factors. As a further proof of the validity of his cultural dimensions, Hofstede (2001) cites several studies that replicated his cultural dimensions (Hoppe 1990; Lowe 1996). Hofstede also stresses the tremendous differences in the way the collections were performed and the data interpreted. He especially notes several ways his data have been misinterpreted in replication studies. First, his data are not valid for entire countries but only for specific homogeneous populations. Samples therefore need to be homogeneous and sufficiently large. Second, cultural values are not diagnostic at the individual level and should be applied only to group-level phenomena. Third, the absolute height of the scores is not diagnostic but rather can be meaningfully interpreted only in relation to the score of another culture. Fourth, the scales might not be appropriate for every population and context and "have to be adapted to their intended respondent population, situation and period" (Hofstede 2001, p. 67).

In addition to these reliability considerations, Hofstede conducted studies comparing his data with data from other sources to show that the cultural dimensions possess external validity. Studies from other authors followed, including some of those already mentioned. According to Hofstede, the cultural dimensions could be validated with data from three different sources: "1.) Survey studies of other narrow but matched samples of populations, such as university students; 2.) Representative sample polls of entire national populations; and 3.) Characteristics of countries measured directly at the country level, such as government spending on development aid" (Hofstede 2001, p. 67).

As part of his analysis of external validity, Hofstede correlated his country scores with

various economic, geographic, and demographic indicators. Of these factors, the *gross national product per capita* (GNP/CAP) has particular relevance and is highly correlated with low power distance. This finding supports Hofstede's characterization of low power distance cultures as having a large middle class that forms a bridge between the powerful and the powerless. Furthermore, GNP/CAP correlates positively with low uncertainty avoidance, high individualism, and high masculinity cultures. Hofstede therefore recommends the inclusion of GNP/CAP as a control variable, because such hard factors are more reliable and valid. Should GNP/CAP already account for most of the variance explained, culture, as the soft factor, likely is less important (Hofstede 2001).

3.3.4   Critical Assessment of Hofstede's Framework and Implications for its Application in Marketing Research

According to his own perception, Hofstede's work marked a paradigm shift in cross-cultural research (Hofstede 2002). The scope of his data collection and his innovative method had a strong influence on researchers in various disciplines. Yet, though being widely applied and cited, Hofstede's work has also been fiercely criticized and fundamentally questioned. It would exceed the scope of this dissertation to provide a full review of the academic debate on Hofstede's framework, but I briefly outline and discuss some major points of criticism that are relevant to the context of my research.

The most fundamental critique of Hofstede's framework is directed at Hofstede's general research approach, that is whether culture can and should be described in terms of cultural dimensions (Holden 2004; Kitayama 2002; McSweeney 2002; Miller 2002). However, there is wide agreement about the importance of a quantitative dimensional approach; Smith (2006, p. 916) even considers it a fundamental legacy of Hofstede's work that "national culture may be operationalized by aggregating the self-descriptive responses obtained from individuals drawn from a series of different national samples."

Another fundamental critique states that Hofstede's research is data driven and that his framework lacks an empirical foundation (Baskerville 2003; McSweeney 2002). This

criticism specifically targets the original purpose of the data collection, which was not cross-cultural research, but a standardized employee survey (Bond 2002; Hampden-Turner and Trompenaars 1997). Hofstede (2001) admits that the study of cross-cultural value differences was not the original goal of the survey. Yet, he argues that he took an eclectic research approach; the items were selected on the basis of theoretical considerations and only later did he combine them into indices. The theoretical support for and foundation of his cultural dimensions also receives recognition from other authors, who point to the broad and coherent theoretical basis of his work that encompasses various disciplines, such as sociology and anthropology (Kirkman, Lowe, and Gibson 2006; Søndergaard 1994).

Hofstede derived his framework in the context of organizational research, which creates a question about its validity for other contexts, such as accounting (Baskerville 2003) or marketing (Steenkamp 2001). However, Hofstede's dimensions represent values that target very basic questions that all human beings confront. Hofstede's dimensions therefore not only relate to the work context but also possess validity in various other contexts, including marketing (Steenkamp 2001).

Few authors fundamentally question Hofstede's dimensions, yet an extensive and ongoing debate challenges the validity of Hofstede's country scores. In particular, the reliability and validity of Hofstede's scales come into question. Several studies show that the VSM and VSM94 lack adequate psychometric properties at the individual level (Bearden, Money, and Nevins 2006; Spector, Cooper, and Sparks 2001), yet again, Hofstede explicitly states that his scales were developed and should be applied and interpreted at an aggregated level. This reasoning also explains why Hofstede considers it sufficient to provide country-level correlations of his scores as proof of the reliability and validity of his measures. Chapman (1997) argues that a lot of this school of criticism should be directed more appropriately at the application of Hofstede's framework rather than at the framework itself. Several authors subsequently have developed scales to assess Hofstede's values at the individual level and find evidence of satisfactory reliability and validity, such as the CVSCALE (Donthu and Yoo 1998; Yoo, Donthu, and Lenartowicz 2001; Yoo and Donthu 2002).

With regard to Hofstede's use of nations as his unit of analysis (McSweeney 2002;

Baskerville 2003), several authors argue that nations can include different cultures and subcultures and thus are too broad and not homogeneous enough to study culture (O'Leary and Levinson 1991; Sivakumar and Nakata 2001; Wildavsky 1989). Replication studies find major within-country differences in places like China (Koch and Koch 2007) or Russia (Naumov and Puffer 2000). Yet, some cross-cultural studies validate Hofstede's work. In a comprehensive review, Kirkman, Lowe, and Gibson (2006) highlight that large-scale studies following Hofstede's original study, such as Chinese Culture Connection (1987); Schwartz (1992; 1994); Smith, Dugan, and Trompenaars (1996); Trompenaars (1993), have rather supported his conclusions than contradicted them. Hofstede's framework thus has often proven valid in selecting culturally distant countries for research (Kirkman, Lowe, and Gibson 2006).

Building on this idea of the heterogeneity of nations, further criticism centers on the data collection, all of which occurred at only one large multinational. The IBM workforce, which has been characterized as particularly young and male, might not share values that are representative of the entire population of a particular country at that point in time (Kirkman, Lowe, and Gibson 2006; McSweeney 2002; Søndergaard 1994).

Nakata and Sivakumar (1996), for example, believe that the organizational culture of IBM might be so strong that it would overshadow the effect of national culture and that possible interactions should not be ignored. Furthermore, the data were collected as part of an employee survey, which might have its own specific dynamics that influence the results (McSweeney 2002). Hofstede (2001) instead considers the homogeneous organizational culture of IBM an advantage. The cultural differences can be validly studied only with homogeneous samples from different countries to reduce the potential impact of other variables.

Skepticism about the representativeness of Hofstede's data also results from the considerable variance in sample size across the surveyed countries. The impressive size of his entire data set masks that in some countries, the sample size did not exceed 100 participants, and only six countries have more than 1000 participants in both rounds (McSweeney 2002).

Finally, questions have been directed at the development of the Hofstedian scores over time (Bond 2002; Kirkman, Lowe, and Gibson 2006; Roberts and Boyacigiller 1984).

In his original work, Hofstede (1980) stressed that cultural values are deeply rooted in a society and therefore stable and unlikely to change. Replication studies (Hoppe 1990; Lowe 1996) and other studies of cultural values (Inglehart and Baker 2000; Ralston et al. 1997) find a shift in values over time though, in a generally predictable direction according to their economical development (Inglehart and Welzel 2005). This finding is in line with modernization and convergence theories that argue for the convergence toward the value set that marks Western economies and that accompanies economic and political development (Leung et al. 2005; Ralston et al. 1993; 1997). This empirical evidence has led Hofstede (2001) to relax his stability assumption and argue that such shifts must be due to dramatic changes in the environment.

The discussion of criticism relating to Hofstede's work shows that despite the general acceptance of Hofstede's dimensions, the *validity* of his country scores remains matter of major concern. Although Hofstede (2001) counters these criticisms, they point to some serious problems for international marketing research that cannot simply be ignored.

Marketing research often addresses problems in specific industries by using specific target groups. Hofstede's country scores might apply and explain some differences between samples, though only if the cultural values of these groups actually correspond to Hofstede's country scores (Lenartowicz and Roth 1999). As research shows, such correspondence is not necessarily the case (Koch and Koch 2007; Naumov and Puffer 2000). Depending on potential regional within-country value differences, differences according to social class, or a change in values over time can result in major differences between the actual values of a particular target group in a given industry and the Hofstede scores. As mentioned previously, the unvalidated use of benchmarks thus bears the potential for severe *measurement error* (Lenartowicz and Roth 1999). Thus, the problem is less whether Hofstede's dimensions exist but how they should be assessed properly to be valid for analyzing cross-cultural differences in marketing.

Lenartowicz and Roth (1999) propose a combination of multiple methodologies to account and control for these potential biases and minimize measurement error. These guidelines provide a profound and effective methodological foundation for cross-cultural marketing research. In combination with Hofstede's dimensions, which possess a good

theoretical foundation and empirical validation, they allow for a valid conceptualiza-
tion and operationalization of established cultural values that should help explain cross-
cultural differences in consumer behavior. The propositions by Lenartowicz and Roth
(1999) therefore serve as a guideline for this research, as discussed in detail in *Section
5.2.5*.

Chapter 4

Research Models and Hypotheses

4.1 Cross-Cultural Differences in the Development of Trust

4.1.1 The Importance of Cross-Cultural Differences in Trust Building

Achieving *customer trust* represents a central goal for relationship marketing in services (Berry 1995). In varying service contexts, customer trust increases customer commitment (Moorman, Zaltman, and Desphandé 1992; Morgan and Hunt 1994), customer value (Sirdeshmukh, Singh, and Sabol 2002), and loyalty toward the service provider (Garbarino and Johnson 1999). Berry (1996, p. 42) even considers trust as "perhaps the single most powerful relationship marketing tool available to a company." Various meta-analyses support this view and demonstrate that among other relational mediators, trust has a prominent effect on a broad range of relationship outcomes (Geyskens, Steenkamp, and Kumar 1998; 1999), especially in the context of services (Palmatier et al. 2006).

In response to the internationalization of services, as outlined in *Section 1.1*, service providers provide their service increasingly to customers in different cultures (WTO

2006). Cross-cultural comparative studies have shown that providing services internationally to customers in different cultures is challenging (Stauss and Mang 1999). Differences in cultural norms and values impact customers' service expectations (Donthu and Yoo 1998; Raajpoot 2004; Tsikritsis 2002), their perceptions and evaluations of services (Furrer, Liu, and Sudharshan 2000; Mattila 1999a;b; Voss et al. 2004), as well as customer behavior (Liu, Furrer, and Sudharshan 2001; Mattila and Patterson 2004b).

Initial evidence exists that communicating trustworthiness and developing trusting relationships in foreign cultures is also challenging, due to cultural differences in the ways people develop trust. For example, American respondents consider honesty more important to *trust building* than do Japanese respondents (Yamagishi and Yamagishi 1994). In addition, people in different countries vary in their *general willingness to trust* (Fukuyama 1995; Inglehart 2004). People in Asian countries, such as Hong Kong, Japan, or China typically are characterized by a lower propensity to trust than people in Western countries, such as the United States (Huff and Kelley 2003; Yamagishi and Yamagishi 1994).

Although these challenges likely have sparked the recent interest in cross-cultural trust research (Branzei, Vertinsky, and Camp 2007; Doney, Barry, and Russel 2007; Gefen and Heart 2006), so far, comprehensive and conclusive empirical results on cross-cultural differences in trust are still missing. Schoorman, Mayer, and Davis (2007, p. 352), in a recent editorial, point out the increasing need for and value of cross-cultural trust research. They particularly "see the greatest opportunities in the development of the concept of propensity across cultures, as well as for the relative importance of ability, benevolence, and integrity across cultures." Previous research has addressed these questions only to a limited extend. First, relevant theoretical (Doney, Cannon, and Mullen 1998) or anecdotal contributions (Fukuyama 1995) on cross-cultural differences related to trust still necessitate empirical analysis. Second, empirical approaches so far have either employed qualitative data from a single country (Tan and Chee 2005) or they are quantitative, often two-country studies that apply secondary data on the cultural values (Branzei, Vertinsky, and Camp 2007; Gefen and Heart 2006). Neither approach allows the identification of moderating effects of specific cultural values on trust development. Third, the comparability of these studies is limited, because they differ in their construct

conceptualizations and operationalizations, as well as their sample characteristics.

I aim to fill this void and contribute to greater understanding of trust by addressing five key research questions that are relevant for international service marketing: (1) *Do the antecedents of trust, as identified in previous research, apply across a broad range of countries with different cultural backgrounds?* (2) *Does the relative importance of antecedents of trust differ across countries?* (3) *Do established cultural taxonomies account for these differences?* (4) *Do customers in different countries differ in their level of trust in their service provider?* and (5) *Can these differences be explained by established cultural taxonomies?* Answers to these questions may help service managers develop customer trust in different countries and determine whether they need to apply different strategies to do so. To answer these questions, I conducted a multi-country study on four continents using primary data on cultural values. I analyzed the research questions in the context of professional services. In professional services, such as medical, legal or banking services, trust is of particular importance, because customers lack experience and knowledge to fully understand and confidentially evaluate their results (Sharma and Patterson 1999; Ostrom and Iacobucci 1995).

In the next section, I integrate trust research from several fields of application, ranging from marketing to organizational science, into a coherent research model for service marketing. Using this model, I develop hypotheses about the moderating and direct effects of cultural values on trust and the antecedents of trust.

4.1.2 A General Model of Trust Building

Trust is a widely applied construct in marketing research, and there are various definitions and conceptualizations of it. Morgan and Hunt (1994, p. 23) define trust as "existing when one partner has confidence in the exchange partner's reliability and integrity." According to a defintion by Doney and Cannon (1997, p. 36), trust is "the perceived credibility and benevolence of a target of trust." Sirdeshmukh, Singh, and Sabol (2002, p. 17) define trust as "existing when one party has confidence in the exchange partner's reliability and integrity." Table 4.1 summarizes selected definitions of trust.

For the present research, I adopt a definition by Rousseau et al. (1998, p. 395), according

Author	Definition
Moorman, Zaltman, and Desphandé (1992, p. 315)	Trust is "a willingness to rely on an exchange partner in whom one has confidence."
Morgan and Hunt (1994, p. 23)	Trust is "existing when one partner has confidence in the exchange partner's reliability and integrity."
Doney and Cannon (1997, p. 36)	Trust is "the perceived credibility and benevolence of a target of trust."
Rousseau et al. (1998, p. 395)	Trust is a "psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another."
Sirdeshmukh, Singh, and Sabol (2002, p. 17)	Trust is "existing when one party has confidence in the exchange partner's reliability and integrity."

Table 4.1: Selected Definitions of *Trust*

to whom trust is a "psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another."

Established models in marketing and management research build on this thought and have identified several intentions or behaviors that are key antecedents for developing a feeling of trust (Doney and Cannon 1997; Mayer, Davis, and Schoorman 1995; Sirdeshmukh, Singh, and Sabol 2002). Antecedents that have repeatedly been shown to influence trust are beliefs about the trustee's *ability* (Doney and Cannon 1997; Moorman, Desphandé, and Zaltman 1993), *benevolence* (Geyskens, Steenkamp, and Kumar 1998; Sirdeshmukh, Singh, and Sabol 2002), and *integrity* (Mayer, Davis, and Schoorman 1995; McKnight, Cummings, and Chervany 1998; Morgan and Hunt 1994). Trust further has a future-oriented component, in that the trustee has to gain confidence in the *predictability* of a trustee's behavior (Anderson and Weitz 1989; Doney and Cannon 1997; McKnight, Cummings, and Chervany 1998). Moorman, Desphandé, and Zaltman (1993) refer to this aspect as "dependability."

In the context of services, ability reflects a service provider's capability to deliver high-quality service, based on expertise (Doney and Cannon 1997; Moorman, Desphandé, and Zaltman 1993) and experience (McKnight, Choudhury, and Kacmar 2002). Benevolence reflects the extent to which a service provider is well meaning and actually pursues the customers' best interest (Sirdeshmukh, Singh, and Sabol 2002). A service provider's integrity results from expressions of honesty as well as the provision of reliable promises and the sharing of reliable information (Crosby, Evans, and Cowles 1990; McKnight, Choudhury, and Kacmar 2002). Finally, evaluations of the predictability of a service provider depend on the extent to which customers can predict a service firms' behavior (Anderson and Weitz 1989; Moorman, Desphandé, and Zaltman 1993). Taken together, these beliefs constitute the perceived trustworthiness of a service provider, which results in a customer's sense of trust (Mayer, Davis, and Schoorman 1995; Sirdeshmukh, Singh, and Sabol 2002). I refer to these beliefs as trustworthiness beliefs.

Research into established trustworthiness beliefs primarily focuses on Western contexts, especially the United States (Doney and Cannon 1997; Mayer and Davis 1999; McKnight, Choudhury, and Kacmar 2002; Sirdeshmukh, Singh, and Sabol 2002). Yet, Noorderhaven (1999) questions the applicability of Western models of trust development

to other cultural contexts. Qualitative research in Singapore and among Turkish and Chinese samples replicates the core trustworthiness beliefs though, indicating that the model may be applicable across cultures (Tan and Chee 2005; Tan, Wasti, and Eser 2007). This point of view receives support from a conceptual approach suggested by Doney, Cannon, and Mullen (1998), who argue for the universal validity of trustworthiness beliefs. Furthermore, several cross-cultural comparative studies provide empirical evidence that measures of the trustworthiness beliefs and trust are valid and at least partially invariant across culturally diverse countries (Branzei, Vertinsky, and Camp 2007; Huff and Kelley 2003; Wasti et al. 2007). Therefore, I argue that the proposed trustworthiness beliefs are universal antecedents of trust across cultures.

I predict:

P: *The perceived ability, benevolence, integrity, and predictability of a service provider explain customer trust across different countries.*

4.1.3   Cultural Values and Trust

As outlined in *Section 3.1*, culture is defined by shared norms and values among the members of a particular group of people, which differentiate them from other people (Hill 1997; Hofstede 1980). Shared cultural values lead to shared behavioral patterns, because they similarly influence the underlying cognitive constructs (Triandis 1972) and cognitive processing (McCort and Malhotra 1993) of people in a culture or subculture. Building on these findings, I develop a model of trust development that depicts both direct and moderating effects of cultural values (see Figure 4.1).

4.1.3.1   The Direct Effect of Individualism/Collectivism on Trust in the Service Provider

Research on people's *general willingness to trust* reveals major differences in trust across countries (Huff and Kelley 2003; Inglehart 2004). Among the countries studied, the Netherlands and Germany, for example, score high, whereas Mexico scores low on general willingness to trust (Inglehart 2004). Because cultural values influence
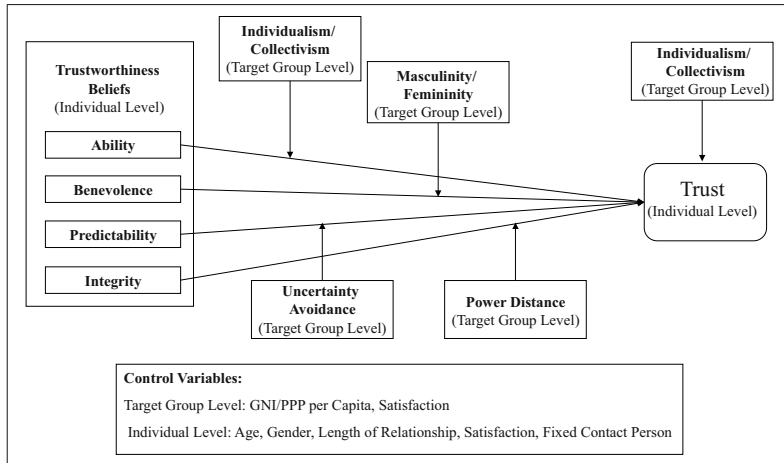
Figure 4.1: Research Framework Trust

cognitive constructs and processing, I argue they should affect the level of trust in a given cultural group. The cultural value most often associated with the general level of trust is *individualism/collectivism* (Huff and Kelley 2003). People in collectivist societies possess intense interpersonal ties and interact cooperatively (Hofstede 2001). Their strong group orientation suggests high behavioral conformity. In contrast, people in individualist societies have greater tolerance for individual behavior and interact on a more competitive basis, because they are predominantly self-oriented and have loose interpersonal ties. Because of the stronger relationships among collectivists, several authors argue that people in collectivist cultures, such as Japan, exhibit a higher level of trust than do people in individualist cultures, such as the United States (Casson 1991; Dyer and Singh 1998). Yet, empirical results repeatedly indicate that Americans have a higher general willingness to trust than do Japanese (Yamagishi and Yamagishi 1994). Huff and Kelley (2003) attribute this distinction to an interaction effect of familiarity with the trustee. Based on work by Triandis (1995), they argue that people in collectivist cultures have greater trust for people of their in-group but are less trusting toward other people in general. Accordingly, people in collectivist cultures feel more secure and

comfortable with people from their in-group (Yamagishi, Cook, and Watabe 1998) but are comparably ineffective when dealing with members from an out-group, using more avoiding behaviors and becoming more competitive (Watkins and Liu 1996).

In the context of service relationships, the service provider should be considered part of the in-group. Especially in the context of professional services, such as banking, medical, or legal services, customers need to accept that they are vulnerable to their service providers (Ostrom and Iacobucci 1995; Zeithaml 1981). Hence, a sufficient amount of trust must exist for a customer to engage in a service relationship, which implies that the service provider becomes part of the customer's in-group. According to Yamagishi, Cook, and Watabe (1998), the threshold that the service provider must pass to gain the trust of customers in collectivist cultures is higher than that for customers in individualist cultures. Once the service provider has managed to overcome this barrier, however, and developed a customer relationship, the level of trust should be higher in collectivist than in individualist cultures.

Therefore, I propose:

H$_1$: *Customers in more collectivistic cultures have a higher level of trust in their service providers than do customers in more individualistic cultures.*

4.1.3.2   The Moderating Role of Cultural Values on the Development of Trust

Although perceptions of service providers' ability, benevolence, predictability, and integrity appear to be universally valid antecedents of trust, empirical evidence suggests that the effect of these trustworthiness beliefs on trust may differ across cultures. For U.S. respondents, honesty is more important than it is for Japanese respondents (Yamagishi and Yamagishi 1994), which suggests differences in the relevance of integrity across cultures. Moreover, Chinese people are more responsive than Australians to a target person's conscientiousness when they form trusting intentions (Bond and Forgas 1984), which indicates that service provider predictability should have greater importance in Chinese customers' decision to trust. Qualitative research also finds that Singaporean managers rely heavily on the affective factors of trustworthiness in their decision to trust, which may indicate the particularly high importance of benevolence

for this cultural group (Tan and Chee 2005).

A conceptual approach that incorporates the idea that cultural values may influence cognitive processes and applies it to cross-cultural differences in the development of trust, is proposed by Doney, Cannon, and Mullen (1998). These authors argue that the values prevalent in a given culture affect the cognitive processes that build trust. Similarly, Schoorman, Mayer, and Davis (2007) suggest that cultural values influence the perception of ability, benevolence, and integrity.

I further develop this thought and propose a theoretical framework, arguing that specific cultural values moderate the effect of each trust driver on trust. The rationale behind this proposition is that culture is a *holistic concept* and cultural values thus cannot be decomposed and treated as independent entities (Furrer, Liu, and Sudharshan 2000). The level of the single cultural values in a given culture can vary independently and lead to various possible value combinations for different cultures. High uncertainty avoidance, for example, can go along with high power distance or low power distance, with more masculine values or more feminine values and so on. Hence, Noorderhaven (1999) points out that suggesting moderating effects of more than one cultural value per antecedent of trust leads to potentially contradictory effects. I address this issue by pointing to the *strong conceptual links* between specific, single trustworthiness beliefs and cultural values (see Table 4.2). I further propose that these cultural values should have the dominant moderating effects on the conceptually linked trustworthiness beliefs, when tested against the competing effects of other cultural values. In the following sections, I explain these conceptual connections and develop hypotheses regarding the moderating effects of the respective cultural values.

4.1.3.2.1 Individualism/Collectivism as a Moderator of the Ability-Trust Link

The cultural value proposed to be most closely linked to ability is *individualism/collectivism*, which reflects the relationship between an individual and the group in a given culture (Hofstede 2001). It expresses the extent to which people value individual goals and accomplishments. Ability should be a more important cue for trust in individualist cultures than in collectivist cultures, because the former value individual accomplishments (Hofstede 2001). Individualists have a strong self-orientation, which favors individual goals above group interests. People are evaluated largely based on their capa-

Hofstede's Dimensions	*Trustworthiness Beliefs*			
	Ability	*Benevolence*	*Predictability*	*Integrity*
Individualism/ Collectivism	Relation to individual goals and accomplishments			
Masculinity/ Femininity		Relation to "tender" values like solidarity and service		
Uncertainty Avoidance			Relation to uncertain or unknown situations	
Power Distance				Relation to inequality and authority

Table 4.2: Conceptual Relationship between Hofstede's Dimensions and Trustworthiness Beliefs

bilities, and excellence is highly regarded and socially rewarded. Because performance is measured by individual achievement, people interact in an individual and competitive way. Emphasizing abilities therefore represents not only an accepted but also an essential behavior for gaining customer trust in individualist cultures. In contrast, collectivist cultures embrace a strong group orientation, which prioritizes group rather than individual achievement (Hofstede 2001). Members of collectivist cultures value joint efforts and group rewards and evaluate performance on the basis of the achievements of the group. Standing out from the group and stressing one's own efforts or qualifications is not accepted and less prevalent behavior. Ability thus should play a lesser role in evaluations of a service provider in collectivist cultures than in individualist cultures.

Therefore, I predict:

H$_2$: *The effect of perceived service provider ability on trust is stronger for customers in more individualist cultures than for customers in more collectivist cultures.*

4.1.3.2.2   Masculinity/Femininity as a Moderator of the Benevolence-Trust Link

The cultural value that I believe relates most strongly to benevolence is *masculinity/femininity*, which expresses the extent to which "tough" values, such as assertiveness, success, or competition, dominate "tender" values such as solidarity, nurturance, or service (Singh 1990).

Benevolence should be more relevant for developing trust in feminine than in masculine cultures. The masculinity/femininity dimension reflects the prevalence of feminine gender roles in a culture (Hofstede 2001). In feminine cultures, both men and women adhere to traditionally feminine gender roles. In masculine cultures, men adopt traditionally masculine gender roles, and only women adhere to the feminine roles. Feminine cultures tend to share norms of solidarity and service; masculine cultures accept that behavior is guided by a person's own benefits and well-being. Whereas feminine cultures focus on relationships and express feelings openly, masculine cultures accept norms of confrontation and independent thought and action (Hofstede 2001). Benevolent behavior by the service provider therefore should be more valued and more important for the development of trust in feminine compared with masculine cultures.

I therefore propose:

H₃: *The effect of perceived service provider benevolence on trust is stronger for customers in more feminine cultures than for customers in more masculine cultures.*

4.1.3.2.3   Power Distance as a Moderator of the Integrity-Trust Link   I further argue that the integrity of a service provider is associated most closely with *power distance*. Power distance refers to the way a culture handles inequality and authority (Hofstede 2001), as reflected in the emphasis of hierarchical relations in families, social classes, and referent groups (Clark 1990). Moreover, power distance reflects the prevalence of conflict and opportunism in a given culture (Hofstede 2001).

With regard to the service setting, there are different views of the distribution of power between service provider and customer. Donthu and Yoo (1998) argue for a generally higher power of the service provider due to their expertise, knowledge, or equipment; other authors provide examples of less powerful service providers (Mattila 1999b; Raajpoot 2004). Following Furrer, Liu, and Sudharshan (2000), I believe that the distribution of power depends on the type of service as well as on customer characteristics. This research focuses on the context of professional services. In professional services, such as banking, medical, or legal services, the difference in expertise between customer and service provider is particularly large. This imbalance of knowledge in favor of the service provider makes customers particularly vulnerable in professional services (Ostrom and Iacobucci 1995; Zeithaml 1981). Professional service providers should therefore be in a more powerful position than their customers.

People in high power distance cultures share norms for differential prestige, power, and wealth (Hofstede 2001), as well as the belief that talents and capabilities are unequally distributed across society. These beliefs go along with a high level of authoritarianism and conformity on behalf of the less powerful people. Customers in high power distant cultures should tend to seek advice from more experienced authorities and more fully rely on the advice of their service providers. At the same time, more powerful people are entitled to privileges and to take advantage of their powerful position. Conflict and opportunism, as might be manifested in lying to support one's own interest, is much more accepted and prevalent among powerful people (Hofstede 2001). This acceptance implies that customers need to take into consideration that the service provider might take advantage of them. Accordingly, research consistently shows that customers in

high power distant cultures have lower expectations of their service provider's reliability (Donthu and Yoo 1998; Furrer, Liu, and Sudharshan 2000). Thus, overall, the service provider's integrity should be an important cue for the decision to trust.

People in low power distance cultures, in contrast, prefer egalitarian relationships (Hofstede 2001). Their social networks are characterized by interdependence, and people place greater value on solidarity and affiliation, with conflicts and opportunism being less prevalent. Thus, integrity of the service provider should play a less important role for the development of trust in low power distance cultures in general.

In the context of professional services, I predict:

H₄: *The effect of perceived service provider integrity on trust is stronger for customers in high power distance cultures than for customers in low power distance cultures.*

4.1.3.2.4 Uncertainty Avoidance as a Moderator of the Predictability-Trust Link

Finally, the predictability of a service providers' behavior should have the strongest connection with *uncertainty avoidance*, because the level of uncertainty avoidance within a culture is expressed as tolerance for unstructured, ambiguous, or unpredictable future events (Hofstede 2001).

I propose that predictability has a greater impact on the overall feeling of trust among people in high uncertainty avoidance cultures than low uncertainty avoidance cultures. Members of high uncertainty avoidance cultures prefer predictability, such as strict rules and regulations (Hofstede 2001), and perceive life as threatening, which creates higher levels of anxiety. To reduce this anxiety, they should be motivated to reduce ambiguity and uncertainty, possibly by gaining confidence in the predictability of future events and other people's behavior. People in low uncertainty avoidance cultures have a much higher tolerance for ambiguity and uncertainty (Hofstede 2001) and thus a lower focus on predictability.

Therefore, I propose:

H₅: *The effect of perceived service provider predictability on trust is stronger for customers in high uncertainty avoidance cultures than for customers in low uncertainty avoidance cultures.*

4.2 Cross-Cultural Differences in Customers' Willingness to Co-Produce Services

4.2.1 The Relevance of Cross-Cultural Differences in Customers' Willingness to Co-Produce

Increasing customers' willingness to co-produce has long been realized as an important goal for service marketing (Berry 1995). Successful *customer co-production* can be a relevant competitive advantage, as it increases mutual understanding (Mohr and Bitner 1991), results in higher productivity (Bendapudi and Leone 2003), and improves service quality (Bitner et al. 1997; Lengnick-Hall 1996). As a consequence, effective customer co-production results in higher customer satisfaction (Dellande, Gilly, and Graham 2004) and customer loyalty (Auh et al. 2007; Lam et al. 2004). Co-production is also an integral part of the service-dominant logic (Vargo and Lusch 2004; 2008), and Bendapudi and Leone (2003) consider co-production the next frontier in competitive effectiveness.

Section 1.1 highlights how more and more service providers internationalize their businesses and provide their services to customers in different countries (WTO 2006). In the context of international services, service providers are confronted with consumers that differ in their values, cognitions, and behavior (McCort and Malhotra 1993; Steenkamp 2001). Providing services to customers with diverse cultural backgrounds might be challenging for global professional service providers, if customers in different cultures also differ in their willingness to co-produce.

Early research findings indicate that such differences might exist. Zhang, Beatty, and Walsh (2008) show in their review of cross-cultural consumer service research that customers in different cultures differ in their expectations and evaluations of services. Winsted (1997; 1999) more specifically finds that customers in Asian countries expect more caring behavior from their service providers. Mattila (1999a) supports these findings, showing that Asian customers, due to perceived status differences, expect to be served by their provider more than do Western customers. Other research findings related to customer integration into the service process add to these results and find cross-cultural

differences in customer motivation to engage in e-commerce (Lim, Leung, and Lee 2004), to accept self-service technologies (Nilsson 2007), or to purchase personalized goods (Moon, Chadee, and Tikoo 2008).

These research findings, however, are difficult to generalize to other services and to other forms of customer behavior. Prior research on differences in customer motivation to co-produce has been conducted in diverse businesses, such as medical services, financial services, the hotel industry, or the restaurant business. Yet, motivation is a domain-specific concept (Bandura 1994), and these businesses differ strongly with regard to the role of customers and service providers in the service provision process. More research is therefore needed to understand the effect of culture on customer co-production in different service settings. Moreover, what is still scarce is evidence about the underlying reasons for these cross-cultural differences. Prior studies are predominantly two-country studies (Winsted 1999; Nilsson 2007), which cannot control for other potential environmental factors or isolate the effects of specific cultural values on customer co-production. Studies that apply data on cultural values mostly use secondary data (Mattila 1999a; Moon, Chadee, and Tikoo 2008), which creates the potential for measurement error (Lenartowicz and Roth 1999).

In this research, I aim to address these issues and to provide answers to the following questions that global service providers confront: (1) *Do customers in different countries differ in their willingness to co-produce?* (2) *How can these differences be explained? Do established cultural taxonomies account for these differences?* and (3) *How can service providers increase customers' willingness to engage in the service production process?* Answers to these questions should help service marketing managers of international service firms improve their service provision processes and market their services more successfully in different countries. To address these questions, I have conducted a multi-country study on four continents assessing primary data on cultural values. I analyze the research questions in the context of professional services, which have a particularly high need for customer co-production because they must be customized to meet the specific requirements of the customer (Bitner et al. 1997).

In the next sections, I give a short overview of research on co-production and value co-creation in professional services. I also identify two aspects of co-production that

are of relevance for service quality and customer satisfaction in professional services. Finally, based on work by Hofstede (1980; 2001), I develop a conceptual framework that explains differences in customers' willingness to co-produce using the differences in their cultural values.

4.2.2   Co-Production and Value Co-Creation in Professional Services

Numerous authors have addressed customer co-production from various perspectives, often with slightly different labels, such as customer integration, customer cooperation, or value co-creation. Kelley, Donnelly, and Skinner (1990, p. 315) define customer participation as the "customer ... provid[ing] resources to the service organization in the form of either information or effort." Bendapudi and Leone (2003, p. 15) simply refer to participation as "the joint production of outcomes." Early research outlined that customers can be a source of productivity gains if they are integrated in the service production process (Lovelock and Young 1979). In this context, Mills et al. (1983) introduced the idea of customers as partial employees. Recently, this view has shifted toward the co-creation of value, in which both the customer and the firm benefit from the customer's integration into the service provision process. Prahalad and Ramaswamy (2004a;b) therefore propose using the term customer co-creation, which moves beyond mere outsourcing. These authors incorporate the idea of satisfying relationships between the customer and the service firm "through personalized interactions that are meaningful and sensitive to a specific customer" (Prahalad and Ramaswamy 2004a, p. 16). Table 4.3 summarizes selected definitions dealing with customer co-production.

Due to the multifaceted nature of services, the level of customer participation in the production of services ranges from the mere physical presence of a passive customer during the service delivery process to the active co-creation of the service (Bitner et al. 1997). Based on the level of customer participation in the production process, Meuter and Bitner (1998) further distinguish between "firm production," "joint production," and "customer production." In firm production, the product is produced entirely by the service firm, with no participation by the customer. In joint production, both the customer and the firm's service employees interact and participate in the service production. In

Author	Definition
Kelley, Donnelly, and Skinner (1990, p. 315)	Customer participation as the "customer [...] provid[ing] resources to the service organization in the form of either information or effort."
Dabholkar (1990, p. 484)	Customer participation is "the degree to which the customer is involved in producing and delivering the service."
Bettencourt (1997, p. 386)	Customer cooperation "refers to discretionary customer behaviors indicating respect for the provision of quality service delivery."
Meuter and Bitner (1998)	The authors identify three types of customer participation in service production: firm production, joint production, and customer production. In firm production the product is produced entirely by the service firm, with no participation by the customer. In joint production both the customer and the firm's service employees interact and participate in the service production. In customer production the product is produced entirely by the customer, with no participation by the firm or its service employees.
Lengnick-Hall, Claycomb, and Inks (2000, p. 364)	The authors describe customer integration as "engaging customers as active participants in the organization's work."
Bendapudi and Leone (2003, p. 15)	The authors describe participation as "the joint production of outcomes."
Prahalad and Ramaswamy (2004a, p. 16)	They propose to use the term customer co-creation, which does not mean to simply outsource or assign activities to the customer, but to incorporate satisfying relationships between the customer and the company "through personalized interactions that are meaningful and sensitive to a specific customer".

Table 4.3: Selected Definitions Dealing with Co-Production

customer production, the product is produced entirely by the customer, with no participation by the firm or its service employees. This increase in customer integration into the service production process comes along with the higher influence of the customers on service quality (Bitner 1990; Bitner et al. 1997; Dabholkar 1996).

Professional services are an example of joint production and are characterized by a particularly high level of customer co-production (Hausman 2003; Larsson and Bowen 1989). Professional service providers deliver specialist knowledge, skills, and experience, to solve the customers' problems (Gummesson 1978; Hausman 2003; Hill and Neeley 1988). In professional services, service quality perceptions depend to a large extent on customers' participation in the consulting process (Bitner et al. 1997). The service dominant-logic (Vargo and Lusch 2004) extends the focus on quality to the "value in use" for the customer, which depends on the customers' perception of the utility of the service to fulfill needs (Woodruff and Flint 2006). To increase the perceived value in use for the customer, service providers need to personalize their offerings (Prahalad and Ramaswamy 2004a), which requires the customers to contribute information (Etgar 2008). The more customers in professional services are willing to co-produce, the better the service can be personalized and the higher is the customers' perceived value in use.

In this research, I focus on two aspects of customer co-production, which are of key importance for service quality in the context of professional services: *disclosure and contribution of information* (Bitner, Booms, and Mohr 1994; Ennew and Binks 1999) and *customer compliance with the service provider's advice* (Bitner et al. 1997; McKnight, Choudhury, and Kacmar 2002). In the case of financial services, the customer needs to talk with the consultant about future career targets and family planning in order to achieve a result that is customized to his or her specific plans and needs. Moreover, the customer also has to follow the financial plan, because selling funds too early or exceeding the credit limit can have negative financial outcomes.

To engage customers in the co-production of services, three basic requirements must be met: Customers need to posses the required knowledge, they must be able, and they must be motivated to engage in the co-production process (Auh et al. 2007; Bettencourt et al. 2002; Büttgen 2007; Dellande, Gilly, and Graham 2004; Lengnick-Hall

1996; Meuter et al. 2005; Schneider and Bowen 1995). The knowledge customers need to posses to engage in service co-creation can encompass performance-, task-, and company-related knowledge, acquired through experience or other information sources (Büttgen 2007). Service providers need to ensure that customers possess task clarity, that is, understand what is expected of them (Lengnick-Hall 1996). Ability to integrate pertains to physical, intellectual, emotional, and social skills that are necessary for a successful integration into the service provision (Büttgen 2007). Service firms can achieve and enhance this knowledge through customer training and education (Kelley, Donnelly, and Skinner 1990).

Most important, however, customers must be *motivated* to engage in co-production (Bettencourt et al. 2002; Lengnick-Hall 1996; Lovelock and Young 1979). Motivation reflects a customer's willingness to participate in the service production process. Meuter et al. (2005) differentiate between intrinsic (e.g., pleasure, personal growth) and extrinsic (e.g., money or time savings) motives to be activated to engage someone in the production process. Dellande, Gilly, and Graham (2004) show a chain from customer role clarity to ability to motivation. At first, customers need to understand what is required of them in the service process. Based on this knowledge, they can acquire the necessary skills and ability. These competences lead to an increased motivation to integrate themselves in the service production process. Not being able to perform as expected can be frustrating for customers and diminish their motivation. The authors find support for this effect chain and further show that motivation has the strongest impact on customers' co-production behavior. Various other researchers support this finding, confirming the important role of customer motivation for customer co-production behavior (Bettencourt 1997; Büttgen 2007; Dellande, Gilly, and Graham 2004; Lengnick-Hall, Claycomb, and Inks 2000).

4.2.3   Cultural Values and Customer Willingness to Co-Produce

According to Hofstede (1980, p. 21), culture is "the collective programming of the mind, which distinguishes the members of one group from another." An important idea incorporated in this definition of culture is that shared cultural values influence people's cognitions. Cross-cultural research has shown that shared cultural values influence

common behavior patterns, because they similarly influence the underlying cognitive constructs of people (Triandis 1972). As a consequence, differences in values across cultures and subcultures result in differences in customers' cognitive processing, and ultimately customer behavior (McCort and Malhotra 1993). Also in service contexts, behavioral norms and attitudes largely depend on cultural orientation (Winsted 1997; Zeithaml and Bitner 1996).

Research findings suggest that differences in customer behavior result from cross-cultural differences in customer motivation. Since the early findings of differences in the need for achievement across countries (McClelland 1961), numerous studies have reported additional country differences in motivations, such as very basic personal motives (Markus and Kitayama 1991), work-related motivations (Deci et al. 2001), and purchase motivations in services (Mattila 1999b). Building on this thought, several researchers have proposed and found cross-cultural differences in customers' willingness to co-produce.

Evidence in compliance literature also supports cross-cultural differences in compliance behavior toward different requests (Chen et al. 2006; Cialdini et al. 1999; Petrova, Cialdini, and Sills 2007; Schouten 2008). These differences are predominantly explained by differences in the cultural value of individualism/collectivism. People in collectivist cultures are, for example, more prone to comply with a request to take part in a survey (Cialdini et al. 1999; Petrova, Cialdini, and Sills 2007) or help a neighbor (Schouten 2008).

In the service context, Zhang, Beatty, and Walsh (2008) show that customers in different cultures differ in their service expectations and evaluations of service. Donthu and Yoo (1998) find that individualists have higher expectations of their service providers' empathy and assurance, and have generally higher service quality expectations. Furrer, Liu, and Sudharshan (2000) also find higher service quality expectations among individualists. They further reveal that in cultures with greater power distance, customers with a weak position compared to their service provider are more likely to tolerate failure than are those in low power distance cultures. In their case, the weaker customers were students as customers in banking services.

Examples like these indicate that the general attitude toward and perception of ser-

vice can also influence customers' interpretations of their role in the service provision process. Accordingly, Winsted (1997) finds that customers in Japan expect service providers to be concerned about them and behave in a caring, attentive, and kind way. Asian customers of a luxury hotel not only accept status differences between customers and service providers but expect them (Mattila 1999b). Asian customers ascribe service providers the classical, more obedient service role and expect them to deliver highly personalized services. Asian customers themselves prefer a more passive role in the service production process. Mattila (1999b) concludes that "all interpersonal interactions are predicted by social information, which inevitably is linked to cultural context and values (Pucik and Katz 1986)." Culture therefore defines what customers expect from a service provider and their expected role in the service provision process (Stauss and Mang 1999). Following this idea, I develop a research model of the impact of cultural values on customers' willingness to provide personal information and the customers' willingness to follow advice (see Figure 4.2).
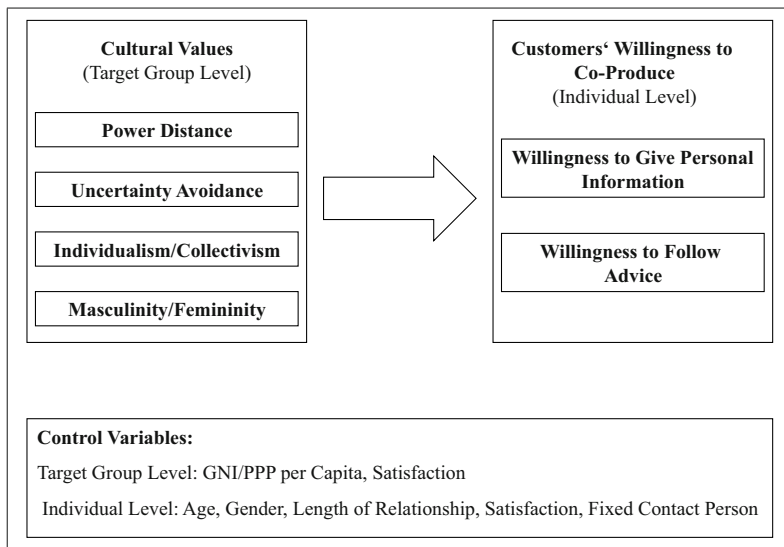
Figure 4.2: Research Framework Co-Production

Motivation, however, is a domain-specific concept (Bandura 1994) and largely depends on the specific service context. Whereas students in the context of banking services are in a rather "weak" position compared to their service provider (Furrer, Liu, and Sudharshan 2000), this distribution of power is reversed for business customers in luxury hotels (Mattila 1999b). Accordingly, both settings result in contradictory role definitions, which should lead to contradictory motivations to engage in the service provision process. It might be expected that students, as comparably "weak" bank customers, should have a higher willingness to co-produce, compared with "stronger" business customers of luxury hotels. Moreover, these contradictory role definitions and distributions of power need to be considered, when comparing services across cultures. In this case, differences in the cultural value of power distance, would lead to contradictory effects. In high power distance cultures, "weaker" customers should be even more willing to co-produce, whereas "strong" customers should be less motivated. It is therefore necessary to consider the service setting when developing hypotheses about the impact of cultural values on customers' willingness to co-produce.

In the following, I derive hypotheses about the impact of cultural values on customers' willingness to give personal information and follow advice in the context of professional services. The hypotheses on cross-cultural differences are based on the cultural values of power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity (Hofstede 2001).

4.2.3.1   Power Distance

Power distance reflects the way a given culture deals with authority and inequality (Hofstede 2001), expressed by the emphasis of hierarchical relations in family, social class, and reference group (Clark 1990). People in high power distance cultures share norms for differential prestige, power, and wealth (Hofstede 2001). They are furthermore characterized by sharing the belief that talents and capabilities are unequally distributed among the members of society and consider these differences in their evaluations of others. High power distant people are also more dependent and need to seek advice from experienced authorities. As outlined in *Section 4.1.3.2.3*, in the context of professional services, I expect service providers to be in a more powerful position than the

customers due to imbalance of knowledge and experience. I therefore believe customers in high power distant cultures to be prone to follow the advice of their service providers and willing to provide personal information when requested.

People in low power distance cultures have rather egalitarian and independent relationships. I believe them to be less dependent on their service providers and to consider service providers more as partners and consultants. Customers in low power distant cultures should prefer more independence and be more comfortable with making their own decisions.

Hence, I propose:

H$_6$: *In professional services, customers in high power distance cultures are more willing to a) give personal information and b) follow advice than are customers in low power distance cultures.*

4.2.3.2 Uncertainty Avoidance

According to Hofstede (2001, p. 161), *uncertainty avoidance* is defined as "the extent to which the members of a culture feel threatened by uncertain or unknown situations." High uncertainty avoidance cultures are characterized by a need for structure, which goes along with a need for strict rules and regulations (Hofstede 2001). People in high uncertainty avoidance cultures perceive life much more as a threat and experience higher levels of anxiety. This higher anxiety should inhibit the customers' willingness to follow advice. I also believe them to be more reluctant to disclose personal information, because they should be more concerned about what happens with this information.

Low uncertainty avoidance cultures have a much higher tolerance for ambiguity and perceive uncertainty as a normal feature of life. People in low uncertainty avoidance cultures tend to be less anxious. The predictability of future events is less important, and they have a lower focus on rules and regulations. I propose that customers in low uncertainty avoidance cultures should be less cautious about following advice and disclosing personal information to service providers.

Therefore, I predict:

H$_7$: *In professional services, customers in low uncertainty avoidance cultures are more willing to a) give personal information and b) follow advice than are customers in high uncertainty avoidance cultures.*

4.2.3.3   Individualism/Collectivism

The *individualism/collectivism* value reflects the relationship between the individual and the group in a given culture (Hofstede 2001). This relationship is expressed by the extent to which people value individual goals and accomplishments, how they perceive behavioral conformity, and their adherence to group principles and rules. People in collectivist cultures are characterized by a high loyalty to other people and institutions and have strong interpersonal ties. They interact in an interdependent and cooperative mode, and behavioral conformity is expected. Moreover, they accept that institutions and organizations to which collectivists feel a sense of belonging, will invade their private lives. Therefore, customers in collectivist cultures should be more willing to follow the advice of their service providers and disclose their personal information.

People in individualist cultures are characterized by a strong self-orientation, a lower loyalty to other people and institutions, and a high tolerance for individual behavior and norms. Moreover, everyone is entitled to the right of privacy, and intrusions into this privacy by institutions and organizations are not accepted. I thus believe customers in individualist cultures to be less willing to co-produce.

Therefore, I propose:

H$_8$: *In professional services, customers in more collectivist cultures are more willing to a) give personal information and b) follow advice than are customers in more individualist cultures.*

4.2.3.4   Masculinity/Femininity

Masculinity/femininity reflects the extent to which gender roles differ within a culture (Hofstede 2001). Although men and women usually differ on this dimension, it is not to be confused with gender. In more feminine cultures, both men and women suppos-

edly adhere to more feminine gender roles, whereas in masculine cultures, the male role is supposed to be more traditional. Hence, masculinity/femininity expresses the extent to which "tough" values like assertiveness, success, or competition dominate "tender" values like solidarity, nurturance, or service (Singh 1990). Feminine cultures are characterized by sharing norms for solidarity and service, as well as cooperative behavior. Furthermore, feminine cultures focus more on relationships. Thus, people in more feminine cultures may be more willing to follow the advice of their service providers and provide information when asked.

Masculine cultures are characterized by norms for confrontation and independent thought and actions that oppose the feminine norm for service. I propose that these characteristics make them less willing to engage in service co-production by following advice or giving information.

Therefore, I predict:

H9: *In professional services, customers in more feminine cultures are more willing to a) give personal information and b) follow advice than are customers in more masculine cultures.*

4.3 Cross-Cultural Differences in the Effect of Word of Mouth in Relational Service Exchange

4.3.1 The Importance of Cross-Cultural Differences in the Effect of Word of Mouth

Customer word of mouth is of major importance for the development of trust in business relations (Doney and Cannon 1997; Morgan and Hunt 1994), especially in service relationships (Berry and Parasuraman 1991). Word of mouth is also critical in customers' purchase decision making (Bansal and Voyer 2000; Ettenson and Turner 1997; Gremler 1994), reduces switching behavior (Money 2004; v. Wangenheim and Bayón 2004), and supports new customer acquisition (v. Wangenheim and Bayón 2007). Reichheld (2003) even promotes word of mouth as the most influential determinant of company growth.

For this reason, service companies make substantial investments in programs fostering customer referrals and communication among customers. These programs are primarily directed at the acquisition of new customers. More and more service firms, however, also foster communication among existing customers by establishing customer communities and customer clubs, particularly on the the web (Srinivasan, Anderson, and Ponnavlou 2002). Prior research has predominantly focused on the effects of word of mouth in the pre-purchase phase. However, initial evidence for a positive effect of received word-of-mouth referrals on loyalty in ongoing customer relationships exists (Money 2004; v. Wangenheim 2002; v. Wangenheim and Bayón 2004). One reason for this increase in loyalty might be that word of mouth has a positive effect on customer satisfaction (v. Wangenheim 2002). Nevertheless, we still need to understand much better how these referral sources influence customer evaluations of their service provider and thus lead to increased customer loyalty.

Due to the increasing internationalization of services (WTO 2006), more and more service providers serve customers in different countries that differ in their values and behavior (Stauss and Mang 1999). Global service providers thus need to consider that the impact of word of mouth on customers' evaluation of their service provider might differ

across countries. If such differences exist, referral-increasing activities will yield vary-
ing levels of return. Global service providers then would need to adapt their strategies
to allocate their resources most effectively.

Customers in Asian countries, such as China or Japan, consult more referral sources
before deciding on a service provider than do American customers (Litvin, Crotts, and
Hefner 2004; Money and Crotts 2003; Money, Gilly, and Graham 1998). Further re-
search indicates that the different impact of word of mouth is caused by moderating
effects of cultural values, especially uncertainty avoidance (Dawar, Parker, and Price
1996; Litvin, Crotts, and Hefner 2004; Money and Crotts 2003).

Although cross-cultural differences in the evaluation of service providers have recently
gained increased research interest (Furrer and Sollberger 2007; Zhang, Beatty, and
Walsh 2008), there is no convincing empirical explanation for why differences in the
relevance of word of mouth across cultures exist. Several approaches examine the mod-
erating effects of different cultural values (Dawar, Parker, and Price 1996; Money and
Crotts 2003), but these studies do not allow researchers to isolate the relative moderating
effects of single cultural values on the relevance of word of mouth.

I aim to address these issues and contribute to existing research in two ways. First, I
examine the *effect of word of mouth on customers' service quality perceptions, customer
satisfaction, and trust*. Second, I explore *country differences in the effect of word of
mouth on relational outcomes*. Differences in the cultural value of uncertainty avoidance
(Hofstede 1980; 2001) might explain these different effects of word of mouth. The
results of this study will help international service providers adjust their word-of-mouth
strategy to fit their specific target groups in different countries and hence optimize their
allocation of financial resources. I conduct my analysis in the context of professional
services using survey data from customers in 11 countries on four continents. Primary
data about cultural values allow me to test the impact of uncertainty avoidance against
other cultural values.

In the next sections, I develop a conceptual framework, linking word of mouth to
customer satisfaction, service quality perceptions, and customer trust. I further de-
velop hypotheses about the moderating effect of uncertainty avoidance (Hofstede 1980;
2001).

4.3.2   The Effect of Word of Mouth on Customer Evaluations in Service Relationships

It is widely accepted that services are more difficult to evaluate and expose customers to higher risks than do products (Murray and Schlacter 1990; Zeithaml 1981). This trait particularly applies to professional services, such as medical, legal, or banking services. In professional services, customers perceive higher risk and vulnerability, because they lack the experience and knowledge to fully understand and confidently evaluate the service results (Ostrom and Iacobucci 1995; Sharma and Patterson 1999). To reduce this risk, service customers have a decreased preference for outright purchase and depend less on observation or trial (Murray 1991). Instead, service customers engage to a larger extent in information acquisition activities when evaluating service providers. When doing so, they prefer personal sources, such as referrals by friends, to impersonal sources, such as commercials, because they have more confidence in personal sources and find them more effective. Hence, word of mouth, as "informal communications directed at other consumers about the ... usage, or charactersitics of particular ... services and/or their sellers" (Westbrook 1987, p. 261), is a highly powerful information source in services (Zeithaml and Bitner 1996).

In the following, I propose that word of mouth has a substantial influence on customer evaluations, even in ongoing service relationships, in which customers possess prior personal experiences with their service providers.

4.3.2.1   Service Quality Perceptions

Early research on social influence indicated that people are highly susceptible to group norms. Sherif (1935) finds, for example, that in unstructured situations, highly diverse personal judgements converge toward the group norm when people get confronted with others' judgements. This group norm has lasting effects, even when the source of influence is not immediately present. Asch (1951; 1956) shows that this effect holds even when the group opinion is obviously wrong. Despite being confronted with an apparently incorrect group opinion, a vast majority of people will adjust their behavior to

fit the group norm.[2] Venkatesan (1966) was the first to confirm these findings in the context of a consumer decision-making situation. He reveals that customers asked to pick the best suit from among three identical suits made decisions in accordance with an instructed reference group.

Subsequently, marketing research has repeatedly shown that word of mouth influences *customer evaluations* of products (Bone 1995; Burnkrant and Cousineau 1975; Herr, Kardes, and Kim 1991; Pincus and Waters 1977) and services (Burzynski and Bayer 1977). Burzynski and Bayer (1977) find that moviegoers who were exposed to positive word of mouth before watching a movie express more positive evaluations of the film than moviegoers who got negative word of mouth. The impact of word of mouth is also valid in situations in which customers possess own prior consumption experiences (Herr, Kardes, and Kim 1991). Herr, Kardes, and Kim (1991) explain this phenomenon with the accessibility-diagnosticity model (Feldman and Lynch 1988; Lynch, Marmorstein, and Weingold 1988), according to which the impact of specific pieces of information depends in part on their accessibility from memory. This accessibility is increased by the vividness of the information, and a particularly vivid way of receiving information is word of mouth. This effect should not be restricted to the evaluation of products but also apply to customers' service quality perceptions.

Therefore, I propose:

H$_{10}$: *Word of mouth has a positive effect on customers' service quality perceptions.*

4.3.2.2   Customer Satisfaction

Service quality perceptions are one important aspect of *customer satisfaction* formation. Customer satisfaction, as the pleasurable fulfillment of a consumption experience (Oliver 1997; 1999), can be conceptualized as an "evaluation of the perceived discrepancy between prior expectations...and the actual performance" (Tse et al. 1988, p. 204). In ongoing service relationships, interpersonal influence is not only directed at specific transactions, but also shapes more general evaluations of the service provider. An-

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[2] Group norms have been defined as role expectations, as well as modal patterns of behavior (Venkatesan 1966)

derson, Fornell, and Lehmann (1994) find that in service relationships, satisfaction is built not only by own past experiences but also by a forecast component of the service providers' ability to meet future needs. An important factor that shapes these future expectations is word of mouth (Anderson, Fornell, and Lehmann 1994).

In addition to customer expectations and perceived performance, v. Wangenheim (2002) identifies two aspects that influence customer satisfaction and are of relevance in the context of word of mouth: post-purchase cognitive dissonance (Festinger 1957) and regret (Tsiros and Mittal 2000). v. Wangenheim (2002) argues, along with Oliver (1997), that the reduction of post purchase cognitive dissonance has a positive effect on customer satisfaction. Positive word of mouth should reduce post purchase cognitive dissonance and therefore have a beneficial effect on customer satisfaction. The author further applies regret theory (Boulding et al. 1993; Taylor 1997), which argues that after a purchase, customers compare the actual outcome with potential alternative outcomes. If these alternative outcomes appear more negative than the actual purchase, customers experience positive emotions (e.g., happiness, relief). If customers instead evaluate the alternative outcomes as more positive than the actual purchase, they will suffer feelings of regret. These feelings then influence customers' satisfaction with their actual outcome (Roese and Olson 1995). Receiving positive post-purchase word of mouth should reduce the likelihood of regret and induce higher customer satisfaction (v. Wangenheim 2002). v. Wangenheim (2002) finds support for these assumptions and reports that word of mouth influences customer satisfaction even in ongoing service relationships. Further findings support the effect of word of mouth on customer satisfaction in a service relationship, showing that it also has a substantial impact on customers' switching behavior (Money 2004; v. Wangenheim and Bayón 2004).

Hence, I predict:

H$_{11}$: *Word of mouth has a positive effect on customer satisfaction.*

4.3.2.3 Trust

Customer trust is of great relevance in services, because services are particularly difficult to evaluate (Brown and Fern 1981; Zeithaml 1981). Trust is especially important

in the context of professional services, such as banking, legal services, or business consulting, in that customers possess little experience and knowledge and are particularly vulnerable to their service providers (Ostrom and Iacobucci 1995; Sharma and Patterson 1999). One important driver of customer trust is word of mouth. In this case, customers use their trusting relationship with a third party as a basis for evaluating the trustworthiness of a service provider. Applying external, third-party proof sources to transfer trust to a trustee is also referred to as the "transference process" (Doney and Cannon 1997). Trust building through transference requires the trustor to identify a link between the proof source and the trustee and necessitates a strong interpersonal network (Granovetter 1985). Furthermore, the proof sources must be considered trustworthy for trust to transfer (Doney and Cannon 1997). Following Strub and Priest (1976), Doney and Cannon (1997) argue that customers use the third party's definition of a trustee's trustworthiness as evidence in cases in which they lack own personal experience. Customers of professional services often lack their personal experience with the service, and professional services entail a particularly large amount of credence qualities (Ostrom and Iacobucci 1995; Sharma and Patterson 1999). Therefore, in ongoing service relationships, trust likely is influenced by third-party word of mouth.

In support of this idea, customers seek more external sources and find them more effective when evaluating services than when evaluating goods (Murray 1991). Further results support the positive effect of word of mouth on trust, showing that firm reputation influences customer trust in ongoing business relationships (Doney and Cannon 1997; Morgan and Hunt 1994). Lately, word of mouth has gained particular attention in the context of e-commerce (Dellarocas 2003), where it positively influences customer trust in service providers (Kim and Prabhakar 2004; Walczuch and Lundgren 2004). Therefore, word of mouth should have a positive effect on customer trust in the service provider.

I predict:

H$_{12}$: *Word of mouth has a positive effect on trust in the service provider.*

4.3.3   Cultural Values and Word of Mouth

As already outlined in *Section 3.1*, culture as "the collective programming of the mind, which distinguishes the members of one group from another" (Hofstede 1980, p. 21) influences consumer cognitions and behavior (McCort and Malhotra 1993; Triandis 1972). In line with this thought, I propose that the cultural value of uncertainty avoidance moderates the effect of received word of mouth on the customers' perception of relationship satisfaction, their service quality perceptions, and trust. The proposed research model is depicted in Figure 4.3.
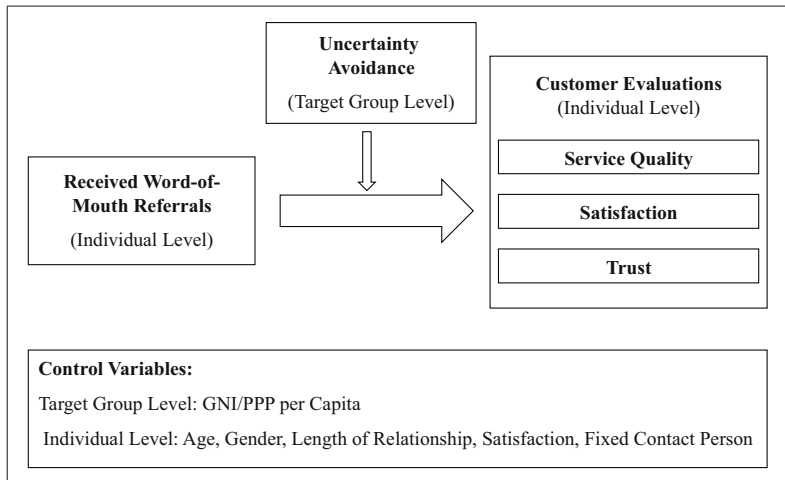

Figure 4.3: Research Framework for Word of Mouth

4.3.3.1   Cross-Cultural Differences in the Effect of Word of Mouth on Customer Evaluations

Research findings on differences in the impact of word of mouth across countries indicate that cultural values moderate the cognitive processing of word of mouth and hence the relevance that customers attribute to word of mouth.

Money, Gilly, and Graham (1998) find that Japanese business customers consult more referral sources in their decision of a service provider than do American business customers. Fong and Burton (2008) find in the context of electronic discussion boards that Chinese participants engage to a greater extent in information-seeking behavior than their American counterparts. In ongoing service relationships, word of mouth has a stronger effect on customers' switching behavior in Japan than in the United States (Money 2004). Further results specifically show country differences in terms of the relevance of word of mouth for the development of trust (Money and Crotts 2003; Yamagishi and Yamagishi 1994; Yuki et al. 2005). Interpersonal relationships are more important for Japanese than for Americans (Yamagishi and Yamagishi 1994; Yuki et al. 2005) or Germans (Money and Crotts 2003) when deciding to trust.

Prior research has explained differences in the relevance of word of mouth predominantly on the basis of the Hofstedian dimensions of uncertainty avoidance (Dawar, Parker, and Price 1996; Litvin, Crotts, and Hefner 2004; Money and Crotts 2003; Money, Gilly, and Graham 1998), power distance (Dawar, Parker, and Price 1996; Money 2000), and individualism/collectivism (Dwyer, Mesak, and Hsu 2005; Fong and Burton 2008; Ndubisi 2004). These studies, however, are often conceptual or qualitative contributions that provide only anecdotal evidence for the moderating effect of particular cultural values (Money, Gilly, and Graham 1998; Ndubisi 2004). Quantitative approaches are either two-country studies (Fong and Burton 2008; Money and Crotts 2003), analyzing the influence of single cultural values (Litvin, Crotts, and Hefner 2004), or use correlation analysis (Dawar, Parker, and Price 1996). These approaches do not allow the researchers to isolate the relative moderating effects of single cultural values on the relevance of word of mouth. Moreover, analyses have only been conducted on the basis of secondary data on cultural values, which creates the potential for measurement error (Lenartowicz and Roth 1999).

4.3.3.2 Uncertainty Avoidance as a Moderator on the Effect of Word of Mouth on Customer Evaluations

Customer information search in services is influenced by the higher risk and uncertainty that accompany the consumption of services (Murray 1991; Zeithaml 1981). Hence, *un-*

certainty avoidance, which is expressed as the tolerance for unstructured, ambiguous, or unpredictable future events (Hofstede 2001), is the cultural value, that is conceptually most closely linked with the information acquisition process (see Table 4.4). All other cultural values deal with aspects that do not relate directly to the relevance of external information sources, such as relation to individual goals and accomplishments (individualism/collectivism) or relation to "tender" values like solidarity and service (masculinity/femininity) (Hofstede 2001).

Hofstede's Dimensions			
Individualism/ Collectivism	*Masculinity/ Femininity*	*Uncertainty Avoidance*	*Power Distance*
Relation to individual goals and accomplishments	Relation to "tender" values like solidarity and service	Relation to uncertain and unknown situations	Relation to inequality and authority
		Word of mouth	

Table 4.4: Conceptual Relationship between Hofstede's Dimensions and Word of Mouth

High uncertainty avoidance cultures are characterized by a need to reduce ambiguity and risk (Kale and Barns 1992) that are manifested in a high prevalence of strict rules and regulations. Compared with people in low uncertainty avoidance cultures, members of high uncertainty avoidance cultures perceive life more as a threat and experience higher levels of anxiety. To lower this anxiety, they should be more motivated to reduce the perceived ambiguity and uncertainty of life (Doney, Cannon, and Mullen 1998). One way to reduce ambiguity and uncertainty in the context of services is to seek advice or assurance from trusted others. Consistent with this notion, high uncertainty avoidance is associated with a higher level of opinion seeking (Dawar, Parker, and Price 1996). In the context of services, this level would suggest more reliance on word of mouth from reliable others who already have experience with or knowledge of the service. This stronger reliance on word of mouth should affect customer service quality perceptions, customer satisfaction, and customer trust.

Therefore, I predict:

H$_{13}$: *The effect of word of mouth on a) customer service quality perceptions, b) customer satisfaction, and c) customer trust is higher for customers in high uncertainty avoidance cultures than for customers in low uncertainty avoidance cultures.*

Chapter 5

Empirical Analysis

5.1 Research Context

I chose *banking services* as my research setting for several reasons. In particular, banking services are among the most internationalized service industries (Zeithaml and Bitner 1996) and they also are relatively comparable across different countries (Malhotra et al. 2005). Banking services further represent *professional services* that share characteristics that are relevant for all three research foci. Although banking services have a mass service component, key aspects, such as financial planning, are provided by highly trained professionals who possess more knowledge and experience than most of their customers. According to Crosby, Evans, and Cowles (1990), relationship marketing is of particular importance when services are complex, customized, and delivered over a continuous stream of transactions, as results from the formal relationships of customers with their banks.

Customer relationships are also important if customers are confronted with great uncertainty about service outcomes (Zeithaml 1981). Banking services are both highly complex and highly intangible. Many customers possess relatively little knowledge about these services, which makes them difficult to evaluate for customers, even after the consumption of the service (Eisingerich and Bell 2008). Hence, banking services are high-credence services in which trust plays a pivotal role (Eisingerich and Bell 2008).

This key role of trust in banking makes for an appropriate context to study trust and trust-building mechanisms. Furthermore, banking services often incorporate financial planning, which makes them particularly suitable for studying customer co-production behavior. Financial planning services must be customized to the specific needs of the customer (Eisingerich and Bell 2008), which means service providers depend on the customers' willingness to disclose and contribute personal information, such as about their family planning or future career plans (Bitner, Booms, and Mohr 1994; Ennew and Binks 1999). They also depend on the customers' compliance with their advice, such as following the financial planning (Bitner et al. 1997; McKnight, Choudhury, and Kacmar 2002). The high risk associated with banking services, their high complexity, and their high intangibility further provide a very good case for studying the effect of word of mouth, because customers depend to a large extent on external information sources (Zeithaml and Bitner 1996; Westbrook 1987).

The level of analysis of this study is the service firm. Despite the differences between trust in the front-line employee and trust in the service firm (Doney and Cannon 1997; Sirdeshmukh, Singh, and Sabol 2002), I believe the latter to be more inclusive. The overall feeling of trust in the service firm encompasses the entire relationship, including not only personal contacts but also written communication or online banking. Nevertheless, I also assess whether the customer has a fixed contact service employee to account for the potential effect of the relationship with a particular front-line employee on overall trust in the bank. The effects of word of mouth on customer evaluations of the bank are also studied on the firm level. I focus on word of mouth about the bank received by the customer, and hence analyze the effect on overall customer evaluations of their bank. In the case of customers' co-production behavior, I consider both levels. The measures that assess customers' willingness to co-produce include both behavioral intentions toward the bank in general and toward the bank advisor. These aspects, however, are aggregated, and I do not differentiate between the two. Here again, I control for the potential effects of a relationship with a specific front-line employee on willingness to co-produce.

5.2 Research Design

To test my postulated hypotheses empirically, I used a *standardized paper-and-pencil survey*. This method requires an analysis of the measurement validity and reliability, as well as the analysis of structures and dependencies with multivariate statistics. The single steps of the empirical design are depicted in Figure 5.1.

Research Context	**Characteristization of Research Setting, Description of Level of Analysis**
Research Design	**Description of Questionnaire and Secondary Data, Characteristization of Sample and Proceeding of Data Collection**
Validation of Measurement Model	**Outline of First- and Second Generation Reliability Tests, Analysis of Common Method Variance and Measurement Invariance**
Hypotheses Testing	**Description of Analysis Procedure, Introduction to Multilevel Analysis, Tests of Hypotheses on Trust, Co-Production, and Word of Mouth, Comparison of Primary Cultural Values with Hofstede Country Scores**

Figure 5.1: Flowchart of the Empirical Process

Many authors have argued that conducting cross-cultural research is much more complex than conducting domestic research (Boyacigiller and Adler 1991; Malhotra, Peterson, and Kleiser 1999; Craig and Douglas 2001). This complexity results from theoretical, methodological, and logistical challenges. To meet these challenges, from the very beginning, it was necessary to involve researchers in the respective target countries

in the research process. To achieve this goal, I talked to researchers at conferences, approached contacts of my supervisor, or contacted researchers who work on related topics.

The choice of countries that I intended to include in my study was guided by several considerations. I chose countries that vary considerably according to the cultural framework by Hofstede (1980; 2001), as well as according to their gross national income based on purchasing power parity per capita (GNI/PPP) (World Bank 2009). I further aimed to include Eastern as well as Western countries and countries that have or had communist and capitalist systems to capture a broad range of factors that might shape cultural values. Finally, I intended to include a broad range of continents to cover a wide spectrum of cultural values.

In approaching other scholars, I offered a research proposal that outlined the research questions, the theoretical framework, and the research methodology of the intended project. These colleagues were further invited to cooperate in joint publications on the collected data. Nine colleagues agreed to participate in the project and helped me to collect data in 11 different countries on four continents: the United States, Mexico, Australia, China, Hong Kong, Thailand, India, Germany, the Netherlands, Poland, and Russia. Although the Hong Kong Special Administrative Zone is an integral part of the People's Republic of China, I treat them as separate entities in this research due to the major differences in history and their economic development. To simplify matters, in the following, I refer to Hong Kong as a country.

Winning partners in these different cultures was a necessary condition to realize this project. Financial constraints would not have allowed me to manage a large-scale data collection in several countries all by myself. More important, the local researchers played a crucial role in the entire research process (Craig and Douglas 2000; Cavusgil 1998). Malhotra, Agarwal, and Peterson (1996) propose a six-step framework around which the methodological issues involved in cross-cultural research can be organized: problem definition, developing an approach, research design formulation, field work, data preparation and analysis, and report preparation and presentation. The research partners were involved in all parts of this process to contribute their experience in cross-cultural marketing research, their language skills, and their knowledge about the target

culture. While my research approach is predominantly etic in nature, this emic perspective was particularly relevant in the design phase of the research.

5.2.1 Emic vs. Etic Research Approaches

An *etic* research approach refers to studying cultural phenomena from outside of a particular system and relating variations in the cultural context to variations in behavior (Berry 1999; Pike 1967). According to Pike (1967), the value of the etic approach for cross-cultural marketing research is fourfold: First, it provides a broad perspective about differing behaviors across cultures, so that similarities and differences can be recognized; second, techniques for identifying and measuring differing phenomena can be developed; third, an etic approach is the only starting point, since there is "no other way to begin an analysis than by starting with a rough, tentative (and inaccurate) etic description of it" (Pike 1967, p. 40); and fourth, an etic comparison of selected cultures allows a researcher to meet practical limitations, such as financial constraints or time pressure.

An *emic* research approach allows for the study of a phenomenon from within a culture in the context of local knowledge and interpretations. This approach refers to what Lenartowicz and Roth (1999) term ethnological description. According to Pike (1967), the value of emic approaches for cross-cultural marketing research is threefold: First, it allows for an understanding of the way in which a culture is configured as a working whole; second, it helps clarify the attitudes, motives, and interests of people in their daily lives; and third, the emic approach goes beyond theory testing and allows for theory development. Although emic and etic have long been viewed as opposites, this view has shifted toward integrating both approaches (Berry 1999). Emic and etic approaches are seen as two points of view that can converge and enrich each other (Maheswaran and Shavitt 2000).

Because I test well-established phenomena in marketing across a broad range of cultures, my research approach is predominantly etic. Especially in the design stage of a cross-cultural research project, it is essential to include the emic view of partners who are familiar with the respective target culture (Malhotra, Agarwal, and Peterson

1996). Based on my research proposal, I discussed with the partners the relevance of the research questions in the respective countries. A further issue that we discussed was the cross-cultural comparability of the phenomena that were to be investigated in the project.

5.2.2 Concept Equivalence

Several authors consider *comparability* as a key issue in the design stage of a project (Green and White 1976; Berry 1980; Malhotra, Agarwal, and Peterson 1996; Craig and Douglas 2000). To be able to compare two phenomena, there must be identity as well as variation (Berry 1980), such that they need to share a common underlying process and at the same time differ to some extent. To warrant comparability, researchers need to demonstrate equivalence of psychological concepts and data across cultural groups (Berry 1980; Malhotra, Agarwal, and Peterson 1996). In this case, "*construct equivalence* deals with the question of whether marketing constructs have the same meaning and significance in different cultures" (Malhotra, Agarwal, and Peterson 1996, p. 19) and is also referred to as *structural equivalence* (van de Vijver and Leung 1997).

Ensuring construct equivalence requires an analysis of *functional, conceptual, instrumental, and measurement equivalence* (Malhotra, Agarwal, and Peterson 1996; Drasgow and Kanfer 1985). *Functional equivalence* examines whether a concept or behavior serves the same purpose in different cultures (Sekaran 1983). The high comparability of the banking industry across countries ensures functional equivalence. The participating researchers agreed that the studied constructs, such as trust, also serve the same basic function across countries. *Conceptual equivalence* refers to "the interpretation individuals place on objects, stimuli or behaviours, and whether these exist or are expressed in similar ways in different countries and cultures" (Craig and Douglas 2000, p. 158). I conducted, together with the partners, a thorough analysis of the research framework that resulted in a positive outcome. Furthermore, *instrument equivalence*, which "explores if the construct or scale items, response categories and other questionnaire stimuli (e.g., instructions) are interpreted similarly in cross-national setting" (Singh 1995, p. 601), was assessed. Several items were adapted in this step to ensure the same meaning across countries.

Measurement equivalence refers to whether each scale item measures the underlying construct equally in different cultures (Malhotra, Agarwal, and Peterson 1996). Measurement equivalence can further be subdivided into *calibration equivalence*, *translational/linguistic equivalence*, and *scalar/metric equivalence*. The latter can be assessed only after the data have been collected, as discussed in more detail in *Section 5.3*. The other aspects of measurement equivalence play a major role in the design phase of the survey and were discussed intensively with the partners and incorporated in the development of the questionnaire. *Calibration equivalence* reflects whether the measurement units are identical across countries. This condition was approved by the partners. *Translational/linguistic equivalence* examines whether the written language used in the questionnaire is equally understood and has the same meaning in different cultures. This condition is of particular importance, because all items and scales were adapted from English-language literature. The reference questionnaire therefore was an English version, from which the versions for all other countries were derived. The research team adopted the technique of forward-backward translation (Brislin 1970; Craig and Douglas 2000). In this process, in a first step, the questionnaire was translated into the respective official language of the given country by the researchers. In a next step, a second bilingual researcher back-translated the questionnaire into English. This version was compared with the original version to determine potential discrepancies. If major discrepancies occurred, the translated version needed to be revised.

Due to the scope of the project, it was not possible to conduct pretests in all target countries. The German version of the survey was therefore pretested on 50 German business students before discussing it with the research partners in the respective countries. The aim of this pre-test was to exclude items with low reliability scores and test the constructs by means of *confirmatory factor analysis* (CFA). Another version that required a modification was the Chinese version used in the People's Republic of China and Hong Kong. The survey was modified after a first data collection with 154 Chinese students, which indicated poor reliability scores in one scale.

5.2.3   Questionnaire

The final version was a three-page questionnaire dealing with the relationship of customers with their current primary bank. In the following, I briefly describe the structure of the questionnaire. The U.S. version of the instrument is displayed in Figure A.1 in the Appendix.

The survey starts with a short explanation of the scope and background of the survey. I particularly pointed out that the data would be used only for scientific purposes and that the study was not funded by the banking industry. My intention was to increase the honesty and spontaneity of the respondents' answers. The remainder of the survey consists of three major sections. The first section gathers participants' perceptions of their banks' *ability* (AB), *benevolence* (BEN), *integrity* (INT), *predictability* (PRD), and overall *trust* (TR). Each of these scales consists of four items adapted from marketing literature (Crosby, Evans, and Cowles 1990; Moorman, Desphandé, and Zaltman 1993; Moorman, Zaltman, and Desphandé 1992; Sirdeshmukh, Singh, and Sabol 2002), as well as consumer trust research in related fields (Gefen and Straub 2004; McKnight, Choudhury, and Kacmar 2002). I measure *satisfaction* (SAT) with a scale from Oliver (1997). Perceived service quality can vary considerably across cultures (Liu, Furrer, and Sudharshan 2001; Reimann, Lünemann, and Chase 2008), and satisfaction is a relevant precursor of trust (Nijssen et al. 2003). I measure *received word of mouth* (RWM) with a self-developed three-item scale. Next, I assess customer behavioral intentions. *Repurchase intention* (RPI) is measured with an extended version of a scale by Zeithaml, Berry, and Parasuraman (1996). Customers' *willingness to follow advice* (FAD) is assessed with an adapted scale by McKnight, Choudhury, and Kacmar (2002), and *willingness to give personal information* (GPI) is measured with a self-developed three-item scale. Customers' intention to engage in *word-of-mouth behavior* (WMB) is measured with an extended scale by Price and Arnould (1999).

In the second section, the CVSCALE (Donthu and Yoo 1998; Yoo and Donthu 2002; Yoo, Donthu, and Lenartowicz 2001) assessed the cultural values of *power distance* (PD), *uncertainty avoidance* (UA), *individualism/collectivism* (I/C), and *masculinity/femininity* (M/F). The fifth cultural dimension, long-term orientation, was not included, as it was not part of the conceptual models. I chose the CVSCALE because recent re-

search has pointed to the lack of reliability and validity of Hofstede's VSM 94 (Bearden, Money, and Nevins 2006; Spector, Cooper, and Sparks 2001). The CVSCALE possesses good reliability, validity, and cross-cultural invariance (Patterson, Cowley, and Prasongsukarn 2006; Yoo and Donthu 2002; Yoo, Donthu, and Lenartowicz 2001). Most items were measured on seven-point Likert scales, ranging from (1) strongly disagree to (7) strongly agree or from (1) very unlikely to (7) very likely. Satisfaction was measured with a ten-point bipolar adjective scale.

When studying culture, Lenartowicz and Roth (1999) point to the importance of including other non-cultural variables as well as sociodemographic factors that can have an effect on dependent variables. The last section deals with characteristics of the customer relationship, such as *length of relationship* (LOR) or the existence of a *fixed contact person* (FC). Finally, items pertaining to the customer demographics *gender*, *age*, *nationality*, and *time spent in the country* are assessed.

5.2.4 Secondary Data

As already indicated in *Section 3.3.3*, Hofstede (2001) reports high correlations of GNP/CAP with his cultural dimensions. This relation of Hofstede's dimensions to national wealth has led to a major discussion among cross-cultural researchers (Smith 2006), raising the question of whether they are using a socio-economic origin that reflects mechanisms of social organization, not culture at all (Baskerville 2003). Inglehart and Baker (2000) explicitly argue for and empirically show a causal influence of national wealth on cultural values. Other cultural frameworks such as GLOBE (Javidan et al. 2006) are less deterministic and instead expect a reciprocal relationship between national wealth and cultural values. Hofstede (2001) treats national wealth as separate from his cultural dimensions. He argues that culture as a soft factor should only be interpreted if the effect of hard factors such as GNP/CAP can be ruled out. He therefore recommends always including national wealth as a control variable. To control for differences in the standard of living and level of development across countries, I therefore include the *gross national income based on purchasing power parity per capita* (GNI/PPP) of all countries in the analysis, obtained from the World Bank Key Development Data and Statistics (World Bank 2009). The GNI/PPP was chosen over the

GNP/CAP because it takes into account the relative cost of living and the inflation rates of different countries. It is therefore more precise when comparing living standards across countries.

5.2.5   Methodological Approach to Culture Assessment

In the case of psychological research, Berry (1980, p. 1) argues that "most areas of psychological enquiry are defined by their content; however, cross-cultural psychology is defined primarily by its method." This point is also valid for cross-cultural marketing research. In *Section 3.2*, I outlined four different assessments of culture: ethnological description, use of proxies - regional affiliation, direct value inference, and indirect value inference - benchmarks (Lenartowicz and Roth 1999). Lenartowicz and Roth (1999) argue for a combination of approaches for the assessment of culture. They specifically propose the following requirements for a valid methodology in cross-cultural research:

1. Define the unit of analysis of the study.

2. Screen the subjects for the study.

3. Confirm they belong to the unit of analysis they were selected to represent.

4. Provide evidence for the homogeneity of the cultural groups.

5. Apply interval measures for culture.

6. Provide an assessment of validity for the cultural measures.

In the following, I outline these steps and their relation to the different methodological approaches to culture assessment. Researchers first need to define the *unit of analysis* of their study, which should encompass the geographical unit. A common geographical unit applied in cross-cultural research is *country*. Further possible units would be different regions within a country or broader units, such as Asian cultures versus Western cultures. In marketing research, this definition is often further complicated by the focus on only a specific segment of consumers within the regional unit. Lenartowicz and Roth (1999) recommend using ethnological description to characterize the culture of this par-

ticular sample, using secondary data about a specific region or country and, if possible, a characterization of the specific target group.

Next, researchers need to screen the subjects and confirm they belong to the unit of analysis they were selected to represent. These steps can often require validated regional affiliation. That is, the subjects should actually have grown up in the geographic location that has been defined as unit of analysis. In addition, to ensure comparability of the compared samples, socio-demographic criteria need to be controlled for.

Furthermore, *homogeneity within the cultural groups* needs to be verified. In marketing research, primary data about cultural values with interval measures should be assessed. Researchers can use these values to analyze the homogeneity of the cultural values of their particular sample. Finally, researchers should assess the validity of their obtained system of values with either secondary data based on ethnological description or external benchmark studies with a similar sample. I further recommend using a nomological validation of cultural values, perhaps with attitudinal or behavioral data.

The guidelines by Lenartowicz and Roth (1999) provide a profound methodological foundation for this thesis and for cross-cultural marketing research in general. In combination with Hofstede's dimensions, which possess good theoretical foundation and empirical validation, they allow for a valid conceptualization and operationalization of established cultural values that help explain cross-cultural differences in consumer behavior.

5.2.6 Sample and Data Collection

The sample selection was guided by the methodological guidelines by Lenartowicz and Roth (1999), as well as considerations of the practical relevance for marketing. I chose business students as a sample, which is appropriate in the context of this study for several reasons.

Business students are a well-defined target group that remains homogeneous and highly comparable across countries (Erdem, Swait, and Valenzuela 2006). With this context, I ensure subject pool equivalence (Alden, Steenkamp, and Batra 1999), thus minimizing the influence of other potentially influential factors, such as education, social status,

family status, wealth, and age (Bearden, Money, and Nevins 2006). Students are further appropriate because the three studies in this thesis are based on theory with hypotheses at a very basal, cognitive level (Bello et al. 2009). If the results should support the hypotheses, it is likely that the results also generalize to other populations. Young, well-educated people also represent a very attractive target group for banks all over the world. Graduates tend to have higher salaries when they start their professional career, so many banks and financial service providers focus on the early acquisition and retention of this target group.

The students were surveyed in single universities in the respective countries. Thus, the geographical unit is the country. To make sure that the subjects belong to the unit of analysis, they were surveyed on campus, predominantly in class. In addition, I assessed whether the subjects possess the nationality of the given country and whether they grew up there. Data collection took place from May 2006 to February 2007 and should be largely unaffected by the subsequent major financial crisis. Participation in the survey was optional, and participants were not provided with an incentive for their participation. Nevertheless, the response rate was very high in all countries, and non-response bias should not be an issue.

The sample consists of 2,284 business students from major universities in the United States, Mexico, Australia, China, Hong Kong, Thailand, India, Germany, the Netherlands, Poland, and Russia. Table 5.1 lists the universities in the respective countries, where the data were collected. Again, though the Hong Kong Special Administrative Zone is an integral part of the People's Republic of China, they are treated as a separate entities in this thesis and referred to as different countries.

Of the 2,284 responses, I retained 1,939 that featured natives, that is identifiable citizens of the respective countries who had lived there since birth. This condition rules out other major cultural influences (Lenartowicz and Roth 1999). Table 5.2 displays the stepwise reduction of the sample and the distribution of the cases by country. Overall, 84.7% of the participants fulfill this condition. Australia has the highest rate of foreign students and only 70.1% native participants. According to my Australian research partner, this percentage is approximately representative for the actual situation. Other countries with a high percentage of foreign students are Germany and the United States. In China and

Country	University
Australia	University of Wollongong
China	Wuhan University
Germany	Technische Universität München; Friedrich-Alexander-Universität Erlangen-Nürnberg
Hong Kong	City University Hong Kong
India	Indian Institute of Management, Bangalore
Mexico	Universidad Autónoma del Estado de México, Toluca
Netherlands	Maastricht University
Poland	University of Economics, Katowice
Russia	Lomonossow University, Moscow
Thailand	Mahidol University Bangkok
United States	Arizona State University, Tempe, AZ; Thunderbird School of Global Management, Glendale, AZ

Table 5.1: Places of Data Collection

Poland the participants are 100% native.

These 1,939 native cases are further reduced by excluding cases with missing data about other customer characteristics or missing data for more than half of the items of a scale. On the whole, only 1.5% of the cases needed to be excluded for such reasons. China (4.5%), Thailand (3.3%), and Hong Kong (3.0%) have the highest rates of missing cases, predominantly due to missing information on gender and age. Overall these rates can be considered as not critical. An analysis of missing values on the item level reveals less than 5% missing values per item with no specific pattern. This result again can be considered unproblematic. Missing values were imputed using the *EM algorithm*

(Malhotra 1987). The final sample consists of 1,910 cases. Sample sizes range from
330 cases in Germany to 112 cases in Russia. The difference between the groups is
largely due to differing resources and access to students.

Country	Overall Sample	Natives (valid %)		Missings (valid %)		Included Cases
Australia	192	136	(70.1%)	0	(0.0%)	136
China	132	132	(100%)	6	(4.5%)	126
Germany	445	335	(75.3%)	5	(1.5%)	330
Hong Kong	205	166	(81.0%)	5	(3.0%)	161
India	159	150	(94.3%)	3	(2.0%)	147
Mexico	167	155	(92.8%)	0	(0.0%)	155
Netherlands	182	165	(90.7%)	0	(0.0%)	165
Poland	181	181	(100%)	0	(0.0%)	181
Russia	149	113	(75.8%)	0	(0.0%)	112
Thailand	277	242	(87.2%)	8	(3.3%)	234
United States	200	164	(82.0%)	1	(0.6%)	163
Pooled Sample	2,284	1,939	(84.7%)	29	(1.5%)	1,910

Table 5.2: Sample Reduction

The cases that constitute my research sample have specific characteristics, as Table 5.3
shows by country. Overall, the sample displays an equal distribution of male and female
respondents. However, considerable differences exist between countries. The χ^2-test
shows that gender is unequally distributed between the countries (χ^2 = 279.53, df =
10, p < .001). Whereas in China and India, more than 80% of the participants are
men, more than two-thirds of the respondents in Poland, Hong Kong, and Thailand are
women.

At 73.1%, the vast majority of the respondents are between 20 and 25 years of age.
Again, there are significant differences in the distribution of the respondents' age across
countries (χ^2 = 1066.10, df = 30, p < .001). In most countries, the majority of respon-
dents are between 20 and 25 years. However, in Russia and Australia, approximately
one-third of the participants are 19 years or younger, and in India, 45.6% are 31 years

Country	N Included	Gender Male	Gender Female	Age (Years) ≤ 19	Age (Years) 20-25	Age (Years) 26-30	Age (Years) ≥ 31	Length of Relationship (Months) Mean	Length of Relationship (Months) S.D.	Fixed Contact Person
Australia	136	48 (35.3%)	88 (64.7%)	43 (31.6%)	80 (58.8%)	6 (4.4%)	0 (0%)	111.51	71.90	9 (6.6%)
China	126	112 (88.9%)	14 (11.1%)	0 (0%)	126 (100%)	0 (0%)	0 (0%)	43.76	26.03	5 (4.0%)
Germany	330	214 (64.8%)	116 (35.2%)	13 (3.9%)	289 (87.6%)	28 (8.5%)	0 (0%)	138.72	86.08	139 (42.1%)
Hong Kong	161	52 (32.3%)	109 (67.7%)	0 (0%)	147 (91.3%)	12 (7.5%)	2 (1.2%)	101.08	57.06	11 (6.8%)
India	147	120 (81.6%)	27 (18.4%)	6 (4.1%)	51 (34.7%)	23 (15.6%)	67 (45.6%)	90.50	88.25	30 (20.4%)
Mexico	155	82 (52.9%)	73 (47.1%)	36 (23.2%)	116 (74.8%)	3 (1.9%)	0 (0%)	36.41	26.31	26 (16.8%)
Netherlands	165	75 (45.5%)	90 (54.5%)	20 (12.1%)	121 (73.3%)	7 (4.2%)	17 (10.3%)	178.18	101.96	16 (9.7%)

(table continued)

Country	N Included	Gender Male	Gender Female	Age (Years) ≤ 19	Age (Years) 20-25	Age (Years) 26-30	Age (Years) ≥ 31	Length of Relationship (Months) Mean	Length of Relationship (Months) S.D.	Fixed Contact Person
Poland	181	42 (23.2%)	139 (76.8%)	0 (0%)	176 (97.2%)	2 (1.1%)	3 (1.7%)	41.27	27.71	9 (5.0%)
Russia	112	46 (41.1%)	66 (58.9%)	43 (38.4%)	48 (42.9%)	14 (12.5%)	7 (6.3%)	36.32	29.70	9 (8.0%)
Thailand	234	78 (33.3%)	156 (66.7%)	0 (0%)	95 (40.6%)	88 (37.6%)	51 (21.8%)	101.27	77.80	52 (22.2%)
United States	163	82 (50.3%)	81 (49.7%)	1 (0.6%)	147 (90.2%)	9 (5.5%)	6 (3.7%)	74.00	48.90	20 (12.3%)
Pooled Sample	1910	951 (49.8%)	959 (50.2%)	162 (8.5%)	1369 (73.1%)	192 (10.1%)	160 (8.4%)	97.79	80.02	326 (17.1%)

Table 5.3: Sample Size, Gender, Age, Length of Relationship, and Fixed Contact Person by Country

and older.

The average length of the customer relationship with the bank is more than eight years (97.79 months), which indicates extensive customer experience. Between countries, however, there are significant differences in the average length of the customer relationship (F = 76.21, df = 10, p < .001). The Dutch and German respondents have by far the most extensive relationship with their current banks, with an average of more than 12 years. In Russia, Mexico, and Poland, the average customer relationship is only about 3 years.

Overall, 17% of the respondents have access to a fixed contact service employee. Again, major differences between the countries exist (χ^2 = 223.72, df = 10, p < .001). In Germany, more than 40% of the respondents have such a service employee. In Thailand and India, the share is above 20%. However, the lowest percentages appear in Poland (5.0%) and China (4.0%).

These differences may be partly attributed to the classes from which the data were collected. In Australia, for example, data collection took place primarily among undergraduates, whereas in India, MBA students constitute the sample. Structural differences in customer behavior also can be assumed. Differences in relationship length might be attributed to an earlier start of bank relationships in Western Europe and perhaps higher loyalty during this time. Finally, differences in the share of respondents that have a fixed contact service employee might be attributed to differences in the service strategies of the respective banking industries. The German and Dutch samples are relatively comparable, but the higher share of fixed contact persons in Germany indicates a higher focus on direct and personalized customer service than in the Netherlands. Due to these differences, I control for the customer characteristics during the analyses.

5.3   Validation of the Measurement Model

The research models that form the basis of my analysis propose causal links between unobservable theoretical constructs. In *Section 5.2.3*, I touched on the operationalization of these latent constructs by means of existing or self-developed multi-item scales. In

the following, I discuss the operationalization in more detail and evaluate the psychometric properties of the scales. Well-defined procedures exist for assessing the reliability and validity of these scales (Homburg and Baumgartner 1995; Homburg and Giering 1996). I describe the steps for the scale validation and the criteria that form the basis for this assessment.

First, I assessed the item means and the standard deviations to identify potential outliers, and conducted so-called first-generation and second-generation reliability tests. Because these criteria are well-established, I merely mention the applied tests. Table 5.4 displays the suggested cut-off values. The first-generation criteria that I report include the *item-to-total correlation*, *Cronbach's alpha*, and the results of an *exploratory factor analysis* (EFA), namely, the *explained variance* and the *communality*.

Second, the second-generation criteria from the *confirmatory factor analysis* (CFA) include the *indicator reliability* (IR), the *factor reliability* (FR) scores, and the *average variance extracted* (AVE). Third, the fit indices for the measurement model are the χ^2-*statistics*, the *goodness-of-fit index* (GFI), the *adjusted goodness-of-fit index* (AGFI), the *normed fit index* (NFI), the *confirmatory fit index* (CFI), and the *root mean squared error of approximation* (RMSEA).

5.3.1   Operationalization and Psychometric Properties of the Scales

The *ability* scale contains items adapted from existing scales as well as self-developed items (see Table 5.5). The first and fourth item were adapted from scales by Gefen and Straub (2004) and McKnight, Choudhury, and Kacmar (2002); the other items were self-developed. The measurement qualities of the scale can be considered excellent. The recommended cut-off criteria are exceeded by far, both on the item level and the scale level. The *benevolence* scale also comprises two adapted items. Items one and three were adapted from Gefen and Straub (2004) and Sirdeshmukh, Singh, and Sabol (2002). Items two and three were self-developed for this research (see Table 5.5). Item two was recoded, which proved to be problematic for the properties of the item and the scale. The item-to-total correlation of item two is below the recommended threshold of .40. The communality (.11) and the indicator reliability (.04) both are well below

Criterion	Cut-Off Value	Source
First-Generation Reliability Criteria		
Item-to-total correlation	$\geq .40$	Baggozi and Baumgartner (1994)
Cronbach's alpha	$\geq .70$	Nunnally (1978)
Explained variance	$\geq 50\%$	Hildebrandt and Homburg (1998)
Communality	$\geq .40$	Homburg and Giering (1996)
Second-Generation Reliability Criteria		
Indicator reliability	$\geq .40$	Baggozi and Baumgartner (1994)
Factor reliability	$\geq .60$	Bagozzi and Yi (1988)
Average variance extracted	$\geq .50$	Fornell and Larcker (1981)
GFI	$\geq .90$	Homburg and Baumgartner (1998)
AGFI	$\geq .90$	Bagozzi and Yi (1988)
NFI	$\geq .90$	Bentler and Bonett (1980)
CFI	$\geq .90$	Homburg and Baumgartner (1998)
RMSEA	$\leq .08$	Browne and Cudeck (1993)

Table 5.4: Evaluation Criteria for Latent Constructs

their cut-off criteria of .40. Furthermore, the Cronbach's alpha (.65) and the average variance extracted (.43) are below their recommended thresholds of .70 and .50, respectively. Excluding item two improves the reliability and results in satisfying Cronbach's alpha (.76) and average variance extracted (.56) values. Also the factor reliability increases (.78). Item two is therefore excluded from the scale for the subsequent analyses. Item one still has a low indicator reliability (.28). Because all scale-level criteria are satisfactory, I retain it in the scale.

The *integrity* scale includes three items adapted from validated scales (see Table 5.6). Item two was adapted from Gefen (2002) and items three and four were adapted from Crosby, Evans, and Cowles (1990). Item one was self-developed. The scale provides excellent psychometric properties. All recommended thresholds are well exceeded, both on the item level and the scale level. The *predictability* scale consists of one self-developed item and three items adapted from other scales (see Table 5.6). Item two was adapted from Gefen and Straub (2004) and items three and four were adapted from Crosby, Evans, and Cowles (1990). Overall, the measurement qualities of the scale can be considered good. Only item three has a lower indicator reliability (.30) than recommended (.40). For theoretical reasons and since all scale-level criteria exceed the recommended cut-off criteria, I retain item three in the scale.

Trust is measured with a three-item scale (see Table 5.7). Item one was self-developed and items two and three were adapted from scales by Gefen (2002) and Moorman, Zaltman, and Desphandé (1992). The results of the reliability tests of the scale are very good and exceed all recommended cut-off criteria. Satisfaction was measured with a scale by Oliver (1997), which has excellent measurement qualities (see Table 5.7). All recommended criteria are clearly exceeded.

The *received word of mouth* scale consists of three self-developed items (see Table 5.8). Overall, the psychometric properties of the scale can be considered as good. All item- and scale-level criteria are met. *Repurchase intention* was assessed with a five-item scale that includes aspects of repurchase and cross-buying behavior (see Table 5.9). Cross-buying behavior refers to purchases at the bank, which include products and services that the customers has not bought before. Items one to three cover repurchase intentions and were adapted from a scale by Zeithaml, Berry, and Parasuraman (1996). Items four

Ability					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
My bank knows how to provide excellent service.	4.84	1.33	.75	.88	76.81%	.75	.68	.90	.69
My bank is competent and has a lot of expertise.	5.02	1.29	.81			.81	.73		
The quality of my bank's services is very high.	4.95	1.34	.82			.82	.78		
Overall my bank is an experienced financial institute.	5.37	1.33	.72			.70	.58		
Benevolence Please evaluate the following statements:									
The intentions of my bank are benevolent.	4.59	1.31	.42	.65	52.38%	.48	.28	.71	.43
My bank pursues predominantly egoistic aims. (R)	3.98	1.46	.18			.11	.04		
My bank acts in my best interest.	4.27	1.30	.60			.76	.68		
It is the aim of my bank to actually help me.	4.31	1.37	.60			.76	.71		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.5: Psychometric Properties of the Ability and Benevolence Scales

Integrity					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
The information my bank provides is reliable.	5.10	1.24	.73	.90	76.78%	.71	.62	.90	.70
Promises made by my bank are reliable.	5.03	1.26	.84			.84	.80		
My bank keeps the promises it makes me.	5.12	1.30	.81			.80	.74		
My bank is an honest financial institue.	5.22	1.31	.73			.72	.63		
Predictability Please evaluate the following statements:									
I know what I can expect from my bank in the future.	4.65	1.47	.68	.81	64.27%	.70	.70	.82	.53
I am quite certain about how my bank will act in the future.	4.49	1.44	.69			.71	.67		
I do not expect surprising (positive or negative) activities of my bank.	4.60	1.44	.53			.51	.30		
My bank deals with me in a predictable way.	4.79	1.31	.64			.64	.45		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.6: Psychometric Properties of the Integrity and Predictability Scales

Trust					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
I have a trusting relationship with my bank.	4.86	1.36	.72	.87	79.27%	.76	.66	.87	.69
Even if not monitored, I trust my bank to do the job right.	4.93	1.44	.75			.79	.64		
Overall I trust my bank.	5.22	1.30	.79			.83	.77		
Satisfaction Your overall satisfaction with the recent interactions with your bank...									
very unpleasant/ very pleasant	7.26	1.81	.79	.91	84.70%	.82	.73	.91	.77
terrible/delightful	7.05	1.86	.82			.85	.77		
highly unsatisfactory/ highly satisfactory	7.22	1.91	.84			.87	.82		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.7: Psychometric Properties of the Trust and Satisfaction Scales

and five add the aspect of cross-buying and were self-developed for this study. The measurement qualities of the scale are very good and meet all recommended criteria.

Willingness to follow advice was measured with a two-item scale (see Table 5.10). Both items were adapted from a scale by McKnight, Choudhury, and Kacmar (2002). Due to the restraints associated with two items, only first-generation reliability tests could be conducted. The results of these tests clearly exceed the requested cut-off values. *Willingness to give personal information* was measured with a self-developed three-item scale (see Table 5.10). The psychometric properties of the scale can be considered as good. Only the indicator reliability of item three (.38) is somewhat below the recommended threshold of .40. All other item-level criteria exceed the required cut-off values. I retain this item for theoretical reasons and because all required scale-level criteria are met.

The *word-of-mouth behavior* scale has excellent measurement qualities (see Table 5.11). The requested thresholds are exceeded by far, both on the item level and on the scale level. Items one to three were derived from a scale by Price and Arnould (1999). The fourth item was self-developed and added to the scale.

The next four scales were taken from the CVSCALE (Donthu and Yoo 1998; Yoo and Donthu 2002; Yoo, Donthu, and Lenartowicz 2001). The five-item *power distance* scale possesses satisfactory psychometric properties (see Table 5.12). The item-to-total correlations and communalities are well above the required cut-off criteria of .40. Also, the Cronbach's alpha, explained variance, and factor reliability are satisfactory. The indicator reliability of item one (.38) is slightly lower than the recommended .40 level and the average variance extracted (.46) falls below the required value of .50. The latter problem has been reported previously for a shortened version of the power distance scale by Patterson, Cowley, and Prasongsukarn (2006). These authors nevertheless used all included items for theoretical reasons. The results of a subsequent analysis with the power distance scale supported their theoretical considerations, confirming the validity of the scale. I therefore retain all scale items. The *uncertainty avoidance* scale has good overall psychometric properties (see Table 5.13). Only the indicator reliability of item one (.32) is below the recommended threshold of .40. All other item-level criteria exceed the required cut-off values. Due to theoretical considerations and because all

Received Word of Mouth					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
Friends of mine already have made good experiences with my bank.	4.76	1.41	.52	.78	70.02%	.58	.41	.80	.58
Friends of mine have recommended my bank to me.	3.70	1.90	.74			.57	.53		
Friends of mine have told me positive things about my bank.	4.16	1.67	.63			.71	.80		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted

Table 5.8: Psychometric Properties of the Received Word of Mouth Scale

scale-level criteria are met, I retain the item in the scale.

The *individualism/collectivism* scale was recoded for the cause of the analysis (see Table 5.14). The original name in the CVSCALE for this scale is "collectivism." All hypotheses in this thesis, however, are worded according to Hofstede's individualism/collectivism dimension. To make the results easier for the reader to follow and to avoid misunderstandings, I decided to recode the scale and name it according to Hofstede's dimension, *individualism/collectivism*. Overall, the measurement qualities of the scale can be considered as good. Item two (.34) is below the required level of .40. All other criteria, however, meet the required thresholds. For theoretical reasons and because the scale-level criteria are met, I decided to include item two in the subsequent analyses. Also, the four-item *masculinity/femininity* scale possesses very good measurement qualities (see Table 5.15). All psychometric criteria are well exceeded, both on the item level and the scale level.

Repurchase Intention					EFA			CFA	
How likely are you to....	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
...use your bank for most of your future financial trans-actions?	5.17	1.47	.63	.85	63.04%	.58	.50	.85	.54
...raise your next credit at your bank?	4.45	1.73	.66			.62	.52		
...do your next financial invest-ment at your bank?	4.43	1.70	.72			.69	.62		
...make use of ser-vices of your bank in the future, which you have not used yet?	4.61	1.54	.68			.65	.54		
...purchase products from your bank in the future, which you are yet unfamiliar with?	4.18	1.52	.65			.61	.52		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Relia-bility, AVE: Average Variance Extracted.

Table 5.9: Psychometric Properties of the Repurchase Intention Scale

Willingness to Follow Advice					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
If I had a serious financial problem, I would feel comfortable to follow my bank's advice.	4.49	1.40	.68	.81	83.96%	.84	.74	.81	.68
In a difficult financial situation, I would totally rely on my bank.	3.87	1.48	.68			.84	.63		
Willingness to Give Personal Information									
Please evaluate the following statements:									
During a consultation I would talk with my bank advisor about my plans for the future.	4.17	1.57	.66	.80	71.85%	.73	.74	.81	.58
I would talk with my bank advisor also about my career plans.	3.67	1.63	.72			.80	.63		
In the course of the consulting I would disclose even very private information to my bank.	3.04	1.63	.57			.63	.38		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.10: Psychometric Properties of the Willingness to Follow Advice and Willingness to Give Personal Information Scales

Word-of-Mouth Behavior					EFA		CFA		
Please evaluate the following statements:	Mean	Item-to-S.D.	C's total	α	EV	c	IR	FR	AVE
I would recommend my bank to someone who seeks my advice.	4.36	1.51	.78	.93	82.02%	.76	.67	.93	.76
I say positive things about my bank to other people.	4.48	1.46	.82			.81	.74		
I would recommend my bank to others.	4.58	1.46	.88			.88	.85		
Being asked by someone else, I would say positive things about my bank.	4.69	1.40	.84			.83	.80		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.11: Psychometric Properties of the Word-of-Mouth Behavior Scale

Power Distance					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
People in higher positions should make most decisions without consulting people in lower positions.	3.14	1.61	.56	.81	56.92%	.51	.38	.81	.46
People in higher positions should not ask people in lower positions too frequently.	3.27	1.57	.60			.56	.43		
People in higher positions should avoid social interaction with people in lower positions.	2.38	1.49	.67			.66	.60		
People in lower positions should not disagree with decisions by people in higher positions.	2.66	1.51	.59			.57	.48		
People in higher positions should not delegate important tasks to people in lower positions.	2.97	1.52	.58			.55	.43		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.12: Psychometric Properties of the Power Distance Scale

Uncertainty Avoidance					**EFA**			**CFA**	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
It is important to have instructions spelled out in detail so that I always know what I am expected to do.	4.46	1.58	.53	.86	64.65%	.45	.32	.86	.56
It is important to closely follow instructions and procedures.	4.67	1.40	.72			.69	.59		
Rules and regulations are important because they inform me of what is expected of me.	4.84	1.32	.76			.75	.70		
Standardized work procedures are helpful.	4.84	1.32	.66			.65	.57		
Instructions for operations are important.	5.02	1.25	.71			.70	.64		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.13: Psychometric Properties of the Uncertainty Avoidance Scale

Individualism/Collectivism					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
Individuals should sacrifice self-interest for the group (either at school or the work-place). (R)	3.71	1.44	.58	.85	58.03%	.50	.40	.86	.50
Individuals should stick with the group even through diffi-culties. (R)	2.11	1.34	.54			.44	.34		
Group welfare is more important than individual rewards. (R)	2.52	1.38	.75			.72	.72		
Group success is more important than individual success. (R)	2.46	1.39	.73			.70	.68		
Individuals should only pursue their goals after consi-dering the welfare of the group. (R)	2.66	1.40	.64			.58	.46		
Group loyalty should be encouraged even if individual goals suffer. (R)	2.64	1.40	.61			.54	.41		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Relia-bility, AVE: Average Variance Extracted.

Table 5.14: Psychometric Properties of the Individualism/Collectivism Scale

Masculinity/Femininity					EFA			CFA	
Please evaluate the following statements:	Mean	S.D.	Item-to-total	C's α	EV	c	IR	FR	AVE
It is more important for men to have a professional career than it is for women.	3.11	1.96	.64	.83	66.35%	.65	.54	.83	.56
Men usually solve problems with logical analysis; women usually solve problems with intuition.	3.63	1.79	.65			.66	.53		
Solving difficult problems usually requires an active, forcible approach, which is typical of men.	3.32	1.79	.74			.76	.74		
There are some jobs that a man can always do better than a woman.	3.99	2.05	.59			.58	.42		

EV: Explained Variance, c: Communality, IR: Indicator Reliability, FR: Factor Reliability, AVE: Average Variance Extracted.

Table 5.15: Psychometric Properties of the Masculinity/Femininity Scale

5.3.2 Cronbach's Alpha by Country

Finally, I assess the psychometric properties of the scales separately for each country. For the sake of brevity, I report only one reliability criterion, the most common criterion for examining scale reliability in multi-country research, namely, the Cronbach's alpha (Craig and Douglas 2000). Table 5.16 reports the Cronbach's alpha values for each country.

In most cases the Cronbach's alpha exceeds the recommended level of .70 (Nunnally 1978). It is somewhat lower for the three-item benevolence scale in Hong Kong (.69) and Thailand (.69). Also, the two-item willingness to follow advice scale is lower in China (.53), as is the Cronbach's alpha of the three-item received word of mouth scale in China (.65) and Germany (.67). The low Cronbach's alphas might reflect the fact that all three scales have only three or fewer items; Cronbach's alpha is affected by the number of items in a scale. Finally, the power distance scale has a lower Cronbach's alpha in Russia (.63). Because the deviations fall within an acceptable range and are limited to single scales and countries, I retain all scales and countries in the analysis.

5.3.3 Measurement Model

After testing the latent constructs with first- and second-generation reliability tests I next considered the overall fit of the measurement model that comprises the scales. Following Bollen (1989), I built a measurement model with the factor structure that results from the preliminary analyses, including the benevolence scale in its reduced form. The measurement model contains all latent constructs and is tested with the entire sample. The model achieves a good overall fit: $\chi^2 = 5028.27$, df = 1484, p < .001, χ^2/df = 3.39, GFI = .91, AGFI = .90, NFI = .93, CFI = .95, and RMSEA = .04. All fit indices meet the required criteria, confirming the proposed factor structure.

The intercorrelations among the constructs also are in an acceptable range (see Table 5.17). A higher intercorrelation of r > .70 exists between the integrity and trust scales (r = .76). The integrity construct is conceptually very closely related to the overall feeling of trust. Two other constructs that are closely linked are willingness to follow advice and

Country	AB	BEN	INT	PRD	TR	SAT	RWM	RPI	FAD	GPI	WMB	PD	UA	I/C	M/F
Australia	.93	.93	.89	.81	.91	.93	.84	.88	.77	.79	.94	.78	.87	.81	.80
China	.89	.81	.84	.81	.74	.85	.65	.78	.53	.83	.94	.80	.90	.85	.74
Germany	.86	.82	.87	.85	.83	.92	.67	.86	.86	.85	.92	.76	.80	.86	.79
Hong Kong	.89	.69	.89	.74	.90	.86	.80	.88	.80	.76	.88	.80	.86	.83	.78
India	.85	.72	.89	.77	.85	.94	.76	.84	.89	.71	.93	.84	.91	.91	.85
Mexico	.95	.80	.94	.85	.90	.91	.84	.89	.77	.82	.80	.87	.82	.87	.84
Netherlands	.90	.77	.93	.79	.82	.91	.77	.76	.80	.80	.94	.74	.83	.86	.74
Poland	.87	.79	.91	.81	.88	.93	.83	.68	.87	.79	.97	.75	.89	.85	.82
Russia	.83	.74	.89	.72	.84	.90	.77	.90	.81	.81	.92	.63	.84	.80	.84
Thailand	.89	.69	.89	.76	.88	.85	.81	.80	.82	.77	.90	.83	.84	.81	.79
United States	.91	.75	.92	.89	.92	.90	.82	.86	.81	.85	.94	.79	.88	.87	.82

AB: Ability, BEN: Benevolence, PRD: Predictability, INT: Integrity, TR: Trust, SAT: Satisfaction, RWM: Received Word of Mouth, RPI: Repurchase Intention, FAD: Willingness to Follow Advice, GPI: Willingness to Give Personal Information, WMB: Word-of-Mouth Behavior, PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity.

Table 5.16: Cronbach's Alpha by Country

willingness to give personal information (r = .75). Both constructs deal with different aspects of customers' willingness to co-produce.

To test whether the constructs in the measurement model possess discriminant validity, I further assessed whether the Fornell and Larcker (1981) criterion was met. According to Fornell and Larcker (1981), a construct has discriminant validity if the average variance extracted of a factor is greater than any squared intercorrelation of that factor with another. Table 5.18 displays the squared intercorrelations and the average variance extracted. The modifications in the measurement model, due to the reduction of the benevolence scale, resulted in minor changes in the average variance extracted of some scales. All constructs meet the Fornell and Larcker (1981) criterion. The power distance scale, which has a lower average variance extracted (.45), has only very low intercorrelations with the other constructs. Also, constructs with higher intercorrelations possess discriminant validity due to their high average variances extracted.

5.3.4 Common Method Variance

The cross-sectional survey design of this study suggests the potential for bias due to *common method variance*. Common method variance refers to "variance that is attributable to the measurement method rather than to the constructs the measures represent" (Podsakoff, MacKenzie, and Lee 2003, p. 879), which may bias the results of survey research. A potential source of *common method bias* derives from common rater effects, such as the consistency motif (Heider 1958). People generally have a desire to maintain consistency between their attitudes and behaviors, which might lead to similarities in their answers that do not correspond to their real-life behavior. Empirically, this bias would lead to artificially high intercorrelations between constructs. In addition to common rater effects, potential sources of common method bias include item characteristics, such as common scale format; the item context, such as scale length; and the measurement context, such as when the predictor and criterion are measured at the same point in time (Podsakoff, MacKenzie, and Lee 2003).

To reduce the potential impact of common method bias, researchers have proposed multiple procedural remedies (Podsakoff, MacKenzie, and Lee 2003; Rindfleisch et al.

Scale	a.	b.	c.	d.	e.	f.	g.	h.	i.	j.	k.	l.	m.	n.
a. AB	1.00													
b. BEN	.60	1.00												
d. INT	.67	.61	1.00											
c. PRD	.51	.56	.60	1.00										
e. TR	.65	.66	.76	.69	1.00									
f. SAT	.61	.49	.54	.44	.60	1.00								
g. RWM	.63	.63	.63	.55	.63	.51	1.00							
h. RPI	.57	.51	.52	.49	.57	.52	.52	1.00						
i. FAD	.46	.59	.51	.50	.57	.45	.46	.62	1.00					
j. GPI	.35	.49	.36	.41	.44	.33	.38	.53	.75	1.00				
k. WMB	.61	.57	.59	.50	.63	.59	.61	.65	.63	.54	1.00			
l. PD	-.10	.05	-.05	.03	-.05	-.07	.00	.03	.07	.10	.03	1.00		
m. UA	.21	.18	.25	.21	.26	.16	.21	.22	.17	.10	.21	.07	1.00	
n. I/C	-.11	-.20	-.17	-.14	-.22	-.10	-.14	-.13	-.22	-.22	-.17	-.05	-.34	1.00
o. M/F	-.05	-.04	-.02	-.05	.01	-.04	-.05	-.05	.01	.02	.01	.46	.08	-.18

AB: Ability, BEN: Benevolence, PRD: Predictability, INT: Integrity, TR: Trust, SAT: Satisfaction, RWM: Received Word of Mouth, RPI: Repurchase Intention, FAD: Willingness to Follow Advice, GPI: Willingness to Give Personal Information, WMB: Word-of-Mouth Behavior, PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity.

Table 5.17: Intercorrelation Matrix of the Measurement Model

Scale	AVE	a.	b.	c.	d.	e.	f.	g.	h.	i.	j.	k.	l.	m.	n.
a. AB	.69	1.00													
b. BEN	.56	.36	1.00												
d. INT	.70	.45	.37	1.00											
c. PRD	.52	.26	.30	.36	1.00										
e. TR	.69	.42	.44	.58	.48	1.00									
f. SAT	.77	.37	.24	.29	.19	.36	1.00								
g. RWM	.56	.40	.40	.40	.30	.40	.26	1.00							
h. RPI	.53	.32	.26	.27	.24	.32	.27	.27	1.00						
i. FAD	.68	.21	.35	.26	.25	.32	.20	.21	.38	1.00					
j. GPI	.58	.12	.24	.13	.17	.19	.11	.14	.28	.56	1.00				
k. WMB	.76	.37	.32	.35	.25	.40	.35	.37	.42	.40	.29	1.00			
l. PD	.45	.01	.00	.00	.00	.00	.00	.00	.00	.00	.01	.00	1.00		
m. UA	.55	.04	.03	.06	.04	.07	.03	.04	.05	.03	.01	.04	.01	1.00	
n. I/C	.50	.01	.04	.03	.02	.05	.01	.02	.02	.05	.05	.03	.00	.12	1.00
o. M/F	.56	.00	.00	.00	.00	.00	.00	.01	.00	.00	.00	.00	.21	.01	.03
AVE	.69	.56	.70	.52	.69	.77	.56	.53	.68	.58	.76	.45	.55	.50	.56

AB: Ability, BEN: Benevolence, PRD: Predictability, INT: Integrity, TR: Trust, SAT: Satisfaction, RWM: Received Word of Mouth, RPI: Repurchase Intention, FAD: Willingness to Follow Advice, GPI: Willingness to Give Personal Information, WMB: Word-of-Mouth Behavior, PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity.

Table 5.18: Matrix of Squared Intercorrelations and Average Variance Extracted

2007). To reduce the effect of common method bias in this study, I applied a priori different scale lengths (10- vs. 7-point), different scale formats (semantic differential vs. Likert scales), and different scale anchors (very likely/very unlikely vs. strongly agree/strongly disagree). Also, the subjects were instructed to answer the questions as honestly and spontaneously as possible, with the reassurance that their answers would be analyzed anonymously and treated confidentially. The inclusion of the GNI/PPP, retrieved from a secondary source, further reduces the impact of possible biases.

To test a posteriori whether common method bias has a relevant impact on the results of this study, I applied a combination of methods recommended by Lindell and Whitney (2001) and Lentz (2007). Specifically, I built a second measurement model that included a latent *common method factor*. In addition to their respective factors, in this model, all items loaded on the common method factor. The factor loadings of the common method factor are forced to be equal, because a differential impact of the common method factor on different items can be ruled out by definition (Lentz 2007). The comparison of the final measurement model without method factor ($\chi^2 = 5028.27$, df = 1484, p < .001, χ^2/df = 3.39, GFI = .91, AGFI = .90, NFI = .93, CFI = .95, and RMSEA = .04) with the measurement model that included the method factor ($\chi^2 = 4928.91$, df = 1482, p < .001, χ^2/df = 3.33, GFI = .91, AGFI = .90, NFI = .93, CFI = .95, and RMSEA = .04) results in a significantly better model fit for the latter ($\Delta\chi^2 = 99.36$, Δdf = 2, p < .001). This result indicates that some influence of a common method factor exists. The χ^2-statistics, however, are sensitive to sample size, so other fit indices that are less sensitive should be consulted, when comparing two models (Steenkamp and Baumgartner 1998; van Birgelen et al. 2002). This comparison shows that the two models do not differ with regard to the other global fit indices, which suggests that the results are not seriously biased by common method variance. This evaluation receives further support from a comparison of the average intercorrelations of the constructs in both models, as suggested by Lentz (2007). Including the method factor in the measurement model results in a reduction of the average construct intercorrelation from r = .29 to r = .23, which can be considered moderate and not harmful to the results.

Several other features of this study diminish the potential threat of common method bias. I aggregate the cultural values to the level of country groups and use a multilevel research design. Due to its nested, hierarchical structure, the analysis is based on two

separate data sets, one with individual-level data and another containing aggregated group-level data. This aggregation tends to cancel out much of the random error and sources of bias at the individual level (Glick 1985; Kark, Boas, and Chen 2003). In research models, the criterion functions at the individual level, and the predictors, as far as they concern culture, are on the aggregated level, which satisfies the condition of different information sources. Finally, I test between-group hypotheses, and there is no reason to believe that the groups differ systematically in their common method variance (Hofman, Morgeson, and Gerras 2003). Taken together, this evidence implies that the results of this thesis should not be substantially affected by common method bias.

5.3.5 Measurement Invariance

As discussed previously in this chapter, the basic research approach of this thesis is etic in nature. That is, I test an existing theoretical framework for differences across a broad range of countries. The frameworks that constitute the theoretical foundations of my research models were predominantly developed in a Western context, especially the United States. Several researchers have questioned the general applicability of Western models to other cultural contexts (Noorderhaven 1999; Baggozi and Baumgartner 1994) and call for an assessment of the validity of the theoretical concepts across cultures. Assessing the cross-cultural validity of theoretical concepts requires instruments that possess *measurement invariance*. The key question thus becomes "whether or not, under different conditions of observing and studying phenomena, measurement operations yield measures of the same attribute" (Horn and McArdle 1992, p. 117). Ignoring potential measurement invariances between countries would imply the potential of biased or erroneous results. I do not go deeper into the methodological background and procedures of measurement invariance assessment, which have been provided in depth in previous literature (Steenkamp and Baumgartner 1998; Vandenberg and Lance 2000; Vandenberg 2002).

To test for measurement invariance across cultures, I adopt a procedure recommended by Steenkamp and Baumgartner (1998) and follow the steps that are relevant for the context of this research. The analysis cannot be conducted with the two-item willingness to follow advice scale, so it is excluded from the subsequent tests. In a first step, I

determine the *configural invariance* of the single scales across countries. Configural invariance reflects whether the proposed measurement model fits the data well in all countries. Overall, the configural invariance models possess excellent model fit. All indices meet the recommended cut-off criteria (see Table 5.19). In addition, all factor loadings are significant in all countries, in support of the configural invariance of the scales.

To allow for a meaningful comparison of the covariation of the scales, they further must possess equal scale intervals across countries (Steenkamp and Baumgartner 1998). Therefore, I control for *metric invariance* by constraining the factor loadings to equality across countries. The majority of scales fulfill this criterion (see Table 5.19) and possess at least partial metric invariance; the trust scale even shows full metric invariance across the 11 countries. Only satisfaction, willingness to give personal information, and masculinity/femininity differ significantly from the unconstrained model. In this case, other fit indices that are less sensitive to sample size should be consulted (Steenkamp and Baumgartner 1998; van Birgelen et al. 2002). The partial metric invariance models of both scales possess very good model fit, and the fit indices differ from the configural invariance model only within the acceptable range. I therefore conclude that partial invariance is supported for satisfaction, willingness to give personal information, and masculinity/femininity.

For all dependent variables in the research models, as well as for the cultural values, I test for *scalar invariance*, because I expect differences in the absolute levels of these variables. All full and partial scalar invariance models suffer a significantly lower model fit than the configural invariance model (see Table 5.19). Again, I assess the change in the other fit indices and find smaller decreases in model fit. The fit of the models remains acceptable in most cases. Only the fit indices of power distance, uncertainty avoidance, and individualism/collectivism fall somewhat below the recommended level of .90 for NFI and/or CFI. The difference from the configural variance models, however, is still acceptable. I therefore consider the scales partially scalar invariant.

Scale	**Model**					**Fit Indices**		
	χ^2	*df*	$\Delta\chi^2$	Δdf		*RMSEA*	*NFI*	*CFI*
Ability								
Configural Invar.	105.13	22				.05	.97	.98
Full Metric Invar.	186.13	52	80.76	30	***	.04	.96	.97
Partial Metric Invar.	116.10	32	10.73	10		.04	.98	.98
Full Scalar Invar.	453.03	72	347.65	50	***	.05	.90	.92
Partial Scalar Invar.	277.53	42	172.15	20	***	.05	.94	.95
Benevolence								
Configural Invar.	n.a.	n.a.				n.a.	1.00	1.00
Full Metric Invar.	66.37	20	66.37	20	***	.04	.96	.97
Partial Metric Invar.	9.92	10	9.92	10		.00	.100	1.00
Integrity								
Configural Invar.	119.54	22				.05	.98	.98
Full Metric Invar.	166.03	52	46.49	30		.03	.97	.98
Partial Metric Invar.	127.68	32	8.14	10		.04	.98	.98
Predictability								
Configural Invar.	208.71	22				.07	.93	.94
Full Metric Invar.	302.36	52	93.66	30	***	.05	.90	.91
Partial Metric Invar.	220.20	32	11.49	10		.06	.93	.93

(table continued)

Scale	Model χ^2	df	$\Delta\chi^2$	Δdf		RMSEA	NFI	CFI
Trust								
Configural Invar.	n.a.	n.a.				n.a.	1.00	1.00
Full Metric Invar.	24.67	20	24.67	20		.01	.99	1.00
Full Scalar Invar.	201.89	40	201.89	40	***	.05	.93	.95
Partial Scalar Invar.	102.37	30	102.37	30	***	.04	.97	.98
Satisfaction								
Configural Invar.	n.a.	n.a.				n.a.	1.00	1.00
Full Metric Invar.	116.56	20	116.56	20	***	.05	.97	.98
Partial Metric Invar.	28.93	10	28.93	10	***	.03	.99	1.00
Full Scalar Invar.	296.10	40	296.10	40	***	.06	.93	.94
Partial Scalar Invar.	230.86	30	230.86	30	***	.06	.94	.95
Received Word of Mouth								
Configural Invar.	n.a.	n.a.				n.a.	1.00	1.00
Full Metric Invar.	44.92	20	44.92	20	***	.03	.98	.99
Partial Metric Invar.	13.90	10	13.90	10		.02	.99	1.00
Repurchase Intention								
Configural Invar.	380.56	55				.06	.91	.92
Full Metric Invar.	501.48	95	120.92	40	***	.05	.89	.91
Partial Metric Invar.	410.24	75	29.68	20		.05	.91	.92
Willingness to Give Personal Information								
Configural Invar.	n.a.	n.a.				n.a.	1.00	1.00
Full Metric Invar.	41.79	20	41.79	20	***	.02	.98	.99
Partial Metric Invar.	19.00	10	19.00	10	*	.02	.99	.99
Full Scalar Invar.	278.79	40	278.79	40	***	.06	.87	.88
Partial Scalar Invar.	136.45	30	136.45	30	***	.04	.94	.95
Word-of-Mouth Behavior								
Configural Invar.	76.49	22				.04	.99	.99
Full Metric Invar.	132.19	52	55.70	30	**	.03	.98	.99
Partial Metric Invar.	84.77	32	8.28	10		.03	.99	.99

(table continued)

Scale	Model χ^2	df	$\Delta\chi^2$	Δdf		RMSEA	NFI	CFI
Power Distance								
Configural Invar.	299.15	55				.05	.90	.91
Full Metric Invar.	360.27	95	61.12	40	*	.04	.88	.91
Partial Metric Invar.	325.56	75	26.41	20		.04	.89	.91
Full Scalar Invar.	725.45	125	426.30	70	***	.05	.76	.79
Partial Scalar Invar.	439.87	85	140.72	30	***	.05	.85	.88
Uncertainty Avoidance								
Configural Invar.	396.25	55				.06	.92	.93
Full Metric Invar.	466.21	95	69.96	40	***	.05	.90	.92
Partial Metric Invar.	423.70	75	27.45	20		.05	.91	.93
Full Scalar Invar.	942.67	125	546.42	70	***	.06	.80	.83
Partial Scalar Invar.	564.77	95	168.52	40	***	.05	.88	.90
Individualism/Collectivism								
Configural Invar.	360.51	99				.04	.93	.94
Full Metric Invar.	419.67	149	59.16	50	*	.03	.91	.94
Partial Metric Invar.	392.77	129	32.26	30		.03	.92	.94
Full Scalar Invar.	828.59	179	468.08	80	***	.04	.83	.86
Partial Scalar Invar.	531.21	149	170.70	50	***	.04	.89	.92
Masculinity/Femininity								
Configural Invar.	32.63	22				.02	.99	1.00
Full Metric Invar.	113.16	52	80.53	30	***	.03	.96	.98
Partial Metric Invar.	51.79	32	19.16	10	*	.02	.98	.99
Full Scalar Invar.	550.79	72	518.16	50	***	.06	.79	.81
Partial Scalar Invar.	174.42	42	141.79	20	***	.04	.93	.95

* $p < .05$, ** $p < .01$, *** $p < .001$, n.a.: not applicable.

Table 5.19: Analysis of Measurement Invariance

5.4 Hypothesis Testing

5.4.1 Analysis Procedure

Extensive debate and diverse practice among cross-cultural researchers applies to how to account for customers' cultural values. These approaches range from the use of secondary data at the country level and primary data at the target group level to the exploitation of primary data at the individual level (Bearden, Money, and Nevins 2006; Spector, Cooper, and Sparks 2001; Steenkamp 2001). Following the definition of *culture as a group-level phenomenon* (Hofstede 1980), I use aggregated data about cultural values. I specifically choose primary data at the target group level, because cultural values can differ significantly within countries (Koch and Koch 2007; Naumov and Puffer 2000). That is, secondary data at the country level might not be precise enough to analyze the behavior of a specific target group. In addition to cultural values, I aggregate the satisfaction scores on the target group level to use it as a proxy for the customer orientation of the banking service sector in the respective countries.

The group means and standard errors of all cultural values and satisfaction appear in Table 5.20. All aggregated cultural values and the aggregated level of satisfaction with the bank differ significantly across countries. Among the cultural values, the differences are particularly notable for masculinity/femininity. The lowest between-country difference exists for individualism/collectivism. Power distance is highest in the target group in Russia ($\bar{x} = 3.89$), Hong Kong ($\bar{x} = 3.40$), and Thailand ($\bar{x} = 3.31$). Countries low in power distance include the United States ($\bar{x} = 2.50$) and Australia ($\bar{x} = 2.57$). Uncertainty avoidance is particularly high in India ($\bar{x} = 5.16$) and the United States ($\bar{x} = 5.11$) and low in Germany ($\bar{x} = 4.24$) and the Netherlands ($\bar{x} = 4.44$). Whereas individualism is high in Australia ($\bar{x} = 2.99$) and Poland ($\bar{x} = 2.86$), it is lowest in Hong Kong ($\bar{x} = 2.16$) and India ($\bar{x} = 2.18$). Finally, masculinity is highest in Russia ($\bar{x} = 4.66$) and Hong Kong ($\bar{x} = 4.13$) and lowest in Australia ($\bar{x} = 2.49$), Mexico ($\bar{x} = 2.79$), and the United States. Satisfaction with the bank reaches the highest levels in Poland ($\bar{x} = 7.83$), the United States ($\bar{x} = 7.73$), and the Netherlands ($\bar{x} = 7.50$). The lowest satisfaction levels by far appear in China ($\bar{x} = 6.14$). Furthermore, comparably low satisfaction values occur in Russia ($\bar{x} = 6.71$), Hong Kong ($\bar{x} = 6.75$), and India ($\bar{x} = 6.75$).

To justify the aggregation of the cultural values and satisfaction, I calculated two kinds of intra-class correlation coefficients, ICC(1) and ICC(2) (Bliese 2000). The ICC(1) indicates the amount of variance in a variable, accounted for by between-group variance (Bliese 2000). A large ICC(1) value thus indicates a strong clustering effect and a small within-group variance. The higher ICC(1) is, the fewer observations are needed to obtain a reliable value for a given group. In contrast, ICC(2) is a reliability measure for the group mean, such that ICC(2) incorporates ICC(1) and accounts for the size of the groups; large groups result in more reliable group means. Experience shows that in organizational research, ICC(1) attains an average level of .12 (Ostroff and Schmitt 1993). Service marketing studies confirm this range (de Jong, de Ruyter, and Lemmink 2004; 2003). Moreover, van de Vijver and Poortinga (2002) suggest that ICC(1) should be larger than .05 for meaningful multilevel analysis. In a reassessment of Hofstede's data, Gerhart and Fang (2005) calculate a mean ICC(1) of only .04, whereas the ICC(1) values I obtain range from .06 to .16, which can be considered good justification for aggregation (see Table 5.20). I also calculated ICC(2), which should be .60 or higher (Ostroff and Schmitt 1993) and find values of greater than .90 for cultural values and satisfaction. The group means therefore can be considered highly reliable. In support of my assumption of cultural distance among countries, the groups differ significantly on all cultural values (see Table 5.20), as well as in their satisfaction level, with higher levels of satisfaction emerging in the more developed countries.

To determine whether the CVSCALE and satisfaction scale can be meaningfully applied at an aggregated level, I consider the question of *country-level factor structure*. As outlined in *Section 3.3.3*, attitudes or behaviors that are correlated at the individual level do not necessarily correlate at an aggregated level, and vice versa (Hofstede 2001). Aggregating scales developed on the individual level to indices and applying them at the country level without testing them for *ecological validity and reliability* creates the potential for committing an *ecological fallacy* (Robinson 1950). Thus far, to my knowledge, there has been no validation of the CVSCALE or the satisfaction scale at an aggregated level.

Because the data set includes only 11 countries, the validation approach can only be considered exploratory. A first step toward an understanding of the validity of the aggregated version of the CVSCALE is a country-level exploratory factor analysis (Hof-

Country	PD Mean	PD S.E.	UA Mean	UA S.E.	I/C[a] Mean	I/C[a] S.E.	M/F[b] Mean[c]	M/F[b] S.E.	SAT Mean	SAT S.E.
Australia	2.57	.09	5.01	.09	2.99	.08	2.49	.11	7.35	.16
China	2.83	.11	4.84	.11	2.49	.09	3.76	.12	6.14	.12
Germany	2.64	.06	4.24	.05	2.40	.06	3.70	.07	7.31	.09
Hong Kong	3.40	.08	4.76	.06	2.47	.06	4.13	.10	6.75	.12
India	2.98	.11	5.16	.10	2.16	.10	3.42	.11	6.75	.15
Mexico	2.63	.01	4.84	.09	2.18	.10	2.79	.11	7.37	.15
Netherlands	2.65	.07	4.44	.08	2.76	.07	3.08	.10	7.50	.11
Poland	2.70	.08	4.80	.09	2.86	.08	3.64	.10	7.83	.13
Russia	3.89	.10	4.97	.12	2.70	.11	4.66	.13	6.71	.17
Thailand	3.31	.08	4.89	.06	2.24	.06	3.94	.09	6.98	.09
United States	2.50	.08	5.11	.08	2.69	.09	2.88	.10	7.73	.14
$F(df\ 10)$	23.54	***	14.97	***	12.25	***	34.08	***	14.06	***
ICC(1)	.11		.07		.06		.16		.07	
ICC(2)	.96		.93		.92		.97		.93	

* $p < .05$, ** $p < .01$, *** $p < .001$; PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism; M/F: Masculinity/Femininity, SAT: Satisfaction; [a] Reversed coding of the CVSCALE to display level of Individualism; [b] According to Hofstede (2001) the responses of men and women usually differ on the masculinity/femininity dimension. Because the samples from the different countries entail significant differences in gender distribution, I have controlled for these differences when calculating the country means. [c] Estimated Marginal Means.

Table 5.20: Group Means for Cultural Values and Satisfaction by Country, Results of an Analysis of Variance, ICC(1), and ICC(2)

stede 2001; McCrae 2004; van de Vijver and Poortinga 2002). In addition, I conducted a country-level analysis of the Cronbach's alpha and item-to-total correlations. The results of this analysis strongly confirm the validity of the factor structure of the power distance scale, the masculinity/femininity scale, and the satisfaction scale on the aggregate level (see Table 5.21). The factor loadings and item-to-total correlations are all above .80, the extracted variance exceeds 85%, and the Cronbach's alpha is greater than .96. The individualism/collectivism scale also yields acceptable results. Only item two has a somewhat lower factor loading and an item-to-total correlation (.36) below the recommended .40 level; all other indices are satisfactory. The uncertainty avoidance scale also shows major deviations on the aggregated level. The exploratory factor analysis results in a two-factor solution, with item one loading on a second factor that explains another 21.86% of variance. Accordingly, the factor loading of item one on the first factor is very low (.04), and the item-to-total correlation (.28) is below the recommended .40-level. This finding indicates that the item one ("It is important to have instructions spelled out in detail so that I always know what I'm expected to do") is not closely related to the other indicators of uncertainty avoidance on the country level. In some countries, uncertainty avoidance obviously does not correspond to explicit instructions that always must be followed. Research with more countries is needed to provide further evidence pertaining to this result. Nevertheless, I retain item one for the analysis, because the sample is rather small and the Cronbach's alpha is acceptable.

For the analysis of the group-level intercorrelations of the aggregated variables and their relation to GNI/PPP (see Table 5.22), because there are only 11 groups, I do not focus on the significance level but instead consider correlations above .50 substantial. There is a very high correlation between power distance and masculinity/femininity ($r = .86$, $p < .001$); at the country level, high power distance goes along with more masculine values (see Table 5.22). This correlation underlines that both values reflect role differences in the relationships between people. Cultures that share beliefs about an unequal distribution of power also tend to believe in clearly distinct "classical" gender roles of men and women. All other group-level intercorrelations of the cultural values are comparably low ($r \leq .20$).

Power distance and masculinity/femininity are negatively correlated with satisfaction ($r = -.58$ and $r = -.54$). Both values stress role differences. As already outlined in *Sec-*

Items	PD		UA		I/C		M/F		SAT	
	Factor Loading	Item-to-total	Factor Loading	Item-to-total	Factor Loading	Item-to-total	Factor Loading	Item-to-total	Factor Loading	Item-to-total
Item 1	.89	.84	.04	.28	.88	.80	.98	.95	.95	.98
Item 2	.96	.93	.79	.72	.46	.36	.97	.96	.93	.97
Item 3	.97	.94	.81	.91	.94	.90	.96	.93	.97	.99
Item 4	.88	.82	.93	.60	.96	.92	.97	.94		
Item 5	.94	.90	.97	.70	.94	.91				
Item 6					.86	.79				
EV^a	86.08%		66.54%^{b}		73.40%		93.73%		95.40%	
Cronbach's Alpha	.96		.79		.92		.97		.97	

* p < .05, ** p < .01, *** p < .001; PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity, SAT: Satisfaction; ^{a}Explained Variance, ^{b} Explained Variance of factor 1 containing items 2 to 5.

Table 5.21: EFA Results and Cronbach's Alpha of the Aggregated Cultural Values and Satisfaction

	PD		UA	I/C[a]	M/F[b]	SAT	GNI/PPP
PD	1.00						
UA	.20		1.00				
I/C[a]	-.18		.00	1.00			
M/F[b]	.86	***	-.11	-.18	1.00		
SAT	-.58		-.16	.41	-.55	1.00	
GNI/PPP	-.28		-.32	.48	-.28	.47	1.00

PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity, SAT: Satisfaction; [a] Reversed coding of the CVSCALE to display level of Individualism; [b] According to Hofstede (2001) the responses of men and women usually differ on the masculinity/femininity dimension. Because the samples from the different countries entail significant differences in gender distribution, I have controlled for these differences when calculating the country means.

Table 5.22: Intercorrelations of the Aggregated Cultural Values, Satisfaction, and GNI/PPP

tion 4.1.3.2.3, due to their superior knowledge and experience, bank service employees as professional service providers have a "stronger" position than their customers. This imbalance is particularly pronounced in the case of students, the sample for this research (Furrer, Liu, and Sudharshan 2000). The acceptance of differences in high power distance and more masculine cultures evidently is also expressed in the treatment of "weaker" customers, as reflected in the lower customer satisfaction scores in these countries.

The correlations between satisfaction and the other cultural values are comparably low, as are the correlations of GNI/PPP with the cultural values. Satisfaction is somewhat higher in more individualistic countries (r = .41), which matches the higher GNI/PPP in more individualistic countries (r = .48) and the correlation of GNI/PPP and satisfaction (r = .47). This interrelation also corresponds to results that indicate a higher level of individualism in more developed countries (Hofstede 2001). Banking services likely are more sophisticated in these developed countries, which should be reflected in higher customer satisfaction levels. Overall, the constructs have meaningful intercorrelations at the group level, in support of the validity of the aggregated data.

5.4.2   Multilevel Analysis

The research design of this thesis is multilevel in nature. I analyze the potential effect of shared cultural values for a specific target group in different countries on the attitudes, cognitions, and behavioral intentions of individual customers. The data set entails two levels of aggregation, with 1,910 individual customers nested in 11 countries. This type of design is referred to as a hierarchical or cross-level design (Bryk and Raudenbush 1992; Steenkamp, ter Hofstede, and Wedel 1999). The data on cultural values and satisfaction are aggregated and analyzed together with the GNI/PPP at the country level. The dependent variables, other individual customer evaluations, and behavioral intentions that serve as predictors are analyzed at the individual level.

It is a peculiarity of a *nested data structure* that it violates the assumption of independence of observations that underlies ordinary linear models (Bryk and Raudenbush 1992). Prior approaches that assign each individual the group mean and then run an ordinary least square regression therefore underestimate the standard error (Bryk and Raudenbush 1992; Tate and Wongbundhit 1983). This underestimation of the standard error can lead to biased results due to an increase in type I errors. An analysis at only the aggregated level also is not suitable for marketing purposes. Although this approach is not affected by erroneous results, it can account for variance only on the group level. Variance in individual-level behavior, which is of particular interest for marketing purposes, cannot be analyzed.

A statistical technique that addresses these problems and provides a means for dealing with hierarchical data structures in which people are nested in groups is *hierarchical linear modeling* (HLM) (Bryk and Raudenbush 1992), which enables simultaneous estimation of the effects of data on two or more levels of aggregation. It acknowledges that individuals within a particular group are more similar than individuals between groups (Hofman 1997). The analysis of ICC(1) in the prior section confirms this notion in the context of this study, showing that a substantial amount of variance resides across groups. This partial independence of individuals within a cultural group can be accounted for by hierarchical linear modeling, in that it incorporates two data sets in the analysis, one with individual-level data and one with aggregated data at the group level. The analysis consists of two steps. The first step involves estimating separate within-unit

models for each of the given groups estimating the intercept and slope parameters that link the individual-level predictor variables to the individual-level outcome variables. In a second step, the between-unit model is estimated, using the randomly varying intercepts and slopes from the different within-unit models as outcome variables and regressing them on the group-level predictors. This process allows the calculation of the variance, accounted for on both the individual level and the group level, because the individual- and group-level residuals are estimated separately. For more detailed background information about multilevel analysis, see Bryk and Raudenbush (1992).

5.4.3 Hypothesis Tests of the Trust Model

5.4.3.1 Analysis of the Validity of the General Model of Trust Building in Different Countries

To test the propositions and hypotheses regarding the trust model developed in *Section 4.1*, I start with an analysis of the validity of the trust model across the different cultural groups. To test the validity of the proposed model of trust building across cultures, I first assess whether the structural model fits the entire sample. The model fit is good: $\chi^2 = 1024.86$, df = 125, p < .001, χ^2/df = 8.20, GFI = .94, AGFI = .92, NFI = .95, CFI = .96, and RMSEA = .06. All trustworthiness beliefs have significant impacts on trust (see Table 5.23). The model accounts for 70% of variance in trust. The predictor with the strongest impact on overall trust is integrity (stand. $\beta = .38$, p < .001). Predictability (stand. $\beta = .30$, p < .001), benevolence (stand. $\beta = .18$, p < .001), and ability (stand. $\beta = .13$, p < .001) have somewhat lesser effects on trust.

The results of a multigroup analysis show that the model further accounts for a large proportion of variance in trust in all countries, in support of my research proposition regarding the universal applicability of the model. The explained variance ranges between 62% (Thailand) and 87% (the Netherlands). The impact of trustworthiness beliefs on trust, however, differs considerably across countries, and each trustworthiness belief has a nonsignificant effect in at least one country. Ability is a strong and significant predictor in Poland (stand. $\beta = .29$, p < .01) and the Netherlands (stand. $\beta = .28$, p < .001), but it is very low and insignificant in Russia (stand. $\beta = .06$, n.s.) and Thailand (stand. $\beta =$

.08, n.s.). The benevolence of the service provider is highly relevant in Australia (stand. β = .32, p < .01) and important in the Netherlands (stand. β = .23, p < .05) and Mexico (stand. β = .22, p < .05). Benevolence, however, is of no importance in Hong Kong (stand. β = -.02, n.s.) or China (stand. β = .00, n.s.). The effect of integrity is particularly strong in Hong Kong (stand. β = .58, p < .001), India (stand. β = .50, p < .001), and Russia (stand. β = .50, p < .001), while it is of no or minor importance in China (stand. β = .18, n.s.) and the United States (stand. β = .18, p < .05). Predictability is the strongest predictor in China (stand. β = .70, p < .001) and also of major importance in Thailand (stand. β = .46, p < .001) and the United States (stand. β = .45, p < .001). No effect of predictability, however, emerges in India (stand. β = .17, n.s.).

Finally, the explained variance differs among countries. The model explains the highest percentage of variance in the Netherlands (87%), Hong Kong (84%), and China (82%) and somewhat less variance in Thailand (62%) and Germany (63%). A test of a model that constrains the path coefficients from trustworthiness beliefs on trust to be equal, compared with an unconstrained model, shows a significant decrease in model fit ($\Delta\chi^2$ = 84.8, Δdf = 30, p < .001). That is, the between-country differences in the effect of the trustworthiness beliefs on trust are statistically significant.

After validating the trust-building model, I test whether the overall trust measure also possesses nomological validity across cultures. The overall trust measure contains three items, including the term "trust" in the respective languages. To validate whether trust has the same meaning in the different countries, I determine whether it relates to the acceptance of vulnerability as defined by Rousseau et al. (1998). Two behavioral intentions that incorporate vulnerability are willingness to give personal information and willingness to follow advice. In addition, I analyze the relationship of the trust measure with other well-established behavioral outcomes of trust. Two customer behavioral outcomes that consistently result from trust in a service provider, according to relationship marketing research, are word-of-mouth behavior and repurchase intentions (Palmatier et al. 2006). The intercorrelations between trust and the behavioral intentions appear in Table 5.24. Overall, trust in the service provider is strongly correlated with all behavioral intentions. The strongest correlation exists between trust and word-of-mouth behavior (r = .57, p < .001) and the weakest between trust and willingness to give personal information (r = .36, p < .001). These significant positive relationships exist for

Country	AB stand. β		BEN stand. β		INT stand. β		PRD stand. β		R^2
Australia	.10		.32	**	.27	**	.32	***	.69
China	.22	*	.00		.18		.70	***	.82
Germany	.15	*	.18	**	.46	***	.16	**	.63
Hong Kong	.14		-.02		.58	***	.33	***	.84
India	.17		.17		.50	***	.17		.72
Mexico	.16	*	.22	*	.31	**	.33	***	.75
Netherlands	.28	***	.23	*	.37	***	.20	**	.87
Poland	.29	**	.09		.33	***	.28	***	.71
Russia	.06		.10		.50	***	.33	*	.76
Thailand	.08		.07		.31	***	.46	***	.62
United States	.17	*	.18	*	.18	*	.45	***	.70
Pooled Sample	.13	***	.18	***	.38	***	.30	***	.70

* $p < .05$, ** $p < .01$, *** $p < .001$; Dependent variable: Trust; AB: Ability, BEN: Benevolence, PRD: Predictability, INT: Integrity.

Table 5.23: Effects of Trustworthiness Beliefs on Trust by Country

all behavioral intentions in all countries. Major differences appear with regard to the strength of the correlations across countries. These differences, though not a topic of this study, might be of interest for further research. Overall, the results confirm that the overall trust measure possesses nomological validity across cultures.

5.4.3.2 Multilevel Analysis of the Trust-Builing Model

The hypotheses pertaining to the direct and moderating effects of culture on trust building are analyzed using hierarchical linear modeling. As already outlined, the data set entails two levels of aggregation, with 1,910 customers that are nested in 11 countries. The group size ranges from 112 in Russia to 330 in Germany, with an average of 176 per country. This large group size per country is necessary to counteract the relatively small number of groups and achieve good power (Hofman 1997).

I aggregate cultural values and satisfaction and analyze them together with the GNI/PPP

Country	Behavioral Consequences of Trust									
	GPI		FAD		WMB		RPI		
Australia	.45	***	.55	***	.62	***	.43	***	Trust
China	.20	*	.39	***	.40	***	.41	***	Trust
Germany	.46	***	.49	***	.58	***	.46	***	Trust
Hong Kong	.39	***	.40	***	.63	***	.53	***	Trust
India	.33	***	.46	***	.58	***	.54	***	Trust
Mexico	.37	***	.42	***	.58	***	.46	***	Trust
Netherlands	.46	***	.62	***	.64	***	.60	***	Trust
Poland	.17	*	.38	***	.51	***	.41	***	Trust
Russia	.50	***	.56	***	.71	***	.64	***	Trust
Thailand	.20	**	.42	***	.46	***	.48	***	Trust
United States	.25	***	.46	***	.61	***	.43	***	Trust
Pooled Sample	.36	***	.48	***	.57	***	.48	***	Trust

$* \, p < .05$, $** \, p < .01$, $*** \, p < .001$; WMB: Word-of-Mouth Behavior, RPI: Repurchase Intention, GPI: Willingness to Give Personal Information, FAD: Willingness to Follow Advice.

Table 5.24: Intercorrelations Matrix of Trust and Behavioral Consequences of Trust by Country

at the group level. The trustworthiness beliefs, overall trust measure, satisfaction, and demographics are analyzed at the individual level. Satisfaction appears at both levels to account for different aspects. Specifically, at the individual level satisfaction is a precursor of trust, whereas on the group level, it controls for between-country differences in customer orientation in banking services.

Multilevel analysis is particularly sensitive to multicollinearity. To control for this potential impact, I inspect the variance inflation factors in an ordinary least square regression of the direct effects. The highest values occur for the aggregated values of power distance (5.9) and masculinity/femininity (5.7). All individual-level predictors range between 1.1 and 2.4. Because all these values are clearly below the recommended threshold of 10 (Chin 1998), multicollinearity is not a problem.

Hierarchical linear modeling depicts the cross-level interaction effects between individual- and country-level variables. Following Raudenbush and Bryk (2002), I adopt a stepwise approach to model building. Based on the intercept-only model, I first calculated the ICC, which indicates the amount of between-group variance in trust (Bryk and Raudenbush 1992), equal to 6%. Next, to test the direct effect of the cultural values on trust, I built a model (Model A) that encompasses all control variables at both levels, the direct effect of the trustworthiness beliefs at the individual level, and the effect of the cultural values at the group level. Following Bryk and Raudenbush (1992), I group centered the individual-level variables and grand mean-centered the group-level variables. These authors further recommend not specifying all β coefficients as random, because doing so would have negative effects on model convergence and parameter estimate stability. I therefore specified only the β coefficients of the trustworthiness beliefs and satisfaction as random. The equation for Model A is:

Level 1 Model:
$$\text{MEAN } TR_{ij} = \beta_{0j} + \beta_1(AGE_{ij} - \overline{AGE}_{.j}) + \beta_2(GENDER_{ij} - \overline{GENDER}_{.j}) + \beta_3(LOR_{ij} - \overline{LOR}_{.j}) + \beta_4(FC_{ij} - \overline{FC}_{.j}) + \beta_5(SAT_j - \overline{SAT}_{.j}) + \beta_6(\text{MEAN } AB_{ij} - \text{MEAN } \overline{AB}_{.j}) + \beta_7(\text{MEAN } BEN_{ij} - \text{MEAN } \overline{AB}_{.j}) + \beta_8(\text{MEAN } INT_{ij} - \text{MEAN } \overline{INT}_{.j}) + \beta_9(\text{MEAN } PRD_{ij} - \text{MEAN } \overline{PRD}_{.j}) + r_{ij}$$

Level 2 Model:
$$\beta_{0j} = \gamma_{00} + \gamma_{01}(GNI/PPP_j - \overline{GNI/PPP}_{.j}) + \gamma_{02}(SAT_j - \overline{SAT}_{.j}) + \gamma_{03}(PD_j - \overline{PD}_{.j}) +$$

$\gamma_{04}(UA_j - \overline{UA}_{.j}) + \gamma_{05}(I/C_j - \overline{I/C}_{.j}) + \gamma_{06}(M/F_j - \overline{M/F}_{.j}) + u_{0j}$

$\beta_{1j} = \gamma_{10}$

$\beta_{2j} = \gamma_{20}$

$\beta_{3j} = \gamma_{30}$

$\beta_{4j} = \gamma_{40}$

$\beta_{5j} = \gamma_{50} + u_{5j}$

$\beta_{6j} = \gamma_{60} + u_{6j}$

$\beta_{7j} = \gamma_{70} + u_{7j}$

$\beta_{8j} = \gamma_{80} + u_{8j}$

$\beta_{9j} = \gamma_{90} + u_{9j}.$

Table B.1 displays the results. At the individual level, Model A explains 61% of the variance in trust. Of all the control variables, only satisfaction (β_5 = .112, p < .01) has a significant positive effect on trust. At the group level, the model explains 71% of trust variance. Here, GNI/PPP (γ_{01} = 1.00E+5, p < .05) and the satisfaction control variable (γ_{02} = .485, p < .01) have positive effects on trust. Satisfaction thus simultaneously has significant effects on both the individual and the group level, which provides that the aggregate satisfaction level, as a measure of the level of service development in a country, explains additional variance and justifies the inclusion of satisfaction on both levels. The results support H_1 regarding the direct effect of individualism/collectivism on trust in the service provider: People in more collectivistic cultures exhibit a significantly higher level of trust in their service provider than do people in more individualistic cultures (γ_{05} = -.524, p < .05).

To test the moderating effects of the cultural values, I build a model (Model B) that includes the hypothesized interaction terms as well as all other possible interactions of the cultural values and the trustworthiness beliefs as control variables. The equation for Model B is:

Level 1 Model:

$TR_{ij} = \beta_{0j} + \beta_1(AGE_{ij} - \overline{AGE}_{.j}) + \beta_2(GENDER_{ij} - \overline{GENDER}_{.j}) + \beta_3(LOR_{ij} - \overline{LOR}_{.j}) + \beta_4(FC_{ij} - \overline{FC}_{.j}) + \beta_5(SAT_j - \overline{SAT}_{.j}) + \beta_6(AB_{ij} - \overline{AB}_{.j}) + \beta_7(BEN_{ij} - \overline{BEN}_{.j}) + \beta_8(INT_{ij} - \overline{INT}_{.j}) + \beta_9(PRD_{ij} - \overline{PRD}_{.j}) + r_{ij}$

Level 2 Model:

$$\beta_{0j} = \gamma_{00} + \gamma_{01}(GNI/PPP_j - \overline{GNI/PPP}_{.j}) + \gamma_{02}(SAT_j - \overline{SAT}_{.j}) + \gamma_{03}(PD_j - \overline{PD}_{.j}) +$$
$$\gamma_{04}(UA_j - \overline{UA}_{.j}) + \gamma_{05}(I/C_j - \overline{I/C}_{.j}) + \gamma_{06}(M/F_j - \overline{M/F}_{.j}) + u_{0j}$$
$$\beta_{1j} = \gamma_{10}$$
$$\beta_{2j} = \gamma_{20}$$
$$\beta_{3j} = \gamma_{30}$$
$$\beta_{4j} = \gamma_{40}$$
$$\beta_{5j} = \gamma_{50} + \gamma_{51}(PD_j - \overline{PD}_{.j}) + \gamma_{52}(UA_j - \overline{UA}_{.j}) + \gamma_{53}(I/C_j - \overline{I/C}_{.j}) + \gamma_{54}(M/F_j - \overline{M/F}_{.j})$$
$$+ u_{5j}$$
$$\beta_{6j} = \gamma_{60} + \gamma_{61}(PD_j - \overline{PD}_{.j}) + \gamma_{62}(UA_j - \overline{UA}_{.j}) + \gamma_{63}(I/C_j - \overline{I/C}_{.j}) + \gamma_{64}(M/F_j - \overline{M/F}_{.j})$$
$$+ u_{6j}$$
$$\beta_{7j} = \gamma_{70} + \gamma_{71}(PD_j - \overline{PD}_{.j}) + \gamma_{72}(UA_j - \overline{UA}_{.j}) + \gamma_{73}(I/C_j - \overline{I/C}_{.j}) + \gamma_{74}(M/F_j - \overline{M/F}_{.j})$$
$$+ u_{7j}$$
$$\beta_{8j} = \gamma_{80} + \gamma_{81}(PD_j - \overline{PD}_{.j}) + \gamma_{82}(UA_j - \overline{UA}_{.j}) + \gamma_{83}(I/C_j - \overline{I/C}_{.j}) + \gamma_{84}(M/F_j - \overline{M/F}_{.j})$$
$$+ u_{8j}$$
$$\beta_{9j} = \gamma_{90} + \gamma_{91}(PD_j - \overline{PD}_{.j}) + \gamma_{92}(UA_j - \overline{UA}_{.j}) + \gamma_{93}(I/C_j - \overline{I/C}_{.j}) + \gamma_{94}(M/F_j - \overline{M/F}_{.j})$$
$$+ u_{9j}.$$

Model B depicts a major increase in explained variance at the group level by 8%. How-
ever, Model B suffers a considerable decrease in model fit (ΔDeviance = -32.31) and
offers support for none of the hypotheses. To increase model fit, I reduced the model
step by step to achieve a more parsimonious solution that fits the data better. Namely, I
omitted the moderating effect of the cultural value for each trustworthiness belief with
the lowest T-value in the given model. The explained variance remained relatively stable
in all models, but model fit increased with each reduction, as Model C and Model D in
Table B.1 in the Appendix show. After excluding all other competing effects, I reached
a solution (Model E) that offers a slightly better model fit than the reference Model A
(ΔDeviance = 0.44). The interaction effects model (Model E) explains 9% more group-
level variance than the direct effects-only model (Model A). In support of the theoretical
framework, Model E encompasses all four theoretically derived moderators, and all the
moderating effects are in the expected directions. Among these effects, I find statistical
support for H_3, H_4, and H_5. Customers in more feminine cultures build trust to a signifi-
cantly larger extent based on the perceived benevolence of their service provider than do
customers in masculine cultures (H_3). Compared with low power distance cultures, in

	Model A			Model B			Model E			Hyp.
	Coefficient	(S.E.)	T	Coefficient	(S.E.)	T	Coefficient	(S.E.)	T	
Intercept	4.959 ***	(.054)	90.43	4.959 ***	(-.040)	104.87	4.959 ***	(.047)	106.02	
Individual-Level Control Variables										
Age	-.041	(.031)	-1.33	-.043	(.031)	-1.40	-.044	(.031)	-1.41	
Gender	-.015	(.037)	-.41	-.017	(.037)	-.46	-.018	(.037)	-.48	
Length of Relationship	3.95E+4	(2.69E+4)	1.47	4.20E+4	(2.70E+4)	1.55	3.99E+4	(2.69E+4)	1.48	
Fixed Contact Person	.070	(.049)	1.43	.076	(.049)	1.55	.079	(.049)	1.61	
Satisfaction	.112 **	(.028)	3.97	.110 **	(.028)	3.91	.110 **	(.028)	3.90	
Group-Level Control Variables										
GNI/PPP	1.00E+5 *	(3.00E+5)	3.46	1.00E+5 *	(3.00E+5)	3.29	1.00E+5 *	(3.00E+5)	3.20	
Satisfaction	.485 **	(.101)	4.79	.502 **	(.105)	4.79	.510 **	(.105)	4.86	

(table continued)

	Model A Coefficient (S.E.)		T	Model B Coefficient (S.E.)		T	Model E Coefficient (S.E.)		T	Hyp.
Individual-Level Antecedents										
Ability	.108	*	3.06	.112	*	3.07	.119	**	3.32	
	(.035)			(.036)			(.031)			
Benevolence	.160	***	7.50	.154	***	6.86	.153	***	6.90	
	(.021)			(.023)			(.022)			
Integrity	.346	***	11.47	.348	***	11.08	.344	***	12.17	
	(.030)			(.031)			(.028)			
Predictability	.301	***	9.50	.300	***	9.98	.301	***	11.75	
	(.032)			(.030)			(.026)			
Group-Level Antecedents										
Power Distance	.324		1.60	-.040		-.15	.125		.57	
	(.055)			(.257)			(.221)			
Uncertainty Avoidance	.121		.70	.049		.22	-.051		-.27	
	(.172)			(.221)			(.191)			
Individualism/ Collectivism	-.524	*	-3.47	-.700	**	3.57	-.618	*	-3.20	H_1
	(.151)			(.187)			(.163)			
Masculinity/ Femininity	-1.01		-.75	.097		.56	-.010		-.07	
	(.135)			(.105)			(.145)			

(table continued)

	Model A Coefficient (S.E.)	T	Model B Coefficient (S.E.)	T	Model E Coefficient (S.E.)	T	Hyp.
Cross-Level Interactions							
Ability x Group-Level Interactions							
Power Distance			-.143 (.137)	-1.05			
Uncertainty Avoidance			.053 (.106)	.50			
Individualism/ Collectivism			.064 (.087)	.74	.102 (.067)	1.52	H_2
Masculinity/ Femininity			.089 (.090)	.99			
Benevolence x Group-Level Interactions							
Power Distance			.111 (.130)	.86			
Uncertainty Avoidance			-.062 (.099)	-.62			
Individualism/ Collectivism			.050 (.086)	.58			
Masculinity/ Femininity			-.132 (.088)	-1.51	-.080 * (.034)	-2.34	H_3

(table continued)

	Model A Coefficient (S.E.)	T	Model B Coefficient (S.E.)	T	Model E Coefficient (S.E.)	T	Hyp.
Cross-Level Interactions							
Integrity x Group-Level Interactions							
Power Distance			.349 (.031)	2.14	.140 * (.055)	2.53	H_4
Uncertainty Avoidance			-.133 (.134)	-.99			
Individualism/ Collectivism			.065 (.106)	.61			
Masculinity/ Femininity			-.121 (.110)	-1.09			
Predictability x Group-Level Interactions							
Power Distance			-.092 (.171)	-.54	.201 * (.077)	2.62	H_5
Uncertainty Avoidance			.273 (.140)	1.95			
Individualism/ Collectivism			-.041 (.111)	-.37			
Masculinity/ Femininity			.015 (.113)	.13			

(table continued)

	Model A Coefficient (S.E.)	T	Model B Coefficient (S.E.)	T	Model E Coefficient (S.E.)	T	**Hyp.**
Model Fit							
Deviance	4413.90		4446.21		4413.46		
Est. Parameters	22		22		22		
ΔDeviance (Reference Model A)			-32.31		.44		
Explained Variance							
Indiv. Level	.61		.61		.61		
Group Level	.71		.79		.80		

* p < .05, ** p < .01, *** p < .001; Dependent variable: Trust.

Table 5.25: Results of the Multilevel Analyses of Trust Building

high power distance cultures the perceived integrity of a service provider has a stronger effect on customer trust (H_4). In high uncertainty avoidance cultures, the effects of perceived service provider predictability on customer trust are stronger than they are in low uncertainty avoidance cultures (H_5). However, H_2 is not supported; the effect of service provider perceived ability is only insignificantly stronger in more individualistic cultures than in more collectivistic cultures.

5.4.4 Hypothesis Tests of the Co-Production Models

5.4.4.1 Test for Country Differences

Next, I tested the hypotheses regarding cross-cultural differences in customers' willingness to co-produce, outlined in *Section 4.2*. In a first step, I used an analysis of variance (ANOVA) to determine whether the willingness to give personal information and to follow advice differ across countries. The ANOVA results show significant differences in the willingness to provide personal information and to follow advice (see Table 5.26). The former ($s^2_{between} = 16.90$), however, varies much more strongly between countries than does the latter ($s^2_{between} = 7.30$), whereas the within-country variance is almost equal for both models ($s^2_{within} = 1.78$, $s^2_{between} = 1.71$). Customers' willingness to provide personal information is particular low in the Russian sample ($\bar{x} = 2.87$). Students in Poland ($\bar{x} = 3.30$), India ($\bar{x} = 3.33$) and China ($\bar{x} = 3.35$) exhibit a rather low willingness to give personal information. In the Netherlands ($\bar{x} = 4.03$) and Mexico ($\bar{x} = 4.00$), this willingness is relatively high.

Russia ($\bar{x} = 3.69$) and China ($\bar{x} = 3.84$) again rank as the countries with the lowest willingness to follow advice. In the Netherlands ($\bar{x} = 4.42$), the United States ($\bar{x} = 4.40$), Mexico ($\bar{x} = 4.33$), Thailand ($\bar{x} = 4.30$), and Poland ($\bar{x} = 4.28$), customers express a comparably high willingness to follow advice.

5.4.4.2 Multilevel Analysis of the Co-Production Models

The proposed direct effects of cultural values on customers' willingness to co-produce can be tested using multilevel analysis. At the group level, the model entails cultural

Country	Willingness to Give Personal Information		Willingness to Follow Advice	
	Mean	S.D.	Mean	S.D.
Australia	3.59	1.35	4.18	1.28
China	3.35	1.38	3.84	1.13
Germany	3.81	1.47	4.14	1.39
Hong Kong	3.75	1.01	4.04	1.12
India	3.33	1.30	4.07	1.48
Mexico	4.00	1.36	4.33	1.43
Netherlands	4.03	1.24	4.42	1.19
Poland	3.30	1.40	4.28	1.36
Russia	2.87	1.44	3.69	1.44
Thailand	3.70	1.16	4.30	1.32
United States	3.66	1.45	4.40	1.11
F(df 10)	9.51 ***		4.27 ***	
$s^2_{between}$	16.90		7.30	
s^2_{within}	1.78		1.71	

$* \ p < .05, ** \ p < .01, *** \ p < .001.$

Table 5.26: Country Differences in the Willingness to Give Personal Information and Willingness to Follow Advice

values, GNI/PPP, and satisfaction as a control variable for between-country differences in customer orientation in banking services. On the individual level, trust, satisfaction, and customer demographics serve as the control variables.

To inspect the potential impact of multicollinearity, I use the variance inflation factors in ordinary least square regression models. The highest variance inflation factor in both models is 6.8, and none of the values exceeds the maximum acceptable value of 10 (Chin 1998). Therefore, multicollinearity is not a serious concern.

Again, I took a stepwise approach to model building (Raudenbush and Bryk 2002). The intercept-only models built to calculate the ICCs, indicate the amount of between-group variance (Bryk and Raudenbush 1992). The ICC for willingness to give personal information is .06, which suggests sufficient between-group variance. The ICC for willingness to follow advice, however, is only .02, below the recommended level of .05 for multilevel research (van de Vijver and Poortinga 2002).

To test the direct effect of cultural values on customers' willingness to co-produce, I built two models that include the control variables on both levels, trust and satisfaction on the individual level, and cultural values on the group level. The individual-level variables are group centered, and the group-level variables are grand mean-centered (Bryk and Raudenbush 1992). I again specified the β coefficients of trust and satisfaction as random. Representative of both models, the equation for the willingness to give personal information model is as follows:

Level 1 Model:
$$GPI_{ij} = \beta_{0j} + \beta_1(AGE_{ij} - \overline{AGE}_{.j}) + \beta_2(GENDER_{ij} - \overline{GENDER}_{.j}) + \beta_3(LOR_{ij} - \overline{LOR}_{.j})$$
$$+ \beta_4(FC_{ij} - \overline{FC}_{.j}) + \beta_5(SAT_j - \overline{SAT}_{.j}) + \beta_6(TR_{ij} - \overline{TR}_{.j}) + r_{ij}$$

Level 2 Model:
$$\beta_{0j} = \gamma_{00} + \gamma_{01}(GNI/PPP_j - \overline{GNI/PPP}_{.j}) + \gamma_{02}(SAT_j - \overline{SAT}_{.j}) + \gamma_{03}(PD_j - \overline{PD}_{.j}) +$$
$$\gamma_{04}(UA_j - \overline{UA}_{.j}) + \gamma_{05}(I/C_j - \overline{I/C}_{.j}) + \gamma_{06}(M/F_j - \overline{M/F}_{.j}) + u_{0j}$$
$$\beta_{1j} = \gamma_{10}$$
$$\beta_{2j} = \gamma_{20}$$
$$\beta_{3j} = \gamma_{30}$$
$$\beta_{4j} = \gamma_{40}$$
$$\beta_{5j} = \gamma_{50} + u_{5j}$$

$\beta_{6j} = \gamma_{60} + u_{6j}$.

The results of the willingness to give personal information model appear in Table 5.27. Of the demographic variables, age ($\beta_1 = -.176$, p < .001) and gender ($\beta_2 = -.142$, p < .05) have significant effects, such that younger customers and women are more willing to give personal information. Also, customers who have a fixed contact service employee display a higher willingness to give personal information ($\beta_4 = .364$, p < .001). The customers' satisfaction with the service provider ($\beta_5 = .080$, p < .05) and in particular trust in the service provider ($\beta_6 = .306$, p < .001) have significant effects on their willingness to give personal information. On the individual level, the model explains 15% of the variance in the willingness to provide personal information. Of the group-level control variables, neither GNI/PPP nor satisfaction have a significant impact on willingness to give personal information. Furthermore, the direct effect of power distance is in the suggested direction, such that the willingness to give personal information is higher in high power distance countries, though the effect is marginally insignificant and therefore H_{6a} is not supported. The data support H_{7a}, showing that uncertainty avoidance has a negative effect on customers' willingness to provide personal information. Also H_{8a} and H_{9a} receive support. Customers in more collectivist and more feminine cultures are more willing to provide personal information. At the group level, 74% of the variance in the willingness to provide personal information is accounted for.

For willingness to follow advice, none of the hypotheses H_{6b} to H_{9b} receives support (see Table 5.27). Customers' willingness to follow advice is influenced only by individual-level control variables and is higher among those customers who have a fixed contact service employee ($\beta_4 = .183$, p < .05), who are more satisfied ($\beta_5 = .121$, p < .001), and especially who express high trust in their service provider ($\beta_6 = .417$, p < .001). The model explains 24% of the individual-level variance and 58% of the group-level variance in customers' willingness to follow advice.

5.4.5   Hypothesis Tests of the Word-of-Mouth Models

Three multilevel models test the direct effects of word of mouth and the moderating effect of uncertainty avoidance, proposed in *Section 4.3*. On the individual level, the mod-

	Model GPI			Model FAD		
	Coefficient (S.E.)		T	Coefficient (S.E.)		T
Intercept	3.581 (.058)	***	61.97	4.15 (.048)	***	86.16
Individual-Level Control Variables						
Age	-.176 (.051)	***	-3.47	-.066 (.047)		-1.40
Gender	-.142 (.061)	*	-2.33	-.003 (.057)		-.07
Length of Relationship	4.75E+4 (4.45E+4)		1.51	4.80E+4 (4.14E+4)		.12
Fixed Contact Person	.364 (.081)	***	4.50	.183 (.075)	*	2.44
Satisfaction	.080 (.028)	*	3.95	.121 (.021)	***	5.83
Trust	.306 (.038)	***	8.02	.417 (.030)	***	14.17
Group-Level Control Variables						
GNI/PPP	9.00E+5 (4.00E+5)		2.28	2.00E+6 (4.00E+6)		.53
Satisfaction	.025 (.130)		0.19	.324 (.138)		2.35
Group-Level Antecedents						
Power Distance	.585 (.261)		2.24	.025 (.285)		.09
Uncertainty Avoidance	-1.06 (.225)	**	-4.71	.025 (.248)		.10
Individualism/ Collectivism	-.603 (.195)	*	-3.09	-.331 (.215)		-1.54
Masculinity/ Femininity	-.663 (.175)	*	-3.79	-.140 (.194)		-.53
Explained Variance						
Indiv. Level	.15			.24		
Group Level	.74			.58		

* $p < .05$, ** $p < .01$, *** $p < .001$; GPI: Willingness to Give Personal Information, FAD: Willingness to Follow Advice.

Table 5.27: Results of the Multilevel Analyses on the Co-Production Models

els encompass customers' received word of mouth, as well as customer demographics as control variables. On the group level, the model comprises GNI/PPP as a control variable and uncertainty avoidance as a predictor. The dependent variables are ability, satisfaction, and trust. Ability provides a measure for customers' service quality perceptions. Group-level satisfaction with the service provider is not included as a control variable, because satisfaction is one of the dependent variables in the models. Following Bryk and Raudenbush (1992), I group centered the individual-level variables and grand mean-centered the group-level variables. In addition, the β coefficients of word of mouth were specified as random.

The test of multicollinearity with variance inflation factors in ordinary least square regression models of the direct effects shows that variance inflation factors do not exceed 1.50 in all models. Multicollinearity is not an issue (Chin 1998).

The ICCs, based on the results of the intercept-only models (Bryk and Raudenbush 1992), for ability (.13), satisfaction (.09), and trust (.06) show a considerable amount of between-group variance. Finally, the hypotheses were tested. The equation for the ability model is:

Level 1 Model:
$$AB_{ij} = \beta_{0j} + \beta_1(AGE_{ij} - \overline{AGE}_{.j}) + \beta_2(GENDER_{ij} - \overline{GENDER}_{.j}) + \beta_3(LOR_{ij} - \overline{LOR}_{.j})$$
$$+ \beta_4(FC_{ij} - \overline{FC}_{.j}) + \beta_5(WOM_j - \overline{WOM}_{.j}) + r_{ij}$$

Level 2 Model:
$$\beta_{0j} = \gamma_{00} + \gamma_{01}(GNI/PPP_j - \overline{GNI/PPP}_{.j}) + \gamma_{02}(UA_j - \overline{UA}_{.j}) + u_{0j}$$
$$\beta_{1j} = \gamma_{10}$$
$$\beta_{2j} = \gamma_{20}$$
$$\beta_{3j} = \gamma_{30}$$
$$\beta_{4j} = \gamma_{40}$$
$$\beta_{5j} = \gamma_{50} + \gamma_{51}(UA_j - \overline{UA}_{.j}) + u_{5j}.$$

The results for the final models in Table 5.28 show that a fixed contact service employee has a significant positive impact on customers' service quality perceptions ($\beta_4 = .207$, $p < .01$), satisfaction ($\beta_4 = .303$, $p < .01$), and trust in the bank ($\beta_4 = .183$, $p < .05$). Trust further is positively influenced by the length of the relationship ($\beta_3 = 9.52E+4$, $p < .001$). These results confirm H_{10}, H_{11}, and H_{13}. Received word of mouth has a

significant positive effect on customers' service quality perception ($\beta_5 = .331$, p < .001), satisfaction ($\beta_5 = .393$, p < .001), and trust ($\beta_5 = .373$, p < .001). On the individual level, the models explain 17% of the variance in the customers' service quality perceptions, 10% of the variance in satisfaction, and 10% of the variance in trust.

The models also confirm H_{13a}, H_{13b}, and H_{13c}. The effect of word of mouth on service quality perceptions is significantly stronger in high than in low uncertainty avoidance cultures ($\gamma_{50} = .115$, p < .01). In such high uncertainty avoidance cultures, word of mouth has a significantly stronger effect on customer satisfaction ($\gamma_{50} = .140$, p < .05) and customer trust ($\gamma_{50} = .152$, p < .05) compared with the effects in low uncertainty avoidance cultures. The model accounts for 13% of the group-level variance in customers' service quality perceptions, 1% of the group-level variance in customer satisfaction, and 10% of the group-level variance in customer trust. In a final step, I tested alternative models with moderating effects of power distance, individualism/collectivism, and masculinity/femininity, which appear in Tables C.1, C.2, and C.3 in the Appendix. None of the alternative models indicates a significant moderating effect.

5.4.6 Comparison of the Primary Cultural Values with the Hofstede Country Scores

In marketing research, culture often is operationalized with secondary data, mostly Hofstede's country scores. As outlined in *Section 3.2*, this extrapolation from one entity to another implies the potential for serious measurement error (Lenartowicz and Roth 1999). Hofstede (2001) claims to have measured fundamental differences in values between countries, yet he also remarks that within countries, major value differences can exist. Several studies confirm this notion (Naumov and Puffer 2000; Koch and Koch 2007). To avoid measurement error, Lenartowicz and Roth (1999) recommend using either a sufficiently large and randomized sample or making sure that the sample characteristics are congruent with the benchmark. This approach often is not applicable in marketing research though, because the sample often is determined by the research question. The sample should be representative for a particular industry or target group, which makes it unlikely that it is also representative for the population in a respective country. The potential for measurement error thus may be particularly great in interna-

	Ability		Satisfaction		Trust	
	Coefficient (S.E.)	T	Coefficient (S.E.)	T	Coefficient (S.E.)	T
Intercept	5.042 *** (.105)	48.12	7.131 *** (.129)	55.19	4.961 *** (.079)	62.96
Individual-Level Control Variables						
Age	.020 (.036)	.55	-.084 (.089)	-.94	-.066 (.040)	-1.63
Gender	.047 (.044)	1.07	-.070 (.054)	-1.28	-.059 (.049)	-1.21
Length of Relationship	4.06E+4 (4.09E+4)	.99	3.81E+4 (5.82E+4)	.66	9.52E+4 *** (2.51E+4)	3.79
Fixed Contact Person	.207 ** (.078)	2.67	.303 ** (.106)	2.87	.183 * (.091)	2.01
Group-Level Control Variables						
GNI/PPP	1.50E+5 (6.00E+5)	2.29	1.80E+5 (8.00E+5)	2.21	1.00E+5 (6.00E+5)	1.80

(table continued)

	Ability Coefficient (S.E.)		T	Satisfaction Coefficient (S.E.)		T	Trust Coefficient (S.E.)		T
Individual-Level Antecedents									
Received Word of Mouth	.331 (.017)	***	19.21	.393 (.025)	***	15.65	.373 (.026)	***	14.44
Group-Level Antecedents									
Uncertainty Avoidance	.325 (.188)		.17	.034 (.178)		.19	-.120 (.231)		-.52
Cross-Level Interactions									
Word of Mouth x Uncertainty Avoidance	.115 (.034)	**	3.40	.140 (.051)	*	2.71	.152 (.537)	*	2.82
Explained Variance									
Indiv. Level	.17			.10			.18		
Group Level	.13			.01			.10		

* p < .05, ** p < .01, *** p < .001.

Table 5.28: Results of the Multilevel Analyses of the Word-of-Mouth Models with Uncertainty Avoidance

tional marketing research.

In this research, I focus on the target group of students in the context of banking services. Students represent one of most homogeneous global target groups (Erdem, Swait, and Valenzuela 2006), and their cultural values may vary greatly from the cultural values identified for their respective countries. Table 5.29 displays Hofstede's country scores, together with the group mean scores of the CVSCALE identified in this study. Due to the fundamental differences between Hostede's approach in the development of the country scores and the Likert-scale measurement of the CVSCALE, I have refrained from transforming the data. To compare the values, I instead determine the intercorrelation between both approaches for each scale. The intercorrelations reveal some major differences with regard to the fit of my data with the Hofstede (2001) country scores. The cultural values of individualism/collectivism (r = .646, p < .05) and power distance (r = .636, p < .05) are highly correlated, which indicates that my data and the Hofstede (2001) scores are relatively similar. Countries scoring high according to Hofstede (2001) also tend to score high among students, as measured with the CVSCALE. Students in Australia, the United States, and the Netherlands, for example, are rather individualistic; students in Thailand and Mexico tend to be rather collectivistic. Both trends correspond to the country characterization by Hofstede (2001). Chinese students, however, should be low in individualism according to Hofstede (2001), but this study indicates they appear in the medium range compared with students from other countries. This study finds that power distance is low in the United States, Australia, the Netherlands, and Germany but high in Russia, Thailand, and Hong Kong, which corresponds to the Hofstede (2001) scores for these countries. Differences emerge though with regard to India, Mexico, and China, which previously were characterized as high power distance cultures (Hofstede 2001), though the students in this study score comparably lower in power distance. The scores for power distance and individualism/collectivism obtained for the students in this study not only correlate with the Hofstede (2001) scores but also back the theoretically derived hypotheses, which can be considered as a validation of the aggregated CVSCALE data.

Yet major differences exist for masculinity/femininity (r = -.240) and uncertainty avoidance (r = -.095); they are not significantly correlated and even have negative algebraic signs. The Russian students, for example, score highest in masculinity, though Russia

has been characterized by Hofstede as rather feminine. Students in the United States and Australia, which both are characterized as highly masculine (Hofstede 2001), are rather feminine according to my data. Also uncertainty avoidance shows major reversed effects. According to Hofstede (2001), Germany and Poland are high in uncertainty avoidance and the United States, Australia, and India fall in a medium to lower range. The results of this study clearly show contrary effects: Students in Germany and Poland have a low to medium uncertainty avoidance compared with the students in other countries, whereas Indian, U.S., and Australian students score comparably high.

The differences between the Hofstede (2001) scores and the primary data obtained with the CVSCALE raise the question of whether the data actually differ due to sample differences or developments over time, or whether these scales actually measure different constructs and should not be compared at all. The latter would challenge the validity of the CVSCALE, which is designed to assess Hofstede's cultural dimensions. The finding that the CVSCALE data for uncertainty avoidance and masculinity/femininity largely support my hypothesis in all three research models can be considered a nomological validation of the scores obtained from these students. I therefore conclude that the target group of students actually differs from the Hofstedian expected scores with regard to their uncertainty avoidance and masculinity/femininity.

Country	PD		UA		I/C		M/F	
	Own Data	Hofstede[a]	Own Data	Hofstede[a]	Own Data[b]	Hofstede[a]	Own Data[c]	Hofstede[a]
Australia	2.57	36	5.01	51	2.99	90	2.49	61
China	2.83	80	4.84	30	2.49	20	3.76	66
Germany	2.64	35	4.24	65	2.40	67	3.70	66
Hong Kong	3.40	68	4.76	29	2.47	25	4.13	57
India	2.98	77	5.16	40	2.16	48	3.42	56
Mexico	2.63	81	4.84	82	2.18	30	2.79	69
Netherlands	2.65	38	4.44	53	2.76	80	3.08	14
Poland	2.70	68	4.80	93	2.86	60	3.64	64
Russia	3.89	93	4.97	95	2.70	39	4.66	36
Thailand	3.31	64	4.89	64	2.24	20	3.94	34
United States	2.50	40	5.11	46	2.69	91	2.88	62
Correlation	.636*		-.095		.646*		-.240	

* p < .05, ** p < .01, *** p < .001; PD: Power Distance, UA: Uncertainty Avoidance, I/C: Individualism/Collectivism, M/F: Masculinity/Femininity, SAT: Satisfaction; [a] (Hofstede 2001); [b] Reversed coding of the CVSCALE to display level of Individualism; [c] According to Hofstede (2001) the responses of men and women usually differ on the masculinity/femininity dimension. Because the samples from the different countries entail significant differences in gender distribution, I have controlled for these differences when calculating the country means.

Table 5.29: Comparison of Primary Data on Cultural Values with Secondary Data by Hofstede

Chapter 6

Discussion of the Empirical Findings

6.1 Cross-Cultural Differences in Trust

6.1.1 Theoretical and Managerial Implications

The results of this study contribute to cross-cultural trust research and are noteworthy and relevant to service marketing research in at least three ways. First, I show that my proposed model of trust formation in services is valid across a broad range of countries. The model offers a very good overall fit, and the measures of the trustworthiness beliefs and trust are at least partially invariant across cultures, in support of prior cross-cultural trust research (Branzei, Vertinsky, and Camp 2007; Huff and Kelley 2003; Wasti et al. 2007). The variance of trust explained by my model ranges between 62% and 87% across cultures. The overall variance explained is 70%, consistent with other findings pertaining to customer trust in service providers (Sirdeshmukh, Singh, and Sabol 2002). The high intercorrelations of the overall trust measures with several relevant behavioral intentions in all countries further support the nomological validity of the measure. Therefore, the trustworthiness beliefs identified in a Western context appear valid across culturally diverse countries. Based on these findings, I help allay the concern raised by Noorderhaven (1999) about the transferability of the trust construct and argue that trust is a fairly consistent construct and that established conceptualizations of trust are valid across cultures.

Second, I show that customers in different countries experience different levels of trust in their service provider. These trust levels depend on the cultural value of individualism/collectivism, such that customers in more collectivist cultures exhibit higher levels of trust in service providers. This finding supports my notion that in relational service exchanges, collectivists consider their service provider part of their in-group. No other cultural value influences the level of trust. Huff and Kelley (2003), in an organizational context, also test the hypothesis that people in collectivist cultures exhibit greater internal trust than do people in individualist cultures. However, their data fail to support this hypothesis.

An explanation for this finding may derive from the level of analysis. Huff and Kelley (2003) operationalize internal trust as trust in members of their own organization, which should be too large for detecting in-group effects, because not everybody in the organization necessarily forms part of the personal in-group. In contrast, I use a service provider, which customers have chosen themselves and with which they are familiar, as a reference point and find support for the effect of individualism/collectivism on trust.

Third, my results show that the different trustworthiness beliefs leading to the development of trust differ significantly in relevance between countries. The results further show that this varying relevance is associated with differences in the cultural values of the target group. Customer trust in individualist cultures tends to depend more on the perceived ability of the service provider than is the case in collectivist cultures. However, in the current study, the effect is not significant, which might reflect the comparably low between-group variance in both the effect of ability on trust and individualism/collectivism. Research with target groups that are more diverse in these respects should be conducted to retest this assumption. Benevolent behavior by the service provider has a significantly stronger impact on customer trust in feminine cultures than in masculine cultures. Predictability also has a stronger effect in high than it has in low uncertainty avoidance cultures. These findings provide empirical support for conceptual propositions by Doney, Cannon, and Mullen (1998). In addition, I show, for the case of professional services, that in high power distance cultures, integrity has a stronger effect on customer trust than it has in low power distance cultures. Yet this effect should be valid only when the service provider is in a more powerful position than the customer. In

situations in which the customer is in a more powerful situation, such as consumers of luxury hotels, this effect should disappear. Research shows that powerful customers in high power distance cultures place a high emphasis on reliability (Raajpoot 2004). Due to their lower status, service providers are required to provide excellent service (Mattila 1999b) and should not be motivated to act opportunistically toward their customers. The integrity of a service provider therefore should be a less important antecedent of trust for powerful customers in high power distance cultures. Further research should test this assumption.

Overall, my results contradict the theoretical assumption by Doney, Cannon, and Mullen (1998) that each cultural value moderates all trust-building processes. Instead, I find general empirical support for my hypotheses that the antecedents of trust are moderated only by the cultural value with which they share the strongest conceptual link. These findings support the concerns expressed by Noorderhaven (1999) regarding possible conflicting moderating effects of different cultural values.

With regard to the development of customer trust, I confirm the notion that "as cultures differ in their values systems, evaluations of marketing communications will differ" (McCort and Malhotra 1993, p. 113). The effects of culture I report can even be considered moderate compared with the effects of other target groups. I intentionally focus on the homogeneous target group of business students to demonstrate the direct and moderating effects of cultural values across countries. Testing cultural differences with students is a conservative proceeding, because they represent one of the most homogeneous global target groups (Erdem, Swait, and Valenzuela 2006). Cultural differences and their consequences thus should be even greater in more diverse target groups, such as the elderly or less educated people. The validity of my results therefore appears strong. Moreover, the results likely apply to differences in the cultural values of different target groups within a country and may provide important criteria for customer segmentation in service marketing. Finally, despite an investigation solely in the context of banking, my hypotheses are on the level of basal cognitive processes and thus should have broader implications for trust research and transfer well to other service contexts.

For marketing managers of global service firms, the results of this study have several

noteworthy implications. My findings show that the ability, benevolence, integrity, and predictability of professional service providers represent relevant drivers of trust across countries with different cultural backgrounds. When planning marketing activities, managers should take these aspects into account to cover all facets of trustworthiness. The relative importance of these attributes for customer trust, however, varies considerably, depending on the cultural values of the given target group. Marketing managers might consider adjusting the emphasis they place on each of these attributes in their marketing activities, according to the specific value system of their target group. Such differences might occur when targeting customers in different countries or different cultural milieus within a country, such as Hispanic and African American consumers in the United States.

Furthermore, the general level of customer trust in the service provider differs according to the cultural values of the given target group. Service providers therefore may need to work harder to achieve the same level of trust in foreign countries that they enjoy in their home country, a point they should consider in determining their allocation of resources. When benchmarking customer trust across countries or cultural milieus, firms also should take into account that customers' propensity to trust their service provider might differ. As I mentioned previously, the identified processes are on a very basal cognitive level and likely transfer to other professional services, such as business consulting, legal, or medical services.

6.1.2   Limitations and Directions for Further Research

Several limitations of this study suggest avenues for further research. First, my research setting is a cross-sectional analysis of existing relationships. The results pertaining to the moderating effects of cultural values on the antecedents of trust should transfer to the decision-making processes involved in choosing a new service provider, but this assumption clearly requires further analysis, with special attention to the choice process in these collectivist cultures. Collectivists exhibit more trust in their service provider, but as prior research indicates, the threshold for gaining trust is probably higher in collectivist cultures (Yamagishi, Cook, and Watabe 1998; Yamagishi and Yamagishi 1994). Longitudinal studies therefore should test this assumption to clarify how this thresh-

old might be mastered and how a service provider can become part of the customers' in-group.

Second, I investigate the development of trust at the firm level, yet research findings show differences in trust in service firms and in front-line employees (Doney and Cannon 1997; Sirdeshmukh, Singh, and Sabol 2002). Because I focus on trust in service firms, additional research should analyze whether the results generalize to trust in front-line employees. Third, I focus on a homogeneous target group in the specific service industry of banking. Although the results likely generalize to other professional services, research should investigate this claim. Fourth, additional research might investigate whether other cultural values or models have explanatory value for trust building. It might be of interest, for example, to take a closer look at individualism/collectivism and include the horizontal versus vertical dimensions introduced by Triandis and Gelfand (1998).

Research should also analyze how beliefs about the trustworthiness of service providers form in different cultures. Prior research highlights the importance of quality signals for the development of trustworthiness beliefs in service firms (San Martín and Camarero 2005). Initial evidence in an organizational context suggests however exists that signals that shape the attributions of trustworthiness differ according to cultural values (Branzei, Vertinsky, and Camp 2007). Finally, research is needed to understand whether the cultural differences I find in terms of the development and levels of trust also pertain to the consequences of trust.

6.2 Cross-Cultural Differences in Customers' Willingness to Co-Produce

6.2.1 Theoretical and Managerial Implications

The results of this study reveal considerable country differences in the customers' motivation to co-produce professional services. At the same time, I find considerably stronger country differences in customers' willingness to give personal information

than in their willingness to follow advice. The former type of willingness seems more culture-bound than the latter. The significantly stronger effects of cultural values on customers' willingness to give personal information than on their willingness to follow advice support this notion.

I find support for most of my hypotheses regarding customers' willingness to give personal information. In line with my hypotheses, individual customers' willingness to provide information is higher in low uncertainty avoidance cultures, more collectivist cultures, and more feminine cultures. The effect of power distance is not significant, though it is in the predicted direction. On the group level, the model explains 74% of the variance in customers' willingness to provide personal information. Because none of the group-level control variables has a significant effect, this large amount of variance stresses the strong influence of cultural values on the willingness to provide personal information.

On the individual level, the model explains only 15% of the variance in customers' willingness to give personal information. Customer satisfaction and trust in the service provider have significant effects on customers' information provision. The existence of a particular service employee that is accountable for the customer also has a positive effect. Nevertheless, there must be additional factors that explain customers' willingness to provide information, including, perhaps, personal dispositions and characteristics that influence the willingness to provide personal information. The effect of age and gender on the willingness to provide information indicates the relevance of some very fundamental characteristics. There also might be more concrete beliefs about the service provider that extend beyond the general level of trust and satisfaction and that affect customers' information provision. These beliefs might include, for example, ideas about data security and its accessibility for third parties, such as the government.

The importance of data security issues and consumer concerns about the safety of their personal information receives support from the finding that the cultural value with the strongest effect on the willingness to provide information is uncertainty avoidance. People in high uncertainty avoidance cultures have a generally higher level of anxiety, feel threatened by unknown situations, and are therefore more reluctant to provide information. This sense should be particularly pronounced in situations in which they are

uncertain of what is being done with their information. Data privacy concerns might also play a role in the effect of individualism/collectivism on the willingness to provide personal information. Collectivists have a greater willingness to contribute personal information than do individualists, perhaps because of the higher value that individualists place on privacy. Collectivists also tend to have lower privacy concerns and accept that institutions or organizations intrude on their private lives. In addition, collectivists interact in a more interdependent and cooperative way than do individualists, which makes them more prone to engage in co-production behavior.

The cultural value of masculinity/femininity reflects the supportive attitude among customers. Customers in more feminine cultures express a considerably higher willingness to disclose personal information than do customers in more masculine cultures, which reflects the norms for solidarity, service, and cooperation that prevail in more feminine cultures and that have behavioral consequences. Customers in feminine and masculine cultures obviously differ in their role expectations for the service provision process. Customers in feminine cultures are more willing to participate in the service production process and cooperate with the service provider, whereas those in masculine cultures assign the active role in the provision process primarily to the service provider. As a consequence, they are less willing to contribute to the process.

None of the cultural values has a significant impact on customers' willingness to follow advice, so none of the hypotheses are supported. The reason predominantly emerges from the low between-country variance in customers' willingness to follow advice. Although the analysis of variance provides some evidence of significant differences between countries, the low ICC of .02 reveals that the amount of between-country variance is too low for multilevel analysis (van de Vijver and Poortinga 2002).

Accordingly, individual-level antecedents play a much stronger role in customers' willingness to follow advice than they do for the willingness to provide information. Specifically, 25% of the variance is accounted for on the individual level. Satisfaction with the service provider has a significant impact on the willingness to follow advice. Even stronger, however, are the effects of a fixed or constant contact service employee and overall trust in the service provider. Again, further antecedents should be identified to explain the customers' willingness to follow advice.

The minor relevance of culture becomes clearer in the group-level analysis. The model explains 58% of the group-level variance, yet only the development of the service industry has a marginal impact on customers' willingness to follow advice.

The differential effects of culture on customers' willingness to provide information and follow advice show that the effect of culture on customer motivation to co-produce is highly task contingent. Even in the rather narrow setting of financial consulting, two closely related customer behaviors have different levels of culture sensitivity.

A comparison of the results of this study with a study by Youngdahl et al. (2003) further indicates that the effect of culture might be contingent on the specific service context. These authors find no impact of culture on customers' motivation to participate in service encounters, operationalized by different satisfaction-seeking customer behaviors. Among these behaviors, they assess customers' engagement in information exchange, which relates closely to the willingness to provide personal information. Youngdahl et al. (2003) find no impact of culture on these behaviors, which might be because they do not use a specific service as a context for their research. That is, their subjects were free to think of any service when answering the survey. But customer co-production behavior varies considerably across services (Auh et al. 2007), and these differences should influence the effect of culture. Taken together, the findings of this study confirm an impact of culture on customers' willingness to co-produce. This effect, however, cannot be generalized across different customer tasks or services.

For marketing managers of global service providers, the findings demonstrate the significant challenge of cross-cultural differences they face with regard to customers' willingness to co-produce. These findings again emphasize that marketing managers have to take cross-cultural differences into account if they hope to market their services successfully to international customers (de Ruyter, van Birgelen, and Wetzels 1998). There is neither a general willingness to co-produce nor a general effect of culture on the willingness of customers to participate in the service production process. Marketing managers therefore have to analyze carefully which aspects of the service that demand customer integration also vary according to the cultural values of a given country, as well as which aspects may be less affected. If cross-cultural differences exist, managers need to develop strategies for dealing with these differences.

One possible means for dealing with differences in the motivation to co-produce would be a higher standardization of service offerings in countries with a lower willingness to co-produce. In the case of financial services, this standardization might take the form of tailoring financial products to broadly defined target groups in the respective country, identified on the basis of key data that are available from all customers.

Another way would be to increase customers' willingness to co-produce. Measures to achieve this aim could be derived from the cultural values of the target group in a given country. The cultural value that has the strongest impact on customers' willingness to provide personal information is uncertainty avoidance. People in high uncertainty avoidance cultures are hesitant to provide personal information, because they feel uneasy about the consequences of their behavior. Managers of global service providers therefore should assure customers in these cultures that their information is processed confidentially and is protected by rules and regulations, perhaps by offering high transparency in the processing of the data, guarantees, and trust seals.

Another cultural value that influences customers' willingness to provide personal information is masculinity/femininity. Those in feminine cultures accept more active roles in the service provision process, but customers in more masculine cultures expect to be served by the provider and prefer to remain passive. Global providers of professional services should address these different role expectations by stressing benefits of co-production that match the values of masculine cultures. For example, they could highlight individual achievement by stressing the importance of the customers' competence. Appealing to their achievement motive, service firms could point out that a higher customer contribution would lead to better results than other customers could achieve.

Finally, customers' willingness to provide personal information depends on the level of individualism/collectivism in a given culture. Customers in individualist cultures are less prone to provide personal information than are customers in collectivist cultures. People in individualist cultures have a higher sense of privacy; again then, marketing managers should address their privacy concerns. More important, service providers ought to highlight the benefits and importance of the customers' involvement in the consulting process.

6.2.2   Limitations and Directions for Further Research

Some limitations of this study in this context again imply directions for further research. First, the results of my study demonstrate that customers' willingness to engage in co-production of services is a complex phenomenon. The moderate amount of individual-level variance explained indicates that there are additional factors that influence customers' motivation to provide information and follow advice; these factors need to be subjected to further research. On the group level, other factors might have an impact on customers' co-production behavior but have not been addressed in this study. Among the four countries with the lowest willingness to co-produce, three of them have a prior or persistent communist government. People in these countries might refuse to disclose personal information or reject the idea of following advice for reasons that cannot be explained by the control variables commonly applied in marketing research.

Second, the context of this study is financial services. The comparison of my findings with other research (Auh et al. 2007; Youngdahl et al. 2003) indicates that the effect of cultural values on customer co-production behavior differs across services. Although I argue that the results also should apply to a wider variety of professional consulting services, further research is needed to test this assumption.

Third, I focus on the consulting aspect of financial service, for which customers co-produce by providing personal information or following advice. Additional research is necessary to understand the role of culture in the willingness of customers to take an even more active part in the service provision, such as in self-services.

6.3   Cross-Cultural Differences in the Effect of Word of Mouth

6.3.1   Theoretical and Managerial Implications

The study of cross-cultural differences in the effect of word of mouth makes at least three contributions to marketing theory and practice. First, it shows that word of mouth

has a strong positive effect on different aspects of the evaluation of B2C service providers. The positive effect of word of mouth on customer satisfaction and service quality perceptions in a professional service setting contributes to prior research on interpersonal influences on customer evaluations (Bone 1995; Burzynski and Bayer 1977). Moreover, the finding that word of mouth influences customer trust in a service provider extends prior findings on the importance of firm reputation that focus on a B2B context (Doney and Cannon 1997), as well as findings from an e-commerce context (Kim and Prabhakar 2004).

Second, my results show that the effect of word of mouth is also valid in ongoing service relationships. Even when customers have their own extensive experiences, word of mouth has a significant impact on their evaluation of their service provider. The explained variance on the individual level, however, is relatively low. The model still explains 17% of the variance in the service quality perceptions, 10% in satisfaction and 18% in trust. These findings extend prior word-of-mouth research, which was primarily directed at the purchase decision process (Murray 1991) and the behavioral effects of word of mouth in ongoing service relationships (v. Wangenheim and Bayón 2004). Although the results of this study emerge from a contractual setting, they should be valid in non-contractual service relationships as well.

Third, I show differences in the effect of word of mouth across cultures. In line with my hypotheses, these differences can be explained by the uncertainty avoidance of the given target groups. Word of mouth has a significantly stronger effect on customer satisfaction, service quality perceptions, and customer trust in high uncertainty avoidance cultures than in low uncertainty avoidance cultures. This effect appears consistent across different customer evaluations, which suggests that it has extensive validity for customer perceptions in general. The explained group-level variance is rather low. The model explains 13% of the variance in service quality perceptions, 1% in satisfaction, and 10% in trust. Yet the models are interaction effects models, and interaction effects usually do not increase explained variance. Rather, their focus is to help understand relationships, not to better predict the dependent variable (Aiken and West 1991; Jones and Reynolds 2006).

Fourth, I extend prior research on the relevance of word of mouth by testing the mod-

erating effect of uncertainty avoidance compared with other cultural values that may moderate the influence of word of mouth. Repeated arguments claim that word-of-mouth behavior is more prevalent and therefore should be more effective in collectivist societies than in individualist societies (Dwyer, Mesak, and Hsu 2005; Fong and Burton 2008; Ndubisi 2004). The results of this study do not support this view. Also, the reported effect of power distance on the relevance of word of mouth (Dawar, Parker, and Price 1996) does not receive support, nor does masculinity/femininity have a moderating effect. My results show that only the cultural value of uncertainty avoidance moderates the customers' consideration of word of mouth. As already discussed in *Section 4.3*, prior studies have been either conceptual or qualitative contributions, and the quantitative studies were predominantly two-country studies using secondary data about cultural values. Some findings were based solely on correlation analysis. To my knowledge, this study is the first analysis using multilevel statistics and primary data pertaining to the cultural values of customers in a larger number of countries.

Customer referrals are an established tool for customer acquisition. The findings show that it also has strong effects on customer evaluations in ongoing service relationships. Word of mouth influences customer relational satisfaction, service quality perceptions, and trust in the service provider, and it is therefore an important tool marketing managers can use to increase customer retention (Money 2004; v. Wangenheim and Bayón 2004). This benefit should be of particular importance in non-contractual settings, in which service firms largely depend on relationship building for their customer retention.

The findings of the present study also show substantial differences in the effectiveness of word of mouth across countries. Service marketing managers need to take this difference into account when planning their marketing strategy across different cultures in an attempt to allocate their resources most effectively. Marketing activities should be targeted at fostering word-of-mouth communication among existing customers in high uncertainty avoidance cultures, where word of mouth is especially influential. In such cultures, word of mouth also should be a particularly effective tool for customer acquisition, and marketing managers should install and respective reward programs. In low uncertainty avoidance cultures though, word of mouth is a less effective tool, and service managers instead should invest in service quality and direct communication with their customers. Programs directed at new customer acquisition might focus on giving

the potential customers the opportunity to experience the service, such as through free trials.

Although my findings have been obtained in a cross-cultural setting, they should apply to differences in the cultural values of different target groups within a single country. Customers from different societal milieus may differ strongly in their cultural values, so service managers should analyze the value system of their target group to determine the extent to which their service evaluation will be affected by word of mouth.

6.3.2 Limitations and Directions for Further Research

The results of this study again highlight the importance of considering cross-cultural differences in customer decision-making (McCort and Malhotra 1993). However, some limitations need to be mentioned and open avenues for further research. First, I used a cross-sectional design to analyze service relationships, which does not allow for an investigation of the development of customers' evaluations of their service provider. Furthermore, longitudinal analyses are needed to understand the dynamics of information acquisition and evaluation processes of service customers over time.

Second, this study does not include information about exactly when, how, and by whom the subjects received their word of mouth. Additional research should assess these processes in more detail to help clarify the most common and most effective methods for word-of-mouth referrals in service relationships. These factors might differ across cultures. Research findings indicate that in collectivist countries, word of mouth by people from the in-group will be particularly effective (Money, Gilly, and Graham 1998).

Third, my study focuses on the target group of business students in the specific service industry of banking. The hypotheses pertain to a very basal level and should generalize to other target groups and marketing contexts, but research needs to test this claim.

Furthermore, research should attempt to analyze cross-cultural differences in customers' motivation to engage in word-of-mouth behavior and the various drivers of referral behavior across cultures. In an increasingly global service industry, these results may provide service managers with greater knowledge that will enable them to optimize their

relationship marketing tools to appeal to the cultural values of their respective target groups when exporting their services.

6.4   Culture Assessment in Cross-Cultural Marketing Research

With regard to assessments of culture, my findings show that despite the widespread criticisms (McSweeney 2002; Oyserman, Coon, and Kemmelmeier 2002), Hofstede's cultural dimensions have proven valuable for cross-cultural service marketing research. The hypotheses in this thesis based on Hofstede's cultural dimensions framework generally are supported by the data. Unsupported effects can be explained largely by a lack of between-country variance.

The operationalization of cultural values in this thesis relies on the definition of culture as a group-level phenomenon (Hill 1997; Hofstede 2001; Lenartowicz and Roth 1999). According to the definition of culture as the "collective programming of the mind" (Hofstede 1980, p. 21), it involves shared norms and values among the members of a particluar group of people that differentiate them from other groups. Following Lenartowicz and Roth (1999), I have analyzed the effect of culture on consumer behavior by first grouping the subjects according to their country, then assessing their shared cultural values according to the respective group mean. The results of my analyses confirm that the CVSCALE reliably measures cultural values on an aggregated level. The CVSCALE already has been applied successfully to consumer-level, culture-centric segmentation (Donthu and Yoo 1998; Patterson, Cowley, and Prasongsukarn 2006). Yoo, Donthu, and Lenartowicz (2001) argue that it also can be applied for country-centric aggregation level; to my knowledge, this study is the first to test and support this claim. However, this study also confirms weaknesses in the reliability of the power distance scale, as were reported previously (Patterson, Cowley, and Prasongsukarn 2006; Yoo, Donthu, and Lenartowicz 2001). Revisions of the CVSCALE therefore should aim particularly to improve the reliability of the power distance scale.

My findings indicate that primary data about cultural dimensions should be used in

cross-cultural marketing research. Marketing research usually centers on particular target groups to be addressed, but these target groups are not necessarily representative of the population of a given country (McCort and Malhotra 1993). This distinction implies the potential for measurement error, when using secondary data (Lenartowicz and Roth 1999). Accordingly, a correlational analysis between the primary cultural values of the target group of students in this study and Hofstede's country scores disclosed some major differences with regard to uncertainty avoidance and masculinity/femininity. These major discrepancies demonstrate that the specific target group of students does not necessarily share the cultural values identified by Hofstede for characterizing their countries. Reasons for these discrepancies might be found in the different values of students, which may change as they get older and enter the workforce. These differences further could reflect actual changes in the values of the respective countries. Regional differences also might play a role, in that I predominantly assessed the values in only one major university for each country.

The comparison of the Hofstedian country scores and my data also reveals some congruencies. The cultural values of power distance and individualism/collectivism are strongly correlated, showing that the target group of students does not differ much from the country scores suggested by Hofstede (2001). These values are relatively prevalent in the given countries and stable over time. The crucial point for marketing research and practice, however, is that the cultural values of a given target group *can* differ tremendously from those indicated by secondary data. Secondary data sources are not suitable for reliably predicting the behavior and cognitions of a given target group. Instead, primary data are needed to characterize the cultural values of a specific target group.

Taken together, my findings support the notion that "to market services effectively to international consumers, service providers must have a thorough knowledge of their target groups" (de Ruyter, van Birgelen, and Wetzels 1998, p. 189). Even among the target group of students, considered to be one of the most internationalized target groups, cultural differences exist. As mentioned previously, these differences should be even stronger in culturally more diverse target groups, such as the elderly or less educated people. Depending on the target group, the cultural values may differ considerably from the overall cultural values of a country that are communicated by secondary sources. For marketing managers, my results imply that to capture these differences effectively

and successfully apply them to the design of marketing activities, they must collect data about the individual cultural values of their specific target group in a given country.

Chapter 7

General Reflections and Directions for Future Research

7.1   Summary of Major Findings

Services have become increasingly international in recent decades. Due to reduced trade barriers and developments in information and communication technology, more and more service providers go international and provide their services to consumers in different countries (WTO 2006; 2008). The next century is predicted to be the "century of international services" (Clark and Rajaratnam 1999). At the end of the last century, Knight (1999) still considered international service marketing an upcoming and developing field. However, the literature review at the beginning of this thesis shows that ten years later, the field has developed, and several studies have contributed to a better understanding of cross-cultural differences in the cognitions and behavior of service customers. An analysis of cross-cultural service research also reveals though that academia still lags behind the quick and versatile internationalization process of services, leaving major research gaps that offer various avenues for research.

In addition, the literature review reveals that the development of the field resembles, in a sense, the steps a service provider takes when going international. In the early phase of the field, international service marketing research primarily dealt with the internation-

alization of service firms and market entry strategies. After a while, the focus shifted to customers. International service researchers also started to deal with the challenges service firms likely experience after entering a foreign market. Due to their high degree of customer integration in the production process, services are particularly susceptible to the impact of culture (Javalgi and Martin 2007). Dealing with customers of different cultural backgrounds is challenging and likely impedes the standardization of services across different cultures (Samiee 1999). Instead, localized solutions that consider local customer characteristics and might require adaptations of service strategy and design are needed.

An early stream of research addressed different customer expectations and evaluations of service, mainly using the SERVQUAL framework. These studies helped marketing academics and practitioners understand what customers expected from a service provider in a given culture and how this expectation related to their service evaluations. Both might differ dramatically from what the service providers have come to expect in their home country. Zhang, Beatty, and Walsh (2008) provide a very good overview of this research. Building on their work, I have reanalyzed the latest developments in the field and show that service researchers have increasingly shifted their attention toward relationship marketing topics. Speaking in the terminology of the different steps in the internationalization process, they have turned to the challenges of service firms to build and maintain successful and lasting relationships with their customers. Thus far, researchers have focused predominantly on complaint handling, leaving a lot of blank spots on the map of international service marketing research.

The aim of the empirical part of this research has been to address some of these blank spots that have particular relevance for international service marketing theory and practice, namely: (1) the establishment of trusting customer relationships (Berry 1995; Morgan and Hunt 1994), (2) customer co-production (Bendapudi and Leone 2003; Lengnick-Hall 1996), and (3) the effect of word-of-mouth referrals (v. Wangenheim and Bayón 2004; 2007). I analyzed these research topics in the context of banking services, using students as a sample. The key findings of this thesis in turn can be summarized as follows:

1. *Customers in different countries can differ fundamentally in their behavior and*

cognitions that are relevant for relationship marketing in services. More specifically, my findings show that customers differ in their trust building with a service provider. Although the results support the trust building model proposed herein as valid across diverse cultures, key differences exist in the impact of the different trust drivers. The level of trust in the service provider also differs across countries. Differences appear in the customers' willingness to contribute to the service production process and with regard to the effect of word of mouth in relational service exchanges. My findings generally support the effect of word of mouth on several aspects of customers' evaluations of their service provider. The strength of this effect, however, differs considerably between customers in different countries. These results strongly speak against a standardization of services across countries. Service providers need to account for these differences when interacting with their customers, designing their services, and developing their strategies.

2. *Differences in customers' behavior and cognitions can be explained by their cultural values.* In this thesis, I have applied the cultural dimensions framework by Hofstede (1980; 2001). The four cultural values, power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity, of Hofstede's initial framework were applied to explain the differences found in customer behavior and cognitions. These cultural values allowed me to explain most of the cross-cultural differences, as proposed in my hypotheses. The cultural values affect the level and development of trust, customers' willingness to provide personal information, and the effect of word of mouth on customer evaluations of service providers.

3. *Cultural values do not affect all customer cognitions and behavior alike.* The results of the analysis of customers' willingness to co-produce reveal major differences in the impact of culture. Considerable cross-cultural differences exist in customers' willingness to provide personal information, yet no effect of culture appears in the customers' willingness to follow advice. This finding indicates no general effect on customer integration. Other facets of the service design might comparably be unaffected by culture. When designing their service and planning their international marketing strategy and activities, service providers therefore need to analyze carefully which aspects of their service they need to adjust and

which can be kept constant across cultures.

4. *Cultural values should be assessed on the target group level to be meaningful for marketing purposes*. Comparisons of the primary data on the cultural values obtained in this study with the Hofstede (2001) country scores display considerable differences. Yet the fact that the primary cultural values can be applied successfully to explain a major amount of variance between the customers in different countries supports their validity. Service providers should analyze the cultural values of their specific target group, when planning their marketing activities and not rely on general characterizations of the respective country. Otherwise, they might not be able to market their services in a way that fits the value system of the specific target group in a given country.

5. *Differences in cultural values exist even among highly educated and internationally oriented target groups*. In the current study, I focus on the target group of business students. Business students can be characterized as having a higher education level than the average population, with usually higher foreign language skills. Moreover, they likely possess a more international orientation and have had more exposure to media that communicate Western culture and values. Nonetheless, the cultural values of the business students in the current study differ significantly across countries. These differences can be expected to be even greater among less educated customer segments or among older customers who have been less exposed to similar media or Western culture.

6. *Culture is a holistic concept*. A certain cultural group is always characterized by different values that can emerge in different combinations. When comparing a larger number of cultural groups, proposing more than one moderating effect necessarily will result in conflicting effects (Noorderhaven 1999). The moderating effects of cultural values therefore should not be analyzed in isolation but instead need to be tested against competing moderating effects. For the development of trust and the moderating effect of word of mouth, I find support for this notion. Cultural values that are conceptually close to the moderated effect are confirmed as the dominant and only moderators.

7.2 Potential for Future Research

The findings of this thesis underline the challenges for service marketers in increasingly international service businesses. Considering the limited research in the field of international service marketing, there is major need and potential for additional research. In *Chapter 6*, I discussed some research avenues that relate directly to the topics of trust, customer co-production, and word of mouth. In the following, I provide a broader reflection and discuss some evolving research topics that are relevant for marketing academics and practitioners.

This thesis is focused on cross-cultural differences in customer behavior and cognitions. The research setting uses a comparison of the relationship of customers with their bank service providers in their various countries. I neither controlled for the country-of-origin effects for the bank nor assessed the nationality of the service personnel, because these details are not the research focus. It also can be assumed that the banking services would be delivered primarily by natives. As outlined in *Section 2.4*, foreign banks usually enter a market by opening subsidiaries. These asset-based international services usually employ local service employees in their branches. Future research should focus more on the interaction and cooperation of customers and service providers with a different national and/or cultural backgrounds. This important aspect of the internationalization of services has widely been neglected in marketing research. One interesting aspect in this context is the geographical and cultural distance and its effect on relationship marketing (Conway and Swift 2000). With regard to trust research, for example, it might be assumed that the perceived cultural distance between customer and service provider could represent a further relevant factor that influences trust building.

An additional question that arises in intercultural service encounters pertains to the severity of the effect of cultural distance on customer evaluations and behavior. Stauss and Mang (1999) report that customers perceive service failures in intercultural service encounters as less serious than failures in encounters with native service providers. Other researchers find that this effect can be attributed to a greater acceptance for recovery strategies in intercultural service encounters (Warden, Liu, and Huang 2003). Further research should extend this stream to clarify in which situations these effects occur and when and where the attenuating effects of cultural differences might be ob-

served. Some key factors could be the severity of a failure, the service context (e.g., leisure vs. business situation), or the length of the customer relationship.

Findings about the attenuating effects of cultural differences point to yet another question that has not been extensively addressed in international service marketing research. The results of this research strongly support the need for localized service design solutions (Samiee 1999), though I do not explicitly test this assumption, which reflects a usual procedure in international service marketing research. To my knowledge, there is no research that directly compares customer reactions to a standardized versus a localized service marketing solution. The lack of such research might be explained by the challenging research design required. Yet it would be relevant to understand the conditions in which a standardized solution might be even more successful than a localized solution, such as strengthening a positive country-of-origin effect or providing customers with a new, exotic, or authentic consumption experience.

Another aspect of intercultural service encounters that, to my knowledge, has not been considered in international service marketing research is international service teams. More and more services are being delivered by teams of experts that have diverse national and cultural backgrounds. These intercultural cooperations can be challenging, as organizational studies clearly show (Chen, Chen, and Meindl 1998; Henderson 2005). In the service context however, intercultural service teams might have positive effects on cooperations with customers in different parts of the world. To my knowledge, no research considers the effect of international service teams on customer service evaluations.

International service teams are often virtual teams, which suggests a further emerging topic in international service marketing: cross-cultural differences in the acceptance and effects of information and communications technologies (ICT) on customer relationships. Early cross-cultural research notes differences in the acceptance of self-service technologies (Nilsson 2007) and e-commerce (de la Torre and Moxon 2001; Lim, Leung, and Lee 2004) but does not fully reflect the relevance of these topics for international service marketing. More research is needed on cross-cultural differences as they pertain to the effect of technology-mediated customer contacts, such as call centers or emerging forms of technology infusion in the service process, such as remote services

(Schumann et al. 2007; Wünderlich 2007). The reduced direct contact with the service provider that follows an increase in ICT infusion could meet with lower acceptance and have detrimental effects in more collectivistic and high uncertainty avoidance cultures compared with more individualistic and low uncertainty avoidance cultures.

A long-standing debate in academia argues about the future development of the impact of culture on consumer behavior. Some authors propose convergence and homogenization due to the increased globalization of markets (Levitt 1983). Others contest this view (Kotler 1986) or even predict a diversification of markets (Sheth 1986). de Mooij (2000) finds some support for her prediction that converging incomes of customers in different countries actually lead to diverging customer behavior, because cultural values are deeply rooted in history and tradition, and an increase in prosperity simply allows people to act more in accordance with their values and express them more in their consumption behavior. The findings of this thesis similarly conflict with a conversion theory, in that even in a highly internationalized customer segment, significant differences persist.

Marketing scholars have proposed applying culture-centric market segmentation to identify segments of customers with matching cultural values across countries. This segmentation would allow service marketers to exploit economies of scale and appeal to customers in different countries with standardized marketing concepts (Furrer, Liu, and Sudharshan 2000; Yoo, Donthu, and Lenartowicz 2001). More research is needed to confirm that these segments can be addressed successfully with identical marketing measures.

Another aspect that, to my knowledge, has not been addressed in international service marketing research is the pricing of services. Communicating the value of services and setting prices remains one of the most challenging tasks for service marketing managers. For global service firms, this challenge gets further exacerbated when customers in different cultures differ in their assessments of service value. Research findings about cross-cultural differences in service expectations and evaluations indicate that service managers at least need to adapt their value propositions to their respective target countries (Zhang, Beatty, and Walsh 2008). Research should investigate whether differences in customers' service expectations and evaluations also influence their willingness to

pay or whether more general impacts of culture affect customers' price sensitivity for particular services.

A significant part of this thesis is devoted to the assessment of culture. I show that the shared cultural values of a specific target group can be applied to explain cross-cultural differences in behavior and cognitions. In this case, the unit of analysis is the country. Alternative approaches to the analysis of culture might study the effect of other levels of culture, such as micro-cultures, subcultures, or meta-cultures that are globally shared among groups of people (Steenkamp 2001). Interesting research questions to pursue might consider which levels of shared cultural values exert the strongest effect on consumer behavior. Is it the shared values of an international consumption community, such as Apple users? Or is it rather the country-specific cultural values of the members of this community? Do virtual worlds develop cultural values that exceed the effect of "real" national cultural values?

Finally, my results also demonstrate the considerable effect of the mean satisfaction in a country, which serves as a proxy for the development of the service industry. Research findings have highlighted that customers develop metacognitions about the behavior of the actors in a certain market (Arnould and Thompson 2005; Wright 2002). Additional research is needed to understand whether these metacognitions might overshadow cultural values and how they interact with each other. I believe that answering these questions will enrich the academic debate and lead to a more multi facteded understanding of culture in international service marketing research and practice.

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Appendix A

Questionnaire

Survey on banking services in the U.S.

In scope of an international research project, we survey the experiences of customers with their bank. In this context we are also interested in your general personal opinion and perception of society and banking in the U.S.

This survey should take no longer than 10 minutes. Please answer spontaneously and honestly. We are interested in your personal opinion and there are no right or wrong answers. Please answer all questions even though some question might seem quite similar to you. Your answers will be used for scientific purposes only and not be made available for third parties. The banking business does not assist in the funding of this survey.

Your experiences with your bank

In the following, you will be asked about your personal experiences with your current bank. In case you are customer of more than one bank, please think now of **the bank with which you have the most intensive contact**.

Please evaluate the following statements	strongly disagree 1	2	3	4	5	6	strongly agree 7
My bank knows how to provide excellent service.	☐	☐	☐	☐	☐	☐	☐
My bank is competent and has a lot of expertise.	☐	☐	☐	☐	☐	☐	☐
The quality of my bank`s services is very high.	☐	☐	☐	☐	☐	☐	☐
Overall my bank is an experienced financial institute.	☐	☐	☐	☐	☐	☐	☐
The intentions of my bank are benevolent.	☐	☐	☐	☐	☐	☐	☐
My bank pursues predominantly egoistic aims.	☐	☐	☐	☐	☐	☐	☐
My bank acts in my best interest.	☐	☐	☐	☐	☐	☐	☐
It is the aim of my bank to actually help me.	☐	☐	☐	☐	☐	☐	☐
The information my bank provides is reliable.	☐	☐	☐	☐	☐	☐	☐
Promises made by my bank are reliable.	☐	☐	☐	☐	☐	☐	☐
My bank keeps the promises it makes me.	☐	☐	☐	☐	☐	☐	☐
My bank is an honest financial institue.	☐	☐	☐	☐	☐	☐	☐
I know what I can expect from my bank in the future.	☐	☐	☐	☐	☐	☐	☐
I am quite certain about how my bank will act in the future.	☐	☐	☐	☐	☐	☐	☐
I do not expect surprising (positive or negative) activities of my bank.	☐	☐	☐	☐	☐	☐	☐
My bank deals with me in a predictable way.	☐	☐	☐	☐	☐	☐	☐
I have a trusting relationship with my bank.	☐	☐	☐	☐	☐	☐	☐
Even if not monitored, I trust my bank to do the job right.	☐	☐	☐	☐	☐	☐	☐
Overall I trust my bank	☐	☐	☐	☐	☐	☐	☐

Your overall satisfaction with the recent interactions with your bank....

	1	2	3	4	5	6	7	8	9	10	
very unpleasant	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	very pleasant
terrible	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	delightful
highly unsatisfactory	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	highly satisfactory

How likely are you to...

	very unlikely						very likely
	1	2	3	4	5	6	7
...use your bank for most of your future financial transactions?	☐	☐	☐	☐	☐	☐	☐
...raise your next credit at your bank?	☐	☐	☐	☐	☐	☐	☐
...do your next financial investment at your bank?	☐	☐	☐	☐	☐	☐	☐
...make use of services of your bank in the future, which you have not used yet.	☐	☐	☐	☐	☐	☐	☐
...purchase products from your bank in the future, which you are yet unfamiliar with?	☐	☐	☐	☐	☐	☐	☐

Please evaluate the following statements

	strongly disagree						strongly agree
	1	2	3	4	5	6	7
Friends of mine already have made good experiences with my bank.	☐	☐	☐	☐	☐	☐	☐
Friends of mine have recommended my bank to me.	☐	☐	☐	☐	☐	☐	☐
Friends of mine have told me positive things about my bank.	☐	☐	☐	☐	☐	☐	☐
If I had a serious financial problem, I would feel comfortable to follow my bank`s advice.	☐	☐	☐	☐	☐	☐	☐
In a difficult financial situation, I would totally rely on my bank.	☐	☐	☐	☐	☐	☐	☐
During a consultation I would talk with my bank advisor about my plans for the future.	☐	☐	☐	☐	☐	☐	☐
I would talk with my bank advisor also about my career plans.	☐	☐	☐	☐	☐	☐	☐
In the course of the consulting I would disclose even very private information to my bank.	☐	☐	☐	☐	☐	☐	☐
I would recommend my bank to someone who seeks my advice.	☐	☐	☐	☐	☐	☐	☐
I say positive things about my bank to other people.	☐	☐	☐	☐	☐	☐	☐
I would recommend my bank to others.	☐	☐	☐	☐	☐	☐	☐
Being asked by someone else, I would say positive things about my bank.	☐	☐	☐	☐	☐	☐	☐

General personal attitude towards society

In the following you will be asked about your general personal attitude towards other people. Please answer spontaneously and honestly.

	disagree						agree
	1	2	3	4	5	6	7
People in higher positions should make most decisions without consulting people in lower positions.	☐	☐	☐	☐	☐	☐	☐
People in higher positions should not ask people in lower positions too frequently.	☐	☐	☐	☐	☐	☐	☐
People in higher positions should avoid social interaction with people in lower positions.	☐	☐	☐	☐	☐	☐	☐
People in lower positions should not disagree with decisions by people in higher positions.	☐	☐	☐	☐	☐	☐	☐
People in higher positions should not delegate important tasks to people in lower positions.	☐	☐	☐	☐	☐	☐	☐
It is important to have instructions spelled out in detail so that I always know what I´m expected to do.	☐	☐	☐	☐	☐	☐	☐
It is important to closely follow instructions and procedures.	☐	☐	☐	☐	☐	☐	☐
Rules and regulations are important because they inform me of what is expected of me.	☐	☐	☐	☐	☐	☐	☐
Standardized work procedures are helpful.	☐	☐	☐	☐	☐	☐	☐
Instructions for operations are important.	☐	☐	☐	☐	☐	☐	☐

	disagree 1	2	3	4	5	6	agree 7
Individuals should sacrifice self-interest for the group (either at school or the workplace).	☐	☐	☐	☐	☐	☐	☐
Individuals should stick with the group even through difficulties.	☐	☐	☐	☐	☐	☐	☐
Group welfare is more important than individual rewards.	☐	☐	☐	☐	☐	☐	☐
Group success is more important than individual success.	☐	☐	☐	☐	☐	☐	☐
Individuals should only pursue their goals after considering the welfare of the group	☐	☐	☐	☐	☐	☐	☐
Group loyalty should be encouraged even if individual goals suffer.	☐	☐	☐	☐	☐	☐	☐
It is more important for men to have a professional career than it is for women.	☐	☐	☐	☐	☐	☐	☐
Men usually solve problems with logical analysis; women usually solve problems with intuition.	☐	☐	☐	☐	☐	☐	☐
Solving difficult problems usually requires an active, forcible approach, which is typical of men.	☐	☐	☐	☐	☐	☐	☐
There are some jobs that a man can always do better than a woman.	☐	☐	☐	☐	☐	☐	☐

Finally some questions about you and your relationship with your bank:

How long have you been customer of your bank?   I have been a customer of my bank for _____ years and _____ months.

Do you have a certain service employee, with whom you are in regular contact?

Your sex?

How old are you?

Your nationality?

How long have you been staying in the U.S.?

Thank you very much for your kind support!

Figure A.1: Questionnaire for the U.S. Data Collection

Appendix B

Additional Tables for Trust-Building Models

	Model C			Model D		
	Coefficient (S.E.)		T	Coefficient (S.E.)		T
Intercept	4.959 (.047)	***	104.440	4.959 (.047)	***	105.34
Individual-Level Control Variables						
Age	-.043 (.031)		-1.38	-.042 (.031)		-1.36
Gender	-.018 (.037)		-.49	-.019 (.037)		-.51
Length of Relationship	4.10E+4 (2.70E+4)		1.51 (2.70E+4)	4.00E+4		1.50
Fixed Contact Person	.077 (.049)		1.56	.077 (.049)		1.50
Satisfaction	.111 (.028)	**	3.95	.111 (.028)	**	3.92
Group-Level Control Variables						
GNI/PPP	1.00E+5 (3.00E+5)	*	3.26 (3.00E+5)	1.00E+5	*	3.29
Satisfaction	.504 (.105)	**	4.82	.515 (.103)	**	4.99
Individual-Level Antecedents						
Ability	.114 (.037)	*	3.07	.117 (.035)	**	3.30
Benevolence	.154 (.023)	***	6.85	.154 (.022)	***	6.92
Integrity	.346 (.030)	***	11.58	.345 (.029)	***	11.71
Predictability	.301 (.028)	***	10.86	.300 (.026)	***	11.35

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(table continued)

	Model C			Model D		
	Coefficient (S.E.)		T	Coefficient (S.E.)		T
Group-Level Antecedents						
Power Distance	-.025 (.254)		-.099	.060 (.240)		.25
Uncertainty Avoidance	.036 (.218)		.17	-.059 (.189)		-.31
Individualism/ Collectivism	-.602 (.170)	**	3.54	-.614 (.161)	*	3.82
Masculinity/ Femininity	.096 (.172)		.56	.043 (.163)	**	-.07
Cross-Level Interactions						
Ability x Group-Level Interactions						
Power Distance	-.097 (.097)		-1.00	-.028 (.059)		-.48
Uncertainty Avoidance						
Individualism/ Collectivism	.101 (.078)		1.30	.092 (.069)		-1.33
Masculinity/ Femininity	.063 (.096)		.96			
Benevolence x Group-Level Interactions						
Power Distance	.087 (.124)		.70	.037 (.090)		.41
Uncertainty Avoidance	-.039 (.093)		-.42			
Individualism/ Collectivism						
Masculinity/ Femininity	-.120 (.084)		-1.43	-.084 (.060)		-1.39

(table continued)

	Model C		Model D	
	Coefficient (S.E.)	T	Coefficient (S.E.)	T
Cross-Level Interactions				
Integrity x Group-Level Interactions				
Power Distance	.313 (.146)	2.14	.221 (.111)	1.99
Uncertainty Avoidance	-.101 (.121)	-.837		
Individualism/ Collectivism				
Masculinity/ Femininity	-.105 (.098)	-1.07	-.044 .074	-.60
Predictability x Group-Level Interactions				
Power Distance	-.067 (.070)	-.96	-.052 (.066)	-.80
Uncertainty Avoidance	.262 .100	2.62	.202 .083	* 2.44
Individualism/ Collectivism	-.003 (.093)	-.03		
Masculinity/ Femininity				
Model Fit				
Deviance	4436.18		4425.96	
Est. Parameters	22		22	
ΔDeviance (Reference Model A)	-22.28		-12.96	
Explained Variance				
Indiv. Level	.61		.61	
Group Level	.79		.80	

* $p < .05$, ** $p < .01$, *** $p < .001$; Dependent variable: Trust.

Table B.1: Results of the Multilevel Analyses of Trust Building

Appendix C

Additional Tables for Word-of-Mouth Models

	Ability		Satisfaction		Trust	
	Coefficient (S.E.)	T	Coefficient (S.E.)	T	Coefficient (S.E.)	T
Intercept	5.041 *** (.107)	46.97	7.130 *** (.109)	65.46	4.962 *** (.074)	67.06
Individual-Level Control Variables						
Age	.020 (.036)	.55	-.084 (.089)	-.95	-.066 (.041)	-1.62
Gender	.048 (.043)	1.12	-.070 (.053)	-1.32	-.059 (.048)	-1.22
Length of Relationship	4.19E+4 (4.09E+4)	1.03	3.98E+4 (5.92E+4)	.67	9.61E+4 *** (2.59E+4)	3.71
Fixed Contact Person	.211 ** (.078)	2.71	.308 ** (.104)	2.95	.186 * (.092)	2.03
Group-Level Control Variables						
GNI/PPP	1.30E+5 (8.00E+5)	1.58	1.10E+5 (8.00E+5)	1.38	.90E+5 (5.00E+5)	1.80

(continued on next page)

(table continued)

	Ability Coefficient (S.E.)		T	Satisfaction Coefficient (S.E.)		T	Trust Coefficient (S.E.)		T
Individual-Level Antecedents									
Received Word of Mouth	.329	***	17.25	.386	***	14.66	.373	***	13.45
	(.019)			(.026)			(.028)		
Group-Level Antecedents									
Power Distance	-.099		-.36	-.559	*	-2.44	-.232		-1.65
	(.275)			(.229)			(.141)		
Cross-Level Interactions									
Word of Mouth x Power Distance	.064		1.62	.071		1.32	.060	*	1.06
	(.040)			(.058)			(.056)		
Explained Variance									
Indiv. Level	.17			.10			.18		
Group Level	.10			.32			.21		

* p < .05, ** p < .01, *** p < .001.

Table C.1: Results of the Multilevel Analyses of the Word-of-Mouth Models with Power Distance

	Ability Coefficient (S.E.)		T	Satisfaction Coefficient (S.E.)		T	Trust Coefficient (S.E.)		T
Intercept	5.041 (.108)	***	46.85	7.131 (.125)	***	57.02	4.961 (.072)	***	68.49
Individual-Level Control Variables									
Age	.020 (.036)		.56	-.084 (.089)		-.94	-.066 (.040)		-1.63
Gender	.046 (.043)		1.07	-.068 (.055)		-1.24	-.058 (.049)		-1.20
Length of Relationship	4.11E+4 (4.00E+4)		1.03	4.45E+4 (5.95E+4)		.75	9.64E+4 (2.53E+4)	***	3.81
Fixed Contact Person	.208 (.079)	**	2.62	.313 (.105)	**	2.99	.185 (.091)	*	2.04
Group-Level Control Variables									
GNI/PPP	1.20E+5 (9.00E+5)		1.45	1.20E+5 (1.00E+5)		1.19	1.40E+5 (6.00E+5)	*	2.43

(table continued)

	Ability Coefficient (S.E.)	T	Satisfaction Coefficient (S.E.)	T	Trust Coefficient (S.E.)	T
Individual-Level Antecedents						
Received Word of Mouth	.329 *** (.021)	16.00	.387 *** (.027)	14.61	.373 *** (.030)	12.64
Group-Level Antecedents						
Individualism/ Collectivism	.129 (.346)	.37	.41 (.551)	.75	-.471 (.322)	-1.46
Cross-Level Interactions						
Word of Mouth x Individualism Collectivism	.080 (.053)	1.52	.091 * (.096)	.95	-.016 * (.107)	.15
Explained Variance						
Indiv. Level	.17		.10		.18	
Group Level	.09		.10		.26	

* p < .05, ** p < .01, *** p < .001.

Table C.2: Results of the Multilevel Analyses of the Word-of-Mouth Models with Individualism/Collectivism

	Ability			Satisfaction			Trust		
	Coefficient (S.E.)		T	Coefficient (S.E.)		T	Coefficient (S.E.)		T
Intercept	5.041 (.102)	***	49.41	7.131 (.112)	***	63.41	4.962 (.076)	***	65.58
Individual-Level Control Variables									
Age	.020 (.036)		.55	-.085 (.089)		-.95	-.066 (.040)		-1.62
Gender	.048 (.044)		1.09	-.070 (.053)		-1.31	-.059 (.049)		-1.20
Length of Relationship	4.26E+4 (4.08E+4)		1.05	4.07E+4 (5.87E+4)		.69	9.71E+4 (2.56E+4)	***	3.78
Fixed Contact Person	.210 (.078)	**	2.71	.308 (.104)	**	2.97	.185 (.091)	*	2.04
Group-Level Control Variables									
GNI/PPP	1.10E+5 (6.00E+5)		1.66	1.20E+5 (6.00E+5)		1.88	.90E+5 (4.00E+5)		2.17

(table continued)

	Ability Coefficient (S.E.)		T	Satisfaction Coefficient (S.E.)		T	Trust Coefficient (S.E.)		T
Individual-Level Antecedents									
Received Word of Mouth	.330 (.021)	***	15.43	.387 (.028)	***	13.84	.372 (.029)	***	12.83
Group-Level Antecedents									
Masculinity/Femininity	-.207 (.173)		-1.20	-.347 (.112)	*	-3.10	-.133 (.137)		-.97
Cross-Level Interactions									
Word of Mouth x Masculinity/Femininity	.008 (.025)		.32	.027 (.050)		.54	-.012 (.055)		-.22
Explained Variance									
Indiv. Level	.17			.10			.18		
Group Level	.19			.28			.18		

* p < .05, ** p < .01, *** p < .001.

Table C.3: Results of the Multilevel Analyses of the Word-of-Mouth Models with Masculinity/Femininity