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Understanding Customers' Decision-Making, Perceptions, and Evaluations in the Customer Journey

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Your most unhappy customers are your greatest source of learning.

Bill Gates, founder and former CEO of Microsoft

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Index of Research Papers

This doctoral thesis contains the following research papers:

Research Paper 1: Bayer S, Gimpel H, Sarikaya S (2018) Bank customers' decision-making process in choosing between ethical and conventional banking: a survey-based examination.

In: *Journal of Business Economics (VHB-JOURQUAL 3: category B)*

Research Paper 2: Gimpel H, Huber J, Sarikaya S (2016) Customer satisfaction in digital service encounters: the role of media richness, social presence, and cultural distance.

In: *Proceedings of the Twenty-Fourth European Conference on Information Systems (ECIS), Istanbul, Turkey, 2016 (VHB-JOURQUAL 3: category B)*

Research Paper 3: Gimpel H, Sarikaya S (2018) How media richness, social presence, and cultural distance influence customer satisfaction in digital service encounters.

Working paper

Research Paper 4: Sarikaya S (2018) The impact of perceived cultural distance on customer trust and its consequences for digital service encounters.

Working paper

I   Introduction

For firms it is essential to understand their customers' decision-making, perceptions, and evaluations in the customer journey in order to provide positive customer experiences, improve customer satisfaction, and cultivate lasting and profitable customer relations (Payne and Frow 2005; Puccinelli et al. 2009; Grewal et al. 2009). Therefore, this doctoral thesis aims at achieving valuable findings and providing relevant information about customer experience management (CXM) for the service industry. For this purpose, the central terms "customer journey" (CJ), "customer experience" (CX), and customer experience management (CXM) as well as their interrelations and current developments in this field are illustrated in the following.

<u>Customer Journeys</u>

Customers interact with firms and maintain customer-firm relations in order to satisfy their needs. In this process, customers proceed through a decision-making process with phases of need recognition, information search, comparison of alternatives, choice/purchase, usage/consumption, and post-purchase evaluation (e.g. Fisk 1981; Behara et al. 2002; Neslin et al. 2006; Puccinelli et al. 2009; Ozarslan and Eren 2018). For a better understanding of the customer decision process, several researchers developed models commonly dividing this process into pre-purchase/pre-core service, purchase/core service, and post-purchase/post-core service phases (Lemon and Verhoef 2016; Voorhees et al. 2017; Følstad and Kvale 2018). In recent literature, the customer process is frequently named "customer journey" (CJ) generally describing a sequence of customer-firm interactions. Whereas there is no uniform comprehension, several authors deliver definitions of the term "customer journey". Norton and Pine (2013, p. 12) define the CJ as "the sequence of events – whether designed or not – that customers go through to learn about, purchase and interact with company offerings – including commodities, goods, services or experiences". Customer-centric firms need to understand and design their CJs in order to provide value to their customers, be profitable, and gain a competitive advantage (Norton and Pine 2013). According to Canfield and Basso (2017, p. 105) a CJ "describe[s] the key steps traveled before, during, and after the purchase and use" from a customer's perspective and "is a graphical representation of a customer's relationship with a company's products or services". Thereby, a CJ visualizes a sequence of customer-firm interactions through specific touch points and multiple channels and helps firms to understand their customers (Canfield and Basso 2017). Folstad and Kvale (2018)

conducted a systematic literature review about CJ terminology and approaches. They conclude that CJs generally describe service processes from the customer's perspective as a sequence of steps and/or touch points. Furthermore, they state that the CJ perspective is often used to understand, manage, and design CXs (Følstad and Kvale 2018).

Customer Experiences

In customer-firm interactions during CJs, customers generally gain perceptions (e.g. friendliness of the service employee) that are the basis for an evaluation of their experience. Meyer and Schwager (2007, p. 117) define CX as "internal and subjective response customers have to any direct or indirect contact with a company". According to them, direct contact is usually initiated by customers (e.g. contact with call center for information request or complaint), whereas indirect contact generally represents unplanned encounters with a firm's brands, products, or services (e.g. recommendations by other customers, advertising). Following Gentile et al. (2007, p. 397), "Customer Experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction". They further describe CX as strictly personal with an involvement at rational, emotional, sensorial, physical, and spiritual levels. Gentile et al. (2007) moreover state that the evaluation of a CX is based on a customer's comparison between his/her expectations and the stimuli from the interaction with the firm. Verhoef et al. (2009) reviewed the existing literature on CX and analyzed its creation. They found first references to CX dating back to the 1980's (e.g. Holbrook and Hirschman 1982). However, researchers historically have not regarded CX as a separate construct, but instead have focused on measuring other constructs like customer satisfaction (e.g. Fornell et al. 1996) and service quality (e.g. Parasuraman et al. 1988). Verhoef et al. (2009, p. 32) conclude that CX "is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailer" in the different phases of customer processes and across various communication channels. They moreover state that the creation of CX is affected by elements under the retailer's control (e.g. service interface, price) on the one hand and by elements outside of the retailer's control (e.g. other customers, shopping purpose of customer) on the other hand. Lemon and Verhoef (2016, p. 71) define CX as "a multidimensional construct focusing on a customer's cognitive, emotional, behavioral, sensorial, and social responses to a firm's offerings during the customer's entire purchase journey". Kranzbühler et al. (2018) reviewed the last thirty years of research on CX in an in-depth analysis. They found great differences in the scope and conceptualization of this construct. However, they differ between an organizational versus customer perspective on the one hand and between investigations of

customer experience on a static versus dynamic level on the other hand. Regarding the point of view, studies focusing on the organizational perspective of CX primarily analyze direct encounters and elements that are under a firm's control (Kranzbühler et al. 2018). Research focusing on the consumer perspective predominantly examines the impact of factors, which are beyond a firm's control (Kranzbühler et al. 2018). With respect to the temporal perspective, Kranzbühler et al. (2018, p. 438) define static CX as "an individual's cognitive, affective and sensory evaluation of one or multiple touchpoints with a firm at one specific point in time". In contrast, they conceptualize dynamic CX as "an individual's evolving cognitive, affective and sensory evaluation of a series of any direct or indirect touchpoints with a firm within the entire course of the customer journey" (Kranzbühler et al. 2018, p. 438). They further interpret that the dynamic CX of a CJ is formed by the static CXs from the customer's particular interactions with a firm. With respect to a dynamic perspective on CX, according to Lemon and Verhoef (2016) a CX arises in a CJ during the purchase cycle across several touch points. In their process model for CJ and CX , the current CX comprises pre-purchase, purchase, and post-purchase phases. Furthermore, their model also includes past and future experiences as well as various touch points. In this spirit, Voorhees et al. (2017) distinguish service encounters and service experience. They divide the service experience in pre-core service encounter, core service encounter, and post-core service encounter. According to them, a service encounter is "any discrete interaction between the customer and the service provider relevant to a core service offering, including the interaction involving provision of the core service offering itself" (Voorhees et al. 2017, p. 270). Moreover, they describe service experience "as the period during which all service encounters relevant to a core service offering may occur" (Voorhees et al. 2017, p. 270). Several authors emphasize the relevance of a holistic and dynamic examination of CX (e.g. Kranzbühler et al. 2018; Verhoef et al. 2009; Lemon and Verhoef 2016).

The doctoral thesis follows these perspectives and regards CX as a multidimensional construct (Lemon and Verhoef 2016) that forms on a static level from a single customer-firm interaction and on a dynamic level through a sequence of interactions during the CJ (Kranzbühler et al. 2018). Thereby, customers proceed from pre-purchase/pre-core service to purchase/core service to post-purchase/post-core service phases in the CJ with technological, organizational, and temporal interdependencies between the three phases (Lemon and Verhoef 2016; Voorhees et al. 2017). In each phase, customers might interact with the firm through one or more touch points and gain new static CXs that contribute to their overall dynamic CX. In this process, the importance of particular touch points depends on the relevant product/service and

the customer's preferences and expectations. Since customers may have repeated needs during their customer relation with a firm, multiple customer journeys may occur. Hence, the doctoral thesis considers previous and future CJs and CXs next to the current CJ and CX. Figure I-1 gives an overview of the underlying comprehension of CJ and CX.
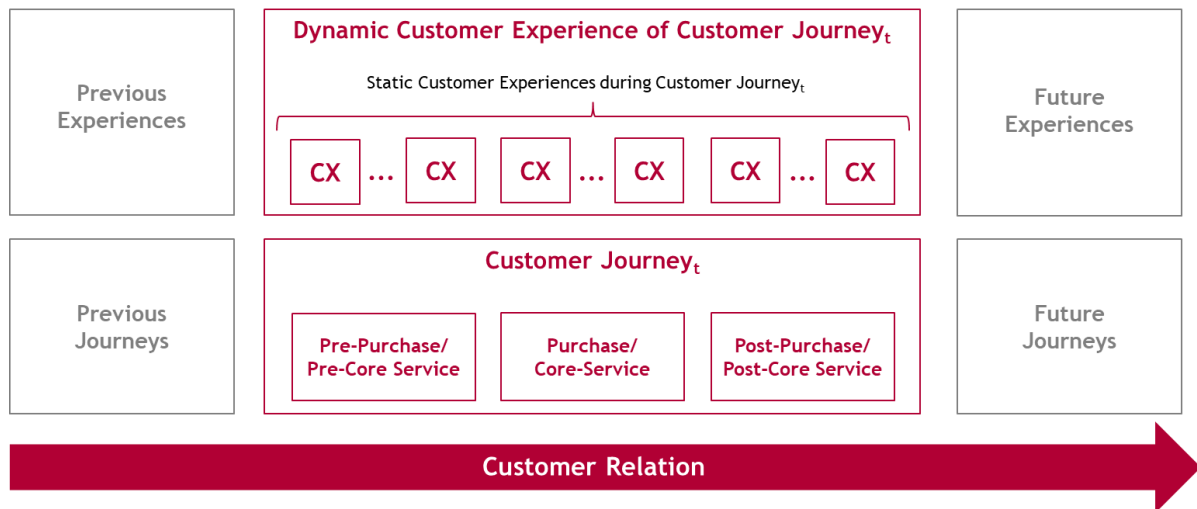

Figure I-1: Process model for CJ and CX – own illustration based on Lemon and Verhoef (2016), Voorhees et al. (2017), and Kranzbühler et al. (2018)

The *pre-purchase/pre-core service* phase of the CJ comprises all kinds of customers' activities and customer-firm interactions before a purchase transaction, usually including need recognition, search, and consideration (Lemon and Verhoef 2016). With respect to intangible services, typical activities/service encounters in this phase concern the awareness building, customers' information search, the initial contact, and the onboarding of the customers (Voorhees et al. 2017). These pre-core service encounters might affect the dynamic CX. With technological innovations and changes in customer expectations and behavior, the lines between pre-core service and core service phases will continually evolve (Voorhees et al. 2017).

After completion of the preliminaries, customers proceed to the *purchase/core service* phase. This phase incorporates all customer-firm interactions during the purchase event and the main service offering respectively (Lemon and Verhoef 2016; Voorhees et al. 2017). It typically includes customer activities such as choice, ordering, and payment (Lemon and Verhoef 2016). This phase has gained the predominant attention by researchers so far (Lemon and Verhoef 2016; Voorhees et al. 2017). Several researcher in this field analyze different decision-making styles or strategies of consumers (e.g. Sprotles and Kendall 1986; Willman-Iivarinen 2017; Makgosa and Sangodoyin 2018). Moreover, researchers have focused on factors affecting the purchase decision (e.g. service environment, store atmosphere,

information overload, assortment, prices) (e.g. Bitner 1990; Berry et al. 2002) and most often have regarded this phase in isolation (Voorhees et al. 2017). Therefore, there is a research gap about its role as a connector to the other phases of the CJ (Voorhees et al. 2017).

Subsequent to the purchase and the provision of the core service respectively, it follows the *post-purchase/post-core service* phase of the CJ, including customers' activities and customer-firm interactions such as the usage and consumption of the product/service, customer engagement like referral behavior, and service requests (Lemon and Verhoef 2016). It covers all facets of the CX following the purchase phase, which somehow relate to the firm's brand or product/service (Lemon and Verhoef 2016). Existing research on this phase, for instance, has examined the consumption experience, service recovery activities, customer engagements like word-of-mouth, and repurchases (Lemon and Verhoef 2016). In the service literature, research has focused on service failures and recovery, which usually leads to customer-initiated complaints (e.g. Du et al. 2011; Joireman et al. 2013). Further relevant aspects in this phase are relationship building and proactive firm activities (Voorhees et al. 2017). Firms strive for building stronger relationships with their customers by measures to increase the identification with the firm's brand or products/services (e.g. Bhattacharya et al. 1995; Carroll and Ahuvia 2006) and by stimulating customers' positive engagement (e.g. product/service reviews, new product/service development) (e.g. Van Doorn et al. 2010; Pansari and Kumar 2017).

Digitalization of Customer-Firm Interactions

After the general discussion of CJs and CXs, henceforth implications of the digitalization on customer-firm interactions are regarded, followed by a detailed discussion of CXM. Customer-firm interactions in retail markets have changed significantly in the past decade because of advancing digitalization and increasing usage of digital and mobile channels as well as social media (Leeflang et al. 2014; Verhoef et al. 2015). Technological innovations lead to changes in consumer demand and behavior on the one hand and generate new opportunities for firms to interact with their customers on the other hand. Communication via digital channels entails various benefits for firms (e.g. reduction in costs for personnel) and customers (e.g. increased convenience and availability of services). Digital channels have become very dominant in certain retail markets, for example in the travel and financial industries. In the case of holiday bookings, for example, online recommendations of other customers play a central role. Moreover, customers compare offers online, for instance for insurances or credit cards and increasingly do their financial administration online. Since

customers as well as firms have new opportunities to interact with each other through a multitude of touch points in diverse channels (e.g. instant messaging, telephone), customer journeys have become more complex (Lemon and Verhoef 2016).

Customer Experience Management

The increased variety and intensity in multi-channel communications entails new challenges and opportunities for firms. On the one hand, the increase in potential customer touch points, the digitalization and integration of diverse channels, as well as customer-to-customer interactions via social media lead to a loss of firm's control and make it more complex to manage CJs and CXs (Libai et al. 2010; Edelman and Singer 2015; Lemon and Verhoef 2016). On the other hand, these extended possibilities for customer-firm interactions provide new opportunities for firms. Particularly, in times of a growing commoditization of goods and services, CX has been identified by scholars as a source of competitive advantage for firms (D'Aveni et al. 2010; Kranzbühler et al. 2018; Verhoef et al. 2009). Correspondingly, customer experience management (CXM) has a high priority among managers in different sectors (Lemon and Verhoef 2016). Some firms even establish so called "chief customer (experience) officers", for example SAP SE, BMW AG, or Verizon Communications Inc., and focus on CXs in their mission statement, for example Dell Technologies Inc. and Harley Davidson Inc. In this spirit, it is not surprising that SAP SE, Europe's biggest software producer, in November 2018 signed an agreement with Qualtrics International Inc. (Qualtrics) to acquire Qualtrics for US$8 billion in cash (SAP SE 2018). With the acquisition of Qualtrics, a worldwide pioneer in experience management, SAP SE aims at combining operational with experience data and therefore creating a highly differentiated offering for firms to provide superior customer, employee, product, and brand experiences (SAP SE 2018).

For a better understanding of CXM, Homburg et al. (2017) present a framework of CXM which comprises cultural mindsets towards CXs, strategic directions for designing CXs, and firm capabilities as resources of CXM. They regard CXM as a comprehensive marketing management concept requiring a firm-wide deployment and differing from customer relationship management (CRM) through its consideration of attributes of corporate culture and its primary goals (Homburg et al. 2017). While CRM mainly focuses on "the profit maximizing configuration of initiating, maintaining, and terminating customer relationships" (Homburg et al. 2017, p. 395), CXM concentrates on the achievement of "customer loyalty and hence long-term firm growth by designing and continually renewing segment-specific touchpoint journeys" (Homburg et al. 2017, p. 395). Frow and Payne (2007) underline that

CXM aims at enhancing customer relationships and building customer loyalty. They conducted two case studies to carve out important issues for delivering "the perfect CX". With respect to multiple criteria (consideration of a business-to-business next to a business-to-customer sector, rational and emotional aspects of the CX, an intermediated next to a direct market, a high degree of popularity, and a large customer base), TNT Express Services and Guinness were selected. Based on these case studies, Frow and Payne (2007) emphasize the following tasks for CXM:

- Analyzing customers' perceptions of their experiences in detail and identification of opportunities for improvement (differentiated by customer segments)
- Measuring customers' evaluations of static CXs at each stage of the CJ (i.e. each customer-firm interaction) and the overall CX with the firm (in a dynamic sense; also cf. Lemon and Verhoef 2016) by appropriate metrics
- Determining varying customer requirements across multiple stages in the CJ and customer relation in order to provide appropriate CXs
- Mapping out "the perfect CX" (in a dynamic sense) with the aid of tools such as process mapping, service-blueprinting, customer activity cycles, and/or customer-firm touch point analysis in order to detect and understand potentials for improvement
- Assessing and considering profitability of the different customer segments when implementing their desired CXs (different segments have varying expectations)

Thereby, CX measurement plays a crucial role in CXM in order to reveal potentials for improvement (Lemon and Verhoef 2016). Since customer relations are formed by a series of interactions with a firm (Voorhees et al. 2017), customers' evaluations of these single interactions, for example in form of judgements about the firm's service quality, make a contribution to customers' overall satisfaction with the firm's services or products and customer's retention (Canfield and Basso 2017; Voorhees et al. 2017). Researchers and practitioners have started to develop new measures for CX such as "customer experience quality (EXQ)" by Klaus and Maklan (2012). However, this field is in its infancy and thus, the developed scales have to be evaluated for their internal and external validity (Lemon and Verhoef 2016). Although traditional metrics like customer satisfaction and service quality may not be suitable for a comprehensive understanding of customers' perceptions and evaluations of the CX, they may serve as a good starting point, since they are well-proven measures to predict firm performance (Frow and Payne 2007; Lemon and Verhoef 2016). For instance, existing literature demonstrates positive effects of customer satisfaction on customer loyalty (e.g. Deng et al. 2010; Mohsan et al. 2011; Ryu et al. 2012), customer trust (e.g. Zhang

et al. 2013), customer retention (e.g. Hu et al. 2009; Williams and Naumann 2011), customers' positive behavioral intentions (e.g. Yoshida and James 2010; Chen and Chen 2010), corporate reputation (e.g. Walsh et al. 2009; Hu et al. 2009), and profitability (e.g. Anderson et al. 1994; Williams and Naumann 2011). Practitioners and academics similarly agree that favorable evaluations of customer experiences positively influence customer relations, for example through customer satisfaction and loyalty as well as positive word-of-mouth recommendations (e.g. Pullman and Gross 2004; Mascarenhas et al. 2006). Therefore, customer satisfaction may be used to measure CXs in CJs.

To sum up, in order to be able to design superior CJs, to deliver positive CXs, and to cultivate lasting and profitable customer relations, firms have to understand their customers' decision-making as well as perceptions and evaluations of CXs (static and dynamic) in the CJ (Payne and Frow 2005; Puccinelli et al. 2009; Grewal et al. 2009). For this purpose, firms have to establish an effective CXM (Lemon and Verhoef 2016).

I.1   Objectives and Structure of this Doctoral Thesis

The main objective of this doctoral thesis is to contribute to the field of CXM by contributing particular insights to a better understanding of customers' decision-making, perceptions, and evaluations in the CJ. Therefore, based on existing theories, four models are developed and tested empirically, which yield insights that are subject to further research. Thereby, a model is regarded as a simplified real-world illustration with constructs and hypotheses derived from existing literature, which allows a systematic analysis of relevant relationships in a specific research context in order to extend existing knowledge (e.g. Whetten 1989; Corley and Gioia 2011; Lederman and Lederman 2015). The thesis begins with an introduction (chapter I), followed by contributions to an understanding of customers' decision-making (chapter II) and customers' perceptions and evaluations (chapter III) in the CJ. At the end, the thesis presents the key findings and illustrates areas for future research (chapter IV). Table I-1 provides an overview of the pursued objectives and the structure of the doctoral thesis.

I   Introduction
Objective I.1:   Summarizing the objectives and the structure of the doctoral thesis
Objective I.2:   Embedding the included research papers into the context of the doctoral thesis and formulating the fundamental research questions
II Understanding Customers' Decision-Making   **(Research Paper 1)**
Objective II: Developing and testing a theoretical model of ethical decision-making to identify bank customers' reasons to prefer conventional over ethical banking
III Understanding Customers' Perceptions and Evaluations   **(Research Papers 2, 3, and 4)**
Objective III.1:   Developing and testing a theoretical model of the effect of communication channels and cultural differences on customer satisfaction for digital service encounters (2, 3)
Objective III.2:   Developing and testing a theoretical model to analyze the influence of communication channels and cultural differences on customer trust and its consequences for digital service encounters (4)
IV Results and Future Research
Objective IV.1:   Presenting the key findings of the doctoral thesis
Objective IV.2:   Identifying and highlighting areas for future research

Table I.1-1: Objectives and structure of the doctoral thesis

I.2   Research Context and Research Questions

In the following, the research papers included in this doctoral thesis are embedded in the research context with regard to the above-mentioned objectives. Furthermore, the corresponding research objectives of chapters II and III are motivated.

From a dynamic CX point of view, customers make several decisions, gain multiple perceptions, and develop particular evaluations while proceeding through the different phases of the CJ. In chapter II, research paper 1 considers the bank customers' decision-making process in choosing between ethical and conventional banking and therefore contributes to the understanding of customers' decision-making in the pre-purchase/pre-core service phase. In chapter III, research papers 2 and 3 investigate the effect of communication channels and cultural differences on customer satisfaction in the context of an online application for a credit card. In this way, they contribute to the understanding of customers' perceptions and evaluations in the purchase/core-service phase. Research paper 4 analyzes the influence of communication channels and cultural differences on customer trust and its consequences (e.g. word-of-mouth, intention for future interaction) in the context of an online investment consulting. Thus, it contributes to the understanding of customers' perceptions and evaluations in both the purchase/core-service and post-purchase/post-core service phases. Figure I-2 illustrates the embedment of the included research papers in the relevant research context.
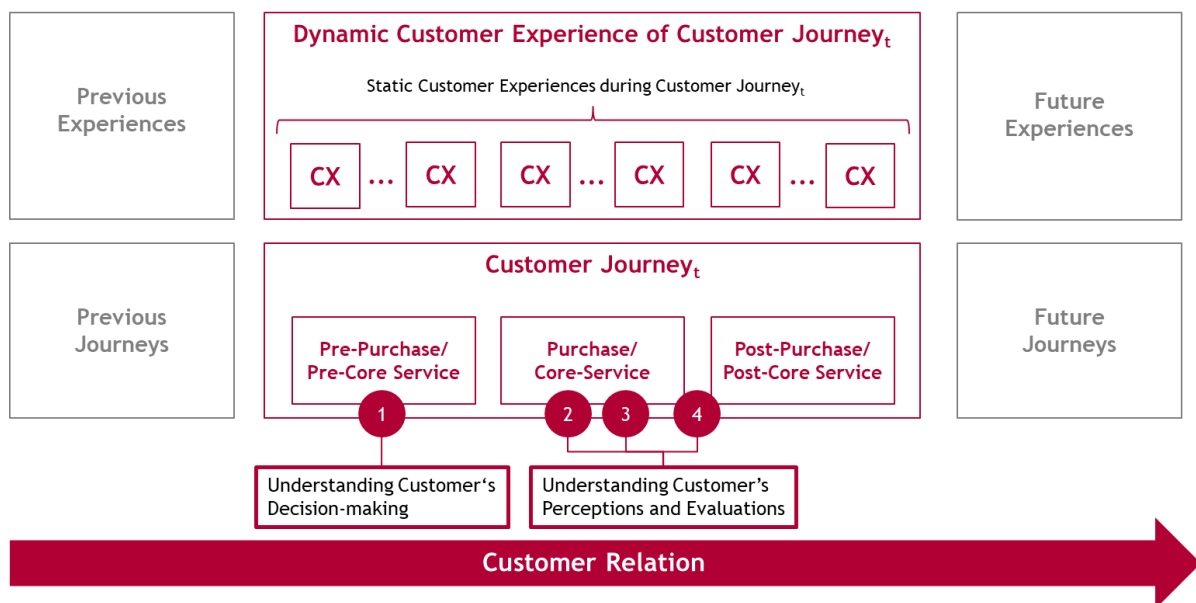

Figure I-2: Research papers of the doctoral thesis embedded in research context (process model for CJ and CX following Lemon and Verhoef (2016), Voorhees et al. (2017), and Kranzbühler et al. (2018))

I.2.1   Chapter II: Understanding Customers' Decision-Making

Research Paper 1: *"Bank customers' decision-making process in choosing between ethical and conventional banking: a survey-based examination"*

Ethical banks are special banks having integrated sustainability issues in their core business and explicitly promoting sustainable and responsible investment (SRI) strategies (FNG 2018). SRI approaches can be categorized in seven strategies: sustainability themed investments; Best-in-Class investment selection; exclusion of holdings from investment universe; norms-based screening; integration of environmental, social, and governance factors in financial analysis; engagement and voting on sustainability matters; and impact investing (Eurosif 2016). Thereby, the exclusion of companies and sectors (e.g. weapons, tobacco, and nuclear energy) from the investment universe is the dominant strategy in Europe (Eurosif 2016). Despite a global trend towards sustainability, for example in the food sector, ethical banks' market share remains negligible. One reason for this might be the high switching costs for customers. In the financial sector, customers generally belong to the category "lost-for-good" customers (Dwyer 1989). From the customer's perspective, this type of relationship is characterized by long-term commitments to the financial service provider primarily due to high switching costs (Dwyer 1989). From the firm's point of view, lost-for-good customers entail a certain continuity with respect to their sales volume. However, the customer relation is usually lost forever, if the customer decides to leave the firm (Dwyer 1989). When leaving their existing bank, customers have to choose a new financial service provider. For this purpose, they normally conduct a phase of information search and consideration of alternatives. In this phase, multiple factors, for example reputation, social environments, other customers, convenience, or economic benefit, may influence customers' decision-making. By analyzing existing models for decision-making of individuals (e.g. theory of planned behavior by Ajzen 1991, model for fair trade buying behavior by De Pelsmacker and Janssens 2007) on the one hand and potentially relevant influencing factors (e.g. moral intensity, social context) on the other hand, research paper 1 aims at addressing the following research objective:

Developing and testing a theoretical model of ethical decision-making to identify bank customers' reasons to prefer conventional over ethical banking (objective II)

In this way, the doctoral thesis aims at probing the external validity of existing theories of ethical decision-making and tackling ethical bank's challenge of increasing market share (cf. Brown and Dant 2008; Spilski et al. 2018).

I.2.2 Chapter III: Understanding Customers' Perceptions and Evaluations

Research Paper 2: *"Customer satisfaction in digital service encounters: the role of media richness, social presence, and cultural distance"*

Research Paper 3: *"How media richness, social presence, and cultural distance influence customer satisfaction in digital service encounters"*

Technological innovations with respect to faster internet connections, smart and connected devices, or artificial intelligence lead to an increasing digitalization of customer relations. This development affords and in part requires a transformation of business models and processes and entails new ways for customer-firm interactions. In digital-mediated encounters of customers with service personnel, various digital communication channels (e.g. text, audio, and video chat) entail different characteristics and therefore may lead to varying customer perceptions of media richness and social presence in an interaction. Another development is the increase in intercultural service encounters in developed nations (e.g. Germany) due to ongoing migration flows. Thereby, intercultural service encounters incorporate the risk of cultural misunderstandings and rejection. According to existing literature in offline contexts, customers' perceived cultural distance to the service employee may cause a negative impact on their evaluations of the service experience. Furthermore, a higher media richness and social presence of communication channels may intensify the perception of cultural distance. Bringing together the increasing relevance of customer-firm interactions via digital channels and intercultural service encounters, there is a need for research on the influence of media richness, social presence, and cultural distance on customers' evaluations of digital service encounters. Therefore, research papers 2 and 3 aim at addressing the following research objective:

Developing and testing a theoretical model of the effect of communication channels and cultural differences on customer satisfaction for digital service encounters (objective III.1)

Research papers 2 and 3 by this means serve as a test of the external validity of existing theories of communication and intercultural CRM for digital service encounters (human-to-human interactions). Moreover, they aim at generating knowledge for service firms in how to avoid potential negative effects of perceived cultural distance on customer relations (cf. Brown and Dant 2008; Spilski et al. 2018). Thereby, research paper 3 focuses on a limitation of research paper 2 by conducting an additional survey with a more representative sample.

Research Paper 4: *"The impact of perceived cultural distance on customer trust and its consequences for digital service encounters"*

Existing research on customer relationship management has revealed the important role of customer trust in the firm, brand, or employee for sustainable and profitable customer relations (e.g. Swan et al. 1999; Srinivasan 2004). There is evidence for a positive impact of customer trust on customer satisfaction (Harris and Goode 2004), positive word-of-mouth (Matos and Rossi 2008), and the intention for future interaction (Johnson and Grayson 2005). Furthermore, several studies show a negative impact of perceived cultural distance (e.g. foreign accent) on customer trust in the service employee (e.g. Yuki et al. 2005; Lev-Ari and Keysar 2010). Concerning the increasing relevance of digital customer-firm interaction and intercultural service encounters, the influence of perceived cultural distance on customer trust in digital service encounters constitutes a relevant field of research. Hence, research paper 4 aims at addressing the following research objective:

> *Developing and testing a theoretical model to analyze the influence of*
> *communication channels and cultural differences on customer trust*
> *and its consequences for digital service encounters (objective III.2)*

The doctoral thesis thereby aims at probing the external validity of existing theories of communication and intercultural CRM for digital service encounters (human-to-human interactions) and providing insights for service firms in order to avoid potential negative effects of perceived cultural distance on customer relations (cf. Brown and Dant 2008; Spilski et al. 2018).

I.2.3   Chapter IV: Results and Future Research

Following this introduction, which outlines the objectives and the structure of the doctoral thesis and motivates the research context as well as the research objectives, the research papers are presented in chapters II and III. Subsequently, chapter IV illustrates the key findings and highlights areas for future research in the fields of customers' decision-making, perceptions, and evaluations in the customer journey.

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II   Understanding Customers' Decision-Making

In order to satisfy their needs, customers proceed through a decision process by interacting with firms through different touch points and across various channels. Thereby, firms aim at enabling customer journeys (CJs) that provide value to their customers, lead to a competitive advantage through superior customer experiences (CXs), and enhance profitability (Norton and Pine 2013). From a firm's perspective, it is important to understand how customers proceed through the decision process on the one hand, and which factors influence customers' decisions in this process on the other hand. Thus, several researchers have developed models of customer decision-making for various contexts (e.g. Rest 1986 for ethical decision-making, Ozarslan and Eren 2018 for the use of mobile information systems). Furthermore, numerous authors have investigated factors influencing the customer in the decision process (e.g. Inman et al. 2009 for in-store decision-making, Puccinelli et al. 2009 for retailing). However, any theory has boundary conditions on its applicability and might be detailed and adapted for specific application domains (Brown and Dant 2008). For the context of bank selection and based on existing theories and models, research paper 1 develops and tests a theoretical model of ethical decision-making to identify bank customers' reasons to prefer conventional over ethical banking.

II.1   Research Paper 1: "Bank customers' decision-making process in choosing between ethical and conventional banking: a survey-based examination"

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Abstract: *Despite the movement of sustainable consumerism during the last years as well as the crisis of trust evoked by the financial crisis of 2008, ethical banks' market shares remain humble. This study applies models of ethical decision-making to investigate customers' reasons to prefer conventional over ethical banks. First, a model of bank customers' ethical decision-making process in choosing between ethical and conventional banking is set up based on multiple established models from literature. Second, the theoretical model is assessed via data from an online-survey using partial least squares structural equation modelling. Main factors hindering potential customers to switch to ethical banks are missing information, low pressure of the social context, low moral intensity, and a perceived disadvantageous economic effect. However, a good reputation of ethical banks, high concern for the topic, and low skepticism indicate a positive general opinion of ethical banking. These results suggest that more factual information and emotional charging of ethical banking would strengthen demand. On the theoretical side, our analysis shows how to contextualize*

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[1] This version of research paper 1 slightly deviates from the published version in the *Journal of Business Economics* due to subsequent revisions requested by the reviewers.

general models of ethical decision-making to a specific domain and it suggests that the integration of multiple established ethical decision-making models is sensible. Further we suggest that reputation and economic benefit – which we included as domain-specific extensions of established ethical decision-making models – are concepts to consider for a general domain-independent extension of ethical decision-making models.

II.1.1   Introduction

The financial crisis of 2008, also called "crisis of trust", led to an erosion of banks' trustworthiness and reputation (Uslaner 2010; Tonkiss 2009; Grigor′ev and Salikhov 2009). Especially the disclosure of bankers' speculative practices motivated a discussion of ethical principles in banking, attracting bank customers' attention to "sustainable", "moral", or "ethical" banking, respectively (Benedikter 2011; Goff 2012). Although those concepts gained in popularity especially during the last years, ethical bank transactions have their origin in medieval area, with organizations focusing on financial flows in line with sustainability principles like, for example, engaging in local social activities (Weber and Feltmate, 2016). In our days, "ethical bank" means the incorporation of ethical practices along the whole business strategy, implying that the counterpart of ethical banks, called "conventional banks", do not embody this focus (Feltmate 2013). More precisely, ethical banks usually direct financial resources towards socially responsible investments (SRI). Single SRI strategies (e.g. exclusion of specific investments based on sustainability criteria, ranking and selection of companies with regard to sustainability criteria, or norms-based screening of investments) can also be included into conventional banks' product lines. However, ethical banks focus on SRI as core of their strategy (Eurosif 2014; Feltmate 2013). In practice, ethical banks often have religious roots, as Christian or Islamic Banks. They follow certain SRI strategies combined with further regulations based on their religious principles, as for example the prohibition of "making money from money by charging interest", implying that it is not allowed to pay or receive interests in Islamic Banking (Volk and Pudelko 2010, p. 192).

Despite large growth rates, the global market share of ethical investments remains small compared to traditional ones. From 2014 to beginning of 2016, worldwide assets managed under SRI strategies grew by 25% to \$22.89 trillion (GSIA 2016). Taking the example of Germany, there was a potential of 16.2 million people as customers of ethical investments in 2012, which equaled around 20% of the population (zeb 2012). Nevertheless, in 2015, the total market shares of SRI investments in Germany only accounted for 2.7% (FNG 2018). In 2012, the consulting company zeb found that missing information is the main factor for the

gap between potential and actual market share of ethical banks. To the best of our knowledge, there does not exist a study putting together the single factors into one integrated framework. In our study, we holistically examine bank customer's decision-making (DM) process from an ethical point of view in order to identify critical steps and the respective influencing factors within this process. We aim to discover variables that currently push potential customers towards ethical banks as well as factors that hinder customers to switch to ethical banks and therefore explain the small market share. This holistic understanding of bank client's underlying mental process is crucial for ethical banks in order to be able to set up targeted strategies to capture customers.

Up to date, to the best of our knowledge, there exists no model of bank customer's decision-making process from an ethical point of view. Thus, we develop such a model based on existing research first on customers' general bank selection criteria (beyond ethics), and second on customers' general ethical decision-making (beyond banking). The most prevalent model of ethical decision-making (EDM) applied in numerous different contexts is Rest's four-component model of EDM (Rest 1986), describing the DM process in four successive steps: moral awareness, moral judgement, moral intent, and moral behavior.

Next to Rest's model of EDM, we identified further relevant variables based on literature research about customers' bank selection criteria as well as other constructs of customers' EDM that can be related to our context. Our model of bank customers' EDM process is set up and tested via data of an online survey with 223 participants as well as empirically analyzed via partial least square structural equation modelling (PLS-SEM). Based on this procedure, the study aims at identifying the critical steps of the process of EDM reached by bank customers and detecting factors that influence advancement to the next step of EDM.

The remainder of the paper is organized as follows: We introduce relevant theoretical concepts in section II.1.2. Afterwards, we develop a theoretical model of EDM from a bank customer's point of view in section II.1.3. In section II.1.4, we describe the operationalization of the theoretical model, the data collection via a survey and test the hypotheses with PLS-SEM, followed by a discussion with limitations and further research in section II.1.5 and a conclusion in section II.1.6.

II.1.2   Theoretical Background

First, a terminology of ethical banking is introduced, followed by a review of bank selection criteria and ethical consumer decision making.

II.1.2.1 Ethical Banking

In literature, the terms "ethical", "sustainable", "social", and "green" are commonly used to describe the counterpart of conventional banks, having overlapped and varying definitions. Whereas all three pillars of sustainability (social, economic, and environmental) can be found in definitions of ethical and sustainable banks (e.g. definition of sustainable banking by Jeucken 2001; definitions for ethical bank in Bihari 2010; San-Jose et al. 2011), the environmental and social aspects are frequently emphasized for green banks (e.g. Biswas 2011; Bahl 2012; Singh and Singh 2012) and social banks (e.g. Weber 2013), making a clear distinction between those terms senseless. Moreover, there are religiously motivated banks like Christian or Islamic banks, equally focusing on social aspects. For instance, Islamic principles prohibit the collection and payment of interests and gambling, reasoning that these transactions lead to social drawbacks. In this paper, we use the term "ethical bank", as first, all three pillars of sustainability are potentially covered and, second, as Kibert et al. (2012) state, "[s]ustainability is inherently ethical, as it requires decisions to be rooted in moral principles, rather than based solely on economic calculation or convenience". Therefore, ethics can be seen as the underlying concept of sustainability, making "ethical bank" a more suitable expression than for example "sustainable bank".

In search of a definition for ethical banks as a part of our survey, a closer look at the most common practices of those institutions is taken. Most often, banks claiming to be ethical follow SRI strategies. Investment strategies are not the only aspect that differentiate ethical and conventional banks. As Weber (2013, p.1) for example shows, "[i]n contrast to conventional banks, social banks conduct their business to create a positive social, environmental, or sustainability benefit". This implicates incorporation of moral aspects within the whole business strategy, forming the culture of ethical handling of investments, customers and employees. Nevertheless, the most important tool of ethical banks business model being SRI, within this research we focus on the latter and take a detailed look at investments. The predominant SRI strategy "exclusion", also named "negative screening" or "exclusionary screening", excludes specific classes of investments (e.g. countries, sectors, or companies) according to their missing compliance to sustainability criteria. In Europe, weapons are most often subject of exclusion. Other examples are exclusion of violation of labor legislation, violation of human rights, destruction of the environment, corruption and bribery, gambling, pornography, tobacco, alcohol, and nuclear energy (Eurosif 2016; FNG 2018). Next to those common sustainability criteria that are subject of most ethical banks in

Europe, Islamic Banks additionally exclude investments with interests (Caeiro 2004). Based on these considerations, for this research we define an ethical bank as follows:

An ethical bank is a bank explicitly promoting socially responsible investment strategies, which can for example be exclusion of investments in weapons, violation of labor legislation, violation of human rights, destruction of the environment, corruption and bribery, gambling, pornography, tobacco, alcohol, interests, and nuclear energy.

II.1.2.2   Bank Selection Criteria

Our literature review of bank customers' bank selection criteria revealed that those can be classified into four main clusters: convenience, economic benefit, reputation, and service quality. Convenience comprises aspects like parking facility (Rao and Sharma 2010), display of counters (Saleh et al. 2013), disposal of electronic services (Kugytė and Šliburytė 2005; Saleh et al. 2013), but also location of ATMs, and the bank branches (Kugytė and Šliburytė 2005; Saleh et al. 2013; Khazeh and Decker 1992) as well as opening hours (Boyd et al. 1994; Elliot et al. 1996; Khazeh and Decker 1992). Economic benefit summarizes mainly the aspect of fees, charges, and rate of interest (Blankson et al. 2009; Devlin 2002; Rao and Sharma 2010; Ricci and Caratelli 2014). Reputation includes recommendations on the one hand-side and image of a bank on the other hand-side (Blankson et al. 2009; Devlin 2002; Kamenidou 2013; Martenson 1985). The fourth and largest cluster summarizes all aspects connected to service quality, like for example speed of services (Rao and Sharma 2010; Saleh et al. 2013), friendliness of employees (Bain & Company 2012), responsiveness (Rao and Sharma 2010; Saleh et al. 2013), reliability (Kamenidou 2013; Rao and Sharma 2010), offering of incentives (Ricci and Caratelli 2014), and competence of employees (Blankson et al. 2009).

II.1.2.3   Ethical Consumer Decision-Making

Examining variables related to ethical banks, our research context is more specific than studies about general bank selection criteria. Therefore, the ethical content of customers' decisions has to be added. Most publications within the field of ethical consumerism are based on a theory of EDM or a theory of general DM applied at an ethical context via the inclusion of specific ethical variables. The decision-maker in an EDM process is generally considered as a moral agent, defined as "a person who makes a moral decision, even though he or she may not recognize that moral issues are at stake" (Jones 1991). Jones' (1991) definition of a moral agent confirms that models of EDM constitute an adequate framework for this study, although bank customers might not be aware of the ethical content of their choice.

As stated in the introduction, the most prevalent model of EDM applied in numerous different contexts is Rest's four-component model of EDM (Rest 1986). It describes the DM process in four successive steps: moral awareness, moral judgement, moral intent, and moral behavior. The first step, moral awareness, describes the recognition or interpretation of the decision-maker that the decision at hand includes ethical content. Related to the context of our study, moral awareness is reached if a potential customer recognizes the ethical component of bank selection, resulting out of investments' potential consequences for oneself and others. At the second step, moral judgement, the decision-maker must be capable of evaluating each alternative, in our case the range of banks, based on ethical considerations. Those reflections might for example include gathering information about investments of each bank in order to judge the impact on oneself as well as on other affected parties, leading to a judgement about which option is morally superior. Moral intent is generated if moral values are placed above other personal values. The intent to switch from a conventional to an ethical bank, respectively the intent not to change from an ethical to a conventional bank, has to be set up. Thereby, other aspects like for example higher fees or lower convenience do not outweigh the ethical option when moral intent is present. Finally, moral behavior is achieved if the intent is carried out, meaning that a person actually is a client of an ethical bank (Schwartz 2016; Craft 2013; O'Fallon and Butterfield 2005).

Furthermore, seven other models constitute popular bases for examinations within the area of EDM: Ferrell and Gresham (1985) published the first integrated framework synthesizing individual factors (knowledge, values, attitudes, intention) and contextual variables (significant others, opportunity) as influencing variables of the EDM process. The theory of planned behavior (Ajzen 1985; Ajzen 1991) is part of the general models of DM applied in an ethical context. The author examines why attitude of individuals is not always predictor of their actual behavior, a phenomenon called attitude-behavior gap (Ajzen 1985). He includes two important constructs: subjective norm, defined as a "person's perception of the social pressure put on him to perform or not perform the behavior in question" (Ajzen 1985, p.12) and perceived behavioral control, "people's perception of the ease or difficulty of performing the behavior of interest" (Ajzen 1991, p. 183). Perceived behavioral control can be separated into internal (individual differences, information, skills, ability, power of will, emotions, and compulsions) and external factors (time and opportunity, dependence on others) (Ajzen 1985). Hunt and Vitell (1986) focused in their general theory of marketing ethics on rendering the judgement via two major normative ethical theories in moral philosophy: deontological and teleological evaluation. Deontology focuses on the behavior itself, whereas teleology

evaluates the consequences of behavior (Hunt and Vitell 1986). The main idea behind Trevino's (1986) person-situation interactionist model of EDM is that the stage of cognitive moral development, moderated by the individual factors ego strength, field dependence, and locus of control as well as the situational factors immediate job context, organizational culture, and characteristics of the work, provoke ethical or unethical behavior. Since we aim at developing a model of EDM for customers of retail banking in order to derive concrete implications for ethical banks, we do not consider the models of Hunt and Vitell (1986) as well as Trevino (1986) in the following, as they focus on quite abstract variables from the field of moral philosophy. Based on the observation that most existing models of EDM ignore characteristics of the moral issue at hand, Jones (1991) developed an issue-contingent model via adding the variable moral intensity. Several subitems are embraced by the term moral intensity, for example how close or far the moral agent feels to people affected by the decision, or the length of time between the decision and the occurrence of its consequences. Chatzidakis et al. (2007) expanded the theory of planned behavior in a context of fair-trade buying behavior, adding neutralization, also called justification or rationalization, describing techniques justifying "behavior that is either norm violating or in contravention of expressed attitudes" (Chatzidakis et al. 2007, p. 89). De Pelsmacker and Janssens (2007) developed a model of fair trade buying behavior that summarized existing models, extended by the variables information, attitude towards fair trade, and attitude to fair trade product.

Numerous researchers took those models of EDM as point of departure for an examination of additional influencing variables in EDM. There exist five main literature reviews, summarizing those publications: Ford and Richardson (1994) published a review of studies prior to 1994, Loe et al. (2000) prior to 1996, O'Fallon and Butterfield (2005) published an overview about research done between 1996 and 2003, followed by Craft (2013) with a summary of studies published between 2004 and 2011. Lehnert et al. (2015) extended Craft's review by 56 articles for the same period. We screened articles published after 2011, but as no new aspects were found, we focus on presentation of the named literature reviews. We cluster all variables of the literature reviews into individual, situational and contextual, as well as organizational factors. Individual factors found to influence the EDM process are age, gender, cognitive moral development, cultural values and nationality, education, employment and experiences, personal values, personality, acceptance of authority, locus of control, need for cognition, Machiavellianism, philosophy and value orientation, and religion and spirituality. Situational and contextual factors comprise emotions and mood, peer group influence, moral intensity, situation, external environment, subjective norms, and opportunity.

Furthermore, the cluster of organizational factors comprise conflict, professional affiliation, top management influence, rewards and sanction, business competitiveness, codes of ethics, ethical climate, industry type, organizational climate, organizational size, training, decision style, and organizational commitment.

Next to those factors influencing the EDM process, another relevant research stream focused on variables specifically causing the missing transition of stated ethical awareness or ethical judgement, summarized via attitude, to actual behavior, often approximated by behavioral intention. As mentioned before, this phenomenon is called attitude-behavior gap. Related to our context it describes the discrepancy between a person stating to be in favor of ethical banking and the actual unethical behavioral intention. Deng (2015) stated that current status, social surroundings, physical surroundings, buying task, buying inertia, cynicism, ethical cognitive effort, and economic benefit moderate implementation of attitude into behavior. D'Astous and Legendre (2008) found a relation between the economic-development argument, the economic-rationalist argument, and the government-dependency argument and ethical behavior. Next to the already named variable cynicism, Bray et al. (2011) included image, negation of responsibility, and quality as crucial factors. Furthermore, availability (e.g. Papaoikonomou et al. 2010; Carrigan and Attalla 2001; Uusitalo and Oksanen 2004;), brand loyalty (Ahluwalia et al. 2000), inefficient ethical alternatives (Papaoikonomou et al. 2010), ethical consciousness (Deng 2015), involvement with sustainability (Vermeir and Verbeke 2006), lack of information (e.g. Uusitalo and Oksanen 2004; Carrigan and Attalla 2001; Burke et al. 2014), lack of transparency (Papaoikonomou et al. 2010), perceived consumer effectiveness (e.g. Papaoikonomou et al. 2010; Carrigan et al. 2004; Vermeir and Verbeke 2006), price (e.g. Uusitalo and Oksanen 2004; De Pelsmacker et al. 2005; Burke et al. 2014), skepticism (e.g. Papaoikonomou et al. 2010; Uusitalo and Oksanen 2004; Burke et al. 2014) as well as social obligation (Papaoikonomou et al. 2010), and social pressure (Vermeir and Verbeke 2006) were found to be important factors causing the attitude-behavior gap.

In the next section, we apply these general EDM perspectives to consumer decision-making in the context of ethical banking.

II.1.3 Model Development

The development of our model follows four steps. First, we include relevant constructs from Rest's (1986) model of EDM to form our bank customer's decision-making process. Since existing research, as for example zeb (2012), found that "missing information" depicts a core factor for the small market share of ethical banks, it suggests that the current barriers are

primarily lying in the first steps of the process of EDM, meaning that numerous potential clients do not even reach the stage of moral intent towards banking. As we are the first in contextualizing the EDM process in retail banking, we are therefore especially interested in the underlying psychological process of bank customers in forming or not their moral intent. Consequently, we focus on the first three steps of Rest's (1986) model of EDM, i.e. moral awareness, moral judgement, as well as moral intent and leave aside moral behavior in the first instance. In a following study, the relationship between moral intent and actual moral behavior will be analyzed.

Second, we incorporate relevant influencing factors based on literature research about bank selection criteria as well as other relevant constructs of EDM related to customers. Therefore, all variables presented in section II.1.2 were consulted, categories comprising same or similar factors were formed, and irrelevant variables, presented in detail in Appendix A and further explained at the end of this section, were sorted out. Based on this procedure, the following categories of variables relevant for our model evolved: Moral intensity, information, social context, neutralization, perceived consumer effectiveness, concern, skepticism, reputation, service quality, economic benefit, and convenience. We choose not to sort out the number of variables in a more restrictive way in order to be sure not to leave out important aspects in our holistic model. We aim at further narrowing the model via an empirical assessment that reveals the significant influence factors in the context of ethical banking. Third, we determine the hypotheses within those constructs based on literature. Appendix B summarizes all hypotheses. Fourth, measurement of each category, mainly based on literature, was critically discussed among researchers. The resulting theoretical model is illustrated in Figure II.1-1 and further discussed in the following.

In the centre of our model, the main process chain based on Rest (1986) is shown. H1 describes the influence of moral awareness on moral judgement and H2 from moral judgement to moral intent. Perceived consumer effectiveness, concern, and skepticism describe general attitudes towards ethical banking. Perceived consumer effectiveness (Papaoikonomou et al. 2010; Carrigan et al. 2004; Carrigan and Attalla 2001; Vermeir and Verbeke 2006) measures the perceived power of customers in general and is therefore included within the model. As Vermeir and Verbeke (2006) found significant positive impacts of perceived consumer effectiveness on moral awareness (H3a) and moral judgement (H3b), we expect the same. The category of concern evolved out of the variables concern and interest (De Pelsmacker and Janssens 2007), involvement with sustainability (Vermeir and Verbeke 2006), self-identity (Chatzidakis et al. 2007), ethical consciousness (Deng 2015), and product interest (De

Pelsmacker and Janssens 2007). As these constructs can be aggregated within the overall interest in ethical banks, De Pelsmacker and Janssens' (2007) concern and interest is taken as a representative construct for the category of concern. De Pelsmacker and Janssens (2007) found a positive correlation between interest and the two first steps of the EDM process, moral awareness and moral judgement. Vermeir and Verbeke (2006) found significant positive impacts of involvement with sustainability on moral awareness and moral judgement. Hence, we expect a positive impact of concern on moral awareness (H3c) and moral judgement (H3d). Skepticism and lack of belief (De Pelsmacker and Janssens 2007), skepticism (e.g. Papaoikonomou et al. 2010; Carrigan and Attalla 2001; Burke et al. 2014) and cynicism (Deng 2015; Bray et al. 2011) are recapped by the category named skepticism, describing customer's disbelief of ethical banks' moral image (Deng 2015). In line with concern, measurement of skepticism and lack of belief (De Pelsmacker and Janssens 2007) is included as the representative concept. Papaoikonomou et al. (2011) found a negative influence of skepticism on the two first steps of the EDM process. Hence, we expect a negative effect of skepticism on moral awareness (H3e) and moral judgement (H3f).
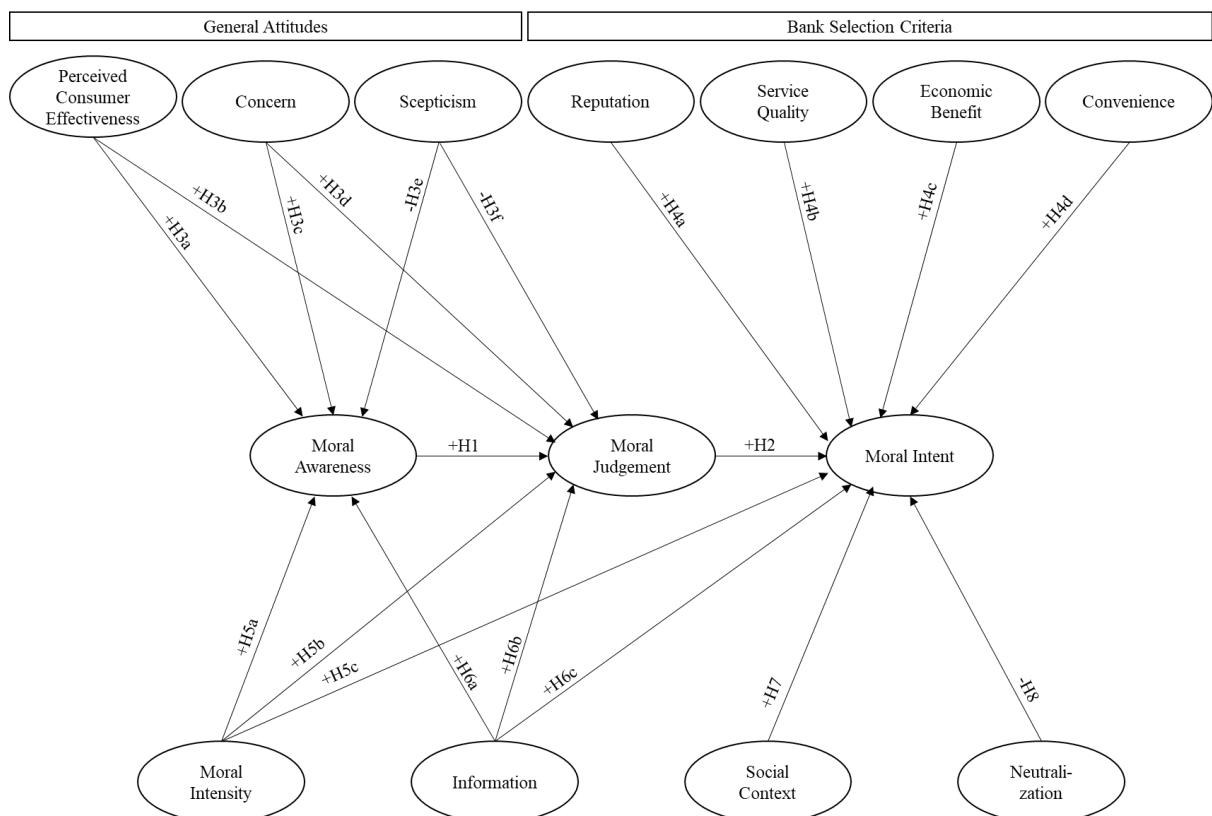

Figure II.1-1: Model of Bank Customer's Ethical Decision-Making Process

Furthermore, categories of traditional bank selection criteria presented in section II.1.2.2, comprising service quality, economic benefit, reputation, and convenience are part of our model. In literature, no evidence of correlations between bank selection criteria and the EDM

process can be found. As moral awareness and moral judgement focus on the ethical aspect of the decision, we expect bank selection criteria to influence moral intent, when deciding whether conventional criteria weigh out ethical ones within the EDM process. Thus, we expect high scores of those criteria for ethical banks to positively impact moral intent (H4a-H4d).

Moral intensity (Jones 1991) comprises magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect, with each sub element defining characteristics of the moral issue itself. For example, "the number of people affected by an act" (Jones 1991, p.374) measured via concentration of effect or proximity defined as "the feeling of nearness […] that the moral agent has for victims (beneficiaries) of the […] act in question" (Jones 1991, p.375). Based on first research, we expect conventional banks to be widely accepted by society and we assume a low perceived level of harm to specific people in close relation to the decision-maker that will actually be caused in the near future by clients of conventional banks. Hence, as all dimensions of moral intensity can be related to our context, the total construct of moral intensity (Jones 1991) is included in our model. Characteristics of the moral issue were found to have a positive impact on moral awareness, moral judgement, and moral intent (Barnett 2001; Singhapakdi et al. 1996; Singhapakdi et al. 1999; Paolillo and Vitell 2002). Leitsch (2006) found that all dimensions of moral intensity significantly predicted moral judgement. McMahon and Harvey (2006) stated a positive correlation between moral intensity and moral judgement. Valentine and Bateman (2011) found a positive correlation of moral intensity and moral intent. In line, we expect a positive impact of moral intensity on the first three steps of the EDM process (H5a-H5c).

Summarized among the category information are all variables related to the acquirement of information and knowledge, that is information (De Pelsmacker and Janssens 2007; Ajzen 1985; Papaoikonomou et al. 2010; Carrigan et al. 2004; Uusitalo and Oksanen 2004; Carrigan and Attalla 2001; Burke et al. 2014), knowledge (Ferrell and Gesham 1985; De Pelsmacker and Janssens 2007), ethical cognitive effort (Deng 2015), and transparency (Papaoikonomou et al. 2010). With the ethical decision-making processes often being complex due to evaluation of potential consequences for affected parties, the effort to gather enough information in order to gain knowledge is expected to be a crucial factor. To cover the main underlying aspects of this category, quantity and quality of information based on De Pelsmacker and Janssens (2007) are included in our survey. De Pelsmacker and Janssens (2007) found a positive impact of information on attitude, respectively moral awareness and moral judgement. Furthermore,

Deng (2015) found a positive impact of ethical cognitive effort on moral intent, leading to the respective expectations for our model (H6a-H6c).

The category of social context summarizes numerous variables describing a "person's perception of the social pressure put on him to perform or not perform the behavior in question" (Ajzen, 1985, p.12). Related concepts are subjective norm (Ajzen 1985; Chatzidakis et al. 2007; Ford and Richardson 1994; Loe et al. 2000; O'Fallon and Butterfield 2005; Craft 2013; Lehnert et al. 2015), social environment (Ferrell and Gresham 1985), significant others (Ferrell and Gresham 1985), peer group influence (Ford and Richardson 1994; Loe et al. 2000; O'Fallon and Butterfield 2005; Craft 2013; Lehnert et al. 2015), social obligation (Papaoikonomou et al. 2010), social surroundings (Deng 2015), social pressure (Vermeir and Verbeke 2006), and group dynamics (Jones 1991). Due to strongly overlapping meaning of the different terms, measurement based on one variable named social context is satisfying to decide whether social context plays a crucial role within the EDM process. Vermeir and Verbeke (2006), Powpaka (2002) and Flannery and May (2000) found a positive correlation between social context and intention to buy, leading to expect a positive relationship between the two constructs (H7).

The category of neutralization evolved out of the variables of negation of responsibility of Bray et al. (2011), the government-dependency argument of D'Astous and Legendre (2008), and neutralization of Chatzidakis et al. (2007) with the subitems denial of responsibility, denial of injury, denial of victim, condemning the condemner, and appeal to higher loyalty. For complex investment strategies, the immediate harm to specific people is not necessarily obvious, making denial of injury especially interesting for our context. Furthermore, denial or negation of responsibility seems applicable, as customers might not see their personal responsibility with an attitude that "factors beyond one's control are operating" (Chatzidakis et al. 2007, p.90) with respect to banks' investments. Equally measuring the attitude that it is not one's own responsibility to invest ethically, but rather the governments' one, the government-dependency argument can also be related to our context. Therefore, denial of injury, denial of responsibility, and the government-dependency argument are included in our survey to measure the impact of neutralization within our model. Chatzidakis et al. (2007) found a negative impact of neutralization on moral intent, leading to our corresponding expectation (H8). Appendix B summarizes all hypotheses.

Demographic variables age and gender, based on the literature reviews of Ford and Richardson (1994), Loe et al. (2000), O'Fallon and Butterfield (2005), Craft (2013) and

Lehnert et al. (2015), are part of our survey, but not directly included within the model. Next to those explained categories, there are other variables not included in our model as they cannot be transferred to our context of banking (for example purely employment-related factors), as they cannot be influenced by banks (for example variables related to personality), or factors being relevant only short-term, but not for mid- to long-term decisions as choice of bank. An overview of variables evaluated as not relevant for our model can be found in Appendix A.

For measurement of constructs, we use validated measurement approaches from prior research studies or scale handbooks (Hair et al. 2014, p. 41). For each construct, several examples of prior measurements were consulted and the applicability to the context of choice of bank was critically discussed with other research experts. Appendix C provides an overview of the applied measurement scales, adapted to our context, and the sources. We ask for the participants' main bank in order to be able to categorize the participants' current behavior. Additionally, we asked participants whether they would rate their bank as ethical according to our definition in section II.1.2.1 in order to extract further information out of the comparison between self-assessment and our evaluation of ethical banks. We are not aware of any study measuring empirically the influence of bank selection criteria on the EDM process. Hence, measurement of these constructs arose out of discussions with other researchers. In general, constructs were measured on a 5-point Likert scale. As the survey was conducted in German, measurement of constructs was translated and reviewed by two other researchers in order to ensure correct translation.

Our model aims to contribute to the understanding of consumption of ethical banking and to find out related obstacles. Therefore, we analyze bank customers' decision-making process in choosing between ethical and conventional banking. Since there is no model so far, we strive for filling this gap.

II.1.4   Empirical Analyses

The presented model is empirically analyzed in the following. First, methodology and data collection are introduced, followed by presentation of model validation, including detailed analysis of Rest's process of EDM as well as examination of influencing factors of our model.

II.1.4.1 Methodology and Data Collection

A survey-based quantitative research approach was chosen to empirically assess our model, In order to minimize the social desirability bias within our study, direct questions about participant's current bank situation were asked.

A pre-test of the online-based survey was conducted with ten participants of different educational and functional backgrounds to validate the comprehensiveness of our questionnaire. Subsequently, the survey was mainly spread via E-Mail and Facebook groups of students and alumni of German universities as well as groups related to sustainability or banking. To generate participants, incentives were offered via the possibility to win a voucher for an online-retailer. Furthermore, reminders were sent in regular intervals. Each participant got the same questionnaire. Two filter questions had implications on the following questions to be asked: First, if the participant considered himself as being customer of an ethical bank, the question about moral intent turned from "How likely are you to switch to an ethical bank within the next three months?" to "How likely are you to switch to a conventional bank within the next three months?". As we defined moral intent as the deliberate willingness to be client of an ethical bank, the scaling of the second question was reversed and those two questions were aggregated for empirical analyses. Secondly, respondents had to individually choose the most important bank selection criteria from service quality, economic criteria, convenience, and reputation, and afterwards an evaluation of ethical in opposite to conventional banks was asked only for the chosen criteria to limit the length of the survey.

Overall, the survey was started 395 times within one week, whereas 237 participants finished it. Data of 14 participants who did not correctly answer the control questions were eliminated. In sum, data of 223 participants was used for calculation. Table II.1-1 shows the descriptive statistics of the survey.

Sex	Age	Highest educational attainment
female / male / other (%)	min / mean / max	university degree / with entrance requirement for higher education /other
131 (59%) / 90 (40%) / 2 (1%)	17/ 26.73/ 69	120 (54%) / 85 (38%) /18 (8%)

Table II.1-1: Descriptive statistics of participants

Minimum sample size requirements for partial least square structural equation modelling (PLS-SEM) are fulfilled. In our case the maximum number of arrows pointing at a single variable is 11 (moral behavior, accounting for the moderating effects), therefore, as a rule of thumb (Hair et al. 2014), the minimum sample size is 11*10 = 110, which is exceeded by our 223 participants.

II.1.4.2   Model Validation

First, we analyzed our process of EDM in order to detect potential inconsistencies and non-linear effects within data. Afterwards, PLS-SEM, calculated with the software SmartPLS 3, was used to assess measurement properties and test the hypotheses of our model.

II.1.4.2.1. Analysis of the EDM Process

As we are not aware of any study applying a model of EDM in the context of bank selection, our first analysis conducted with the help of mean value calculations provides an insight into bank customers' ways through our EDM process. In order to examine the number of respondents successfully going through the whole process step by step, we made the assumption that on a five-point Likert scale used for measurement of moral awareness, judgement, and intent, a value higher than the middle of three indicates that respondents successfully reach the respective step of the process. In line, respondents with a value lower or equal to three are not considered as successfully arriving at the corresponding step, meaning that they are for example not aware of the moral aspect of banking. Although this assumption is a strong simplification, its interpretation fits the wording of the survey and therefore provides valid insights. For each step of the process, we calculate numbers according to two different procedures: First, the process of EDM was taken as a sequential stepwise process, meaning that reaching one step is only possible after successfully having reached all prior ones. Therefore, number of respondents with a mean value higher than three for the corresponding as well as for all previous stages are calculated in Figure II.1-2 in line (I). Second, steps were examined unconnected to each other, leading to results of line (II), showing the number of respondents with a mean value higher than three for evaluation of the respective stage, independent of the evaluation of previous stages. Comparison of (I) and (II) reveals inconsistent behavior according to our EDM process of 89 respondents (56+33), as they enter the process between two stages without having reached all previous ones.

56 respondents state at the beginning of the survey that banking does not contain an ethical component, but assign higher morality to ethical than conventional banks at evaluation of moral judgement. This inconsistency suggests missing information as one reason for absence of moral awareness: In order to avoid bias, moral awareness was queried at the beginning of the survey and can therefore be considered as unprompted moral awareness. In the course of the survey, provided information, as for example a definition of ethical banks, are likely of having generated first reflections about ethical aspects of banking for people that did not encounter this topic before, initiating moral awareness during the survey. This inconsistency

indicates a strong positive influence of information on moral awareness that has to be further examined via empirical assessment of the model with PLS-SEM.

		Moral Awareness		Moral Judgement		Moral Intent
I	Number of respondents with mean value >3 for the corresponding and all previous stages	110	→	67	→	30
II	Number of respondents with mean value >3 for the corresponding stage	110		123		63
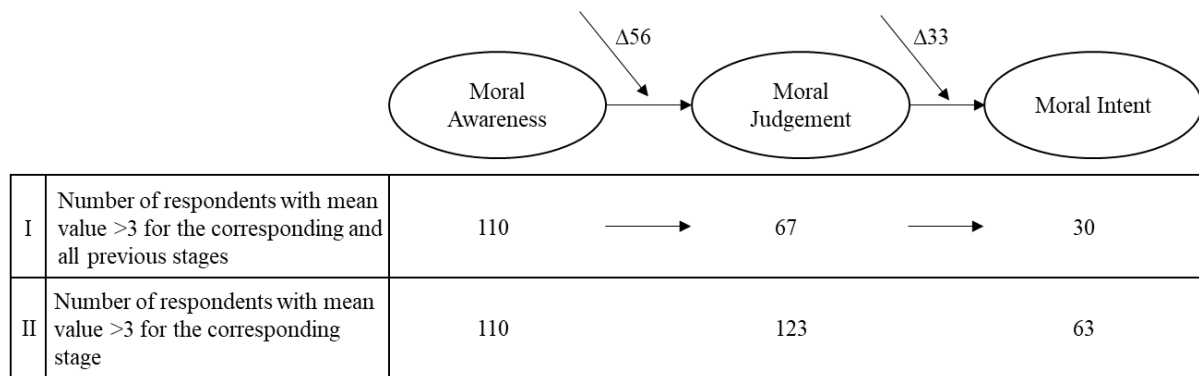
Figure II.1-2: Inconsistent behavior according to the process of EDM

33 respondents entering our EDM process between judgement and intent can be split in three subgroups. 16 respondents have established moral judgement and moral intent, but not moral awareness, pointing once again to the importance of information, as those 16 persons are part of the 56 entrants between step 1 and 2. 6 respondents have established moral awareness and moral intent, but skipped the stage of moral judgement. Apparently, other factors than the moral aspect drive those respondents to prefer ethical banks over conventional ones, justifying the inclusion of traditional bank selection criteria within the model. Detailed identification of the latter requires further statistical analyses, presented in the following paragraphs. 11 respondents neither established moral awareness nor moral judgement, but moral intent. These 11 respondents are those being client of an ethical bank according to their self-assessment, but not according to our assessment based on the definition of ethical banks. Therefore, moral intent means that they express the intent not to switch from the bank they evaluated as ethical to a conventional one. This phenomenon reveals absence of underlying moral reflections of the stage of moral intent and suggests that clients do not necessarily go through the process of EDM step-by-step. In each step of the process, they rather are influenced by further variables, that determine whether the respective stage is reached or not.

In order to identify potential factors responsible for the low number of participants going step by step through the whole process, mean values and standard deviations of each independent variable, measured on a five-point Likert scale, are calculated and presented in Table II.1-2.

Information with a rather low mean value of 1.93 on a 5-point Likert scale (1 to 5), is likely to play a crucial role in hindering respondents' successful EDM process, confirming the previous assumption during examination of our EDM process. Furthermore, mean values of social context, economic benefit, convenience, and moral intensity indicate that those

variables might tend to impede respondents of becoming clients of ethical banks. In opposite, mean values exceeding 3, as reputation, concern, service quality, and perceived consumer effectiveness, indicate that those factors tend to push clients towards ethical banks. Interpreted the other way around, a low level of neutralization indicates high feelings of responsibility and a low level of scepticism are found to be promoter of ethical banks. Nevertheless, rather high standard deviations as for example 1.45 for concern, 1.37 for perceived consumer effectiveness, or 1.32 for neutralization show strong differences between respondents' answers, indicating necessity of further empirical evaluation.

	Mean value	Standard deviation
Reputation	3.78	0.93
Concern	3.41	1.45
Service Quality	3.25	0.71
Perceived Consumer Effectiveness	3.22	1.37
Moral Intensity	2.86	1.25
Convenience	2.76	0.75
Neutralization	2.60	1.32
Economic Benefit	2.49	0.90
Scepticism	2.39	1.16
Social Context	2.03	1.15
Information	1.93	1.04

Table II.1-2: Mean value and standard deviation for influential variables of our model, sorted by decreasing mean

All in all, examination of our EDM process shows that a considerable number of respondents does not run through it step by step, pointing on the one hand-side to missing information as a crucial factor for low moral awareness, and indicating importance of non-ethical aspects on the other hand-side. Based on mean value calculation, potential obstacles for successively going through the whole process were found to be information, social context, convenience, economic benefit, and moral intensity.

II.1.4.2.2. Analysis of Influencing Factors of the Model

For further examination, PLS-SEM is advantageous for assessment of our model for several reasons. PLS-SEM can handle both formative and reflective measurement models, which is an important function as our model contains both types (Chin 1998). All variables of our model are measured reflectively apart from moral intensity and social context. For moral intensity, this decision is supported by previous studies measuring moral intensity formatively (Goles et al. 2006; Jones 1991). Social context is clearly a formative construct, as each item measures a different part of social context and does not necessarily strongly correlate with the other ones. Furthermore, PLS-SEM works with small sample sizes and is advantageous for

"identifying key 'driver' constructs" (Hair et al. 2011, p. 114). As the sample size of 223 is relatively small and furthermore, the goal of our research is to find main factors impending customers to choose ethical banks, PLS-SEM is appropriate. As a rule of thumb, critical t values for a two-tailed test are 1.65 (α = .10), 1.96 (α = .05), and 2.57 (α = .01) (Hair et al. 2014).

<u>Measurement Model</u>

Reflective scales are tested for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Hair et al. 2014). An overview of the assessment can be found in Appendix D. Concerning indicator reliability, outer loadings below .700 are considered as too unreliable (Hair et al., 2014). Based on this benchmark, CONC3 (.632), INFO4 (.535) and INFO5 (.653) were identified as critical indicators. As suggested in Hair et al. (2014), indicators between .400 and .700 should only be removed if deletion increases measures of the Average Variance Extracted (AVE) and Composite Reliability (CR) above the threshold. As omission of INFO4 and INFO5 increases AVE of INFO from .499 to .604 and omission of CONC3 increases AVE of CONC from .625 to .847, those three items were deleted, and the model was recalculated. As shown in Appendix D, all remaining indicators have outer loadings above .700, apart from NEUTR3, which with .694 minimally falls below this threshold, indicating indicator reliability for our model. To assess internal consistency reliability, we relied on both Cronbach's Alpha (CA) and CR. CA is the more conservative measure of internal consistency reliability, tending to underestimation. Nevertheless, all values of CA of our model are above the threshold of .700. Additionally, CR values exceed the expected minimum for exploratory research of .600 (Hair et al. 2014). As furthermore all values remain under the critical level of .950, it is assumed that indicators measure different phenomenon and are therefore a valid measure of the construct. For convergent validity, AVE was calculated. As mentioned afore, reflective indicators measure the same phenomenon. Therefore, the construct should at least explain half of the variance of its indicators (Hair et al. 2014, p. 103). In our model, each AVE value exceeds .500 and hence, convergent validity can be assumed. To assess discriminant validity, the conservative Fornell-Larcker criterion is consulted. The idea behind this criterion is that a reflectively measured variable shares more variance with its associated indicators than with any other construct (Hair et al. 2014, p. 105). Hence, the square root of each construct's AVE (diagonal) should be higher than any correlation with other constructs. As shown in Table II.1-3, this is the case for our model leading to the assumption that discriminant validity is fulfilled.

	CONC	JUDGE	NEUTR	PCE	INFO	SCEPT
CONC	**.921**					
JUDGE	.494	**.887**				
NEUTR	-.325	-.345	**.820**			
PCE	.214	.263	-.439	**.867**		
INFO	.079	.151	-.240	.106	**.777**	
SCEPT	-.500	-.441	.537	-.405	-.183	**.773**

Table II.1-3: Interconstruct correlations and square root of the AVE (diagonal)

Overall, assessment of reflective scales does not reveal any reason for concern. All quality criteria are well within the demanded benchmarks, and even conservative criteria as CA are fulfilled from our model.

To assess formative scales, one could test convergent validity of formative measurement, meaning "the extent to which a measure correlates positively with other measures (indicators) of the same construct" (Hair et al. 2014, p. 121). This would require the inclusion of both formative and reflective measurement of moral intensity and social context within the survey. Given that there are no well-established reflective measurements for this construct and aiming at restricting time to complete the survey, it was decided not to include further questions apart from those considered definitely necessary. As we rely on very well-established scales for measurement of moral intensity and social context and did not considerably change or adapt the wording, it can be assumed that neither convergent validity, nor collinearity of indicators is an issue and that formative indicators are both significant and relevant. Almost word-by-word adapted from established scales, it is justified to assume that formative indicators are good measurements of moral intensity and social context.

Due to reliability and validity of the measurement model, assessment of the structural model can be conducted in the next step.

Structural Model

To assess the structural model, the path coefficients β, effect sizes f^2, variance inflation factors (VIF), coefficients of determination R^2 and the predictive relevance Q^2 are examined. Significance of the effect sizes is evaluated via bootstrapping. Selected statistics are presented in Figure II.1-3. Variables are written in bold when a significant influence was revealed. Based on mean-value calculation presented in II.1.4.2.1, variables are marked in dashed line when hindering customers to join ethical banks and in continuous line when this factor is pushing towards ethical banks.

A full overview of results of the structural assessment is presented in Table II.1-4. First, collinearity issues of the structural model have to be assessed. Each VIF value of our model

is lower than 5, indicating that no constructs have to be eliminated or merged (Hair et al. 2014). Explanatory power of our model is determined by the squared multiple correlations R^2. R^2 of moral judgement ($R^2 = .370$) and moral intent ($R^2 = .217$) is moderate, while R^2 of moral awareness ($R^2 = .178$) and moral behavior ($R^2 = .161$) is weak. In sum, predictive accuracy of our model is supported. Blindfolding was used to obtain cross-validated redundancy measures. As all Q^2 values are above 0, predictive relevance is indicated (Hair et al., 2014). The effect size f^2 determines whether an exogenous construct has a small (.02), medium (.15) or large (.35) effect on an endogenous construct (Chin 1998).
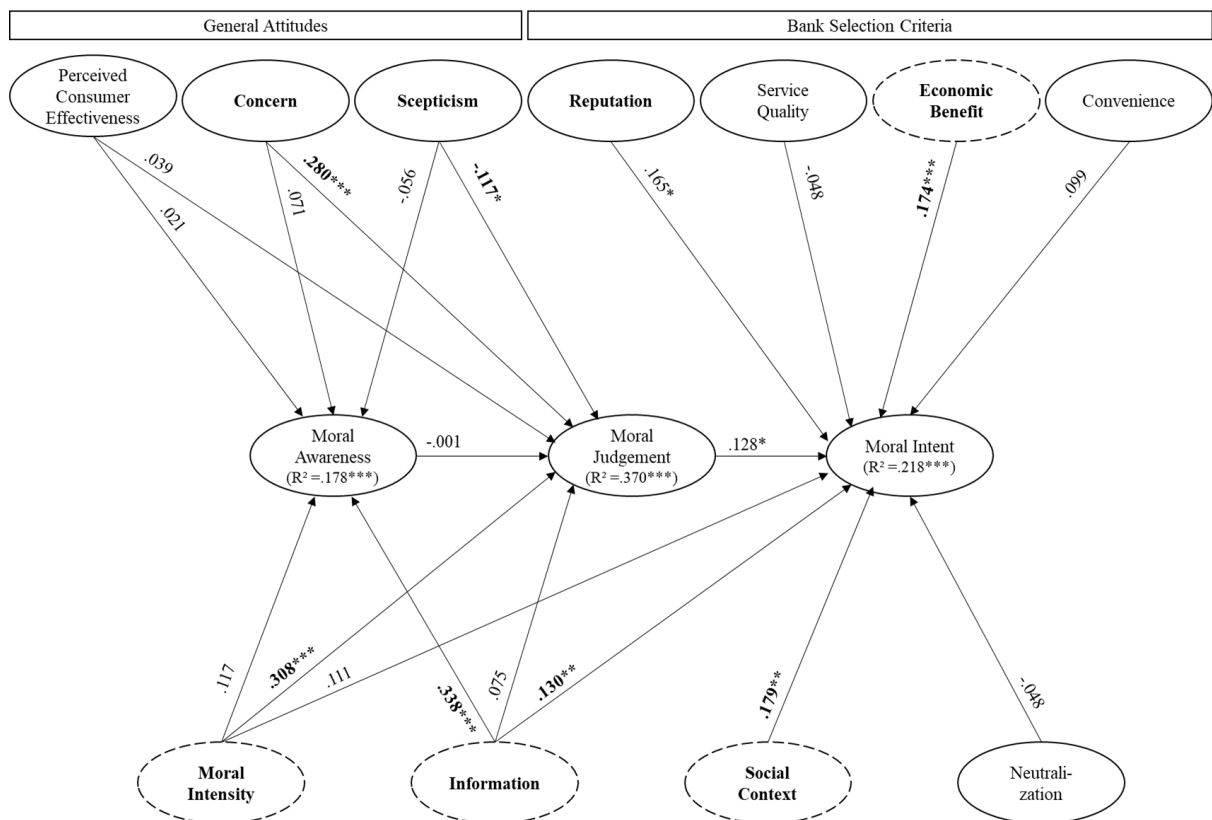
Figure II.1-3: Estimated model

→	direct effect
--------	Dashed line around constructs: Factor hinders costumers to join ethical banks
———	Solid line around constructs: Factor pushing customers towards ethical banks
Bold	Significant influence of the construct
***	significant at 1% level
**	significant at 5% level
*	significant at 10% level

Looking at the substantive results, inconsistent behavior to our EDM process, previously examined in section II.1.4.2.1, is equally shown by low empirical support of the main process. Only the influence from judgement to intent is supported (path coefficient $\beta=.128^*$, see Figure II.1-3). Thus, the small to moderate R^2 values are not surprising.

Hypothesis	Relationship	β	f^2	Support (size)	VIF	R²	Q²
Moral Awareness							
H3a	PCE→AW	.021	.000	No	1.254		
H3c	CONC→AW	.071	.004	No	1.445		
H3e	SCEPT→AW	-.056	.002	No	1.685	.178***	.123
H5a	MI→AW	.117	.011	No	1.501		
H6a	INFO→AW	.338***	.134***	Yes (small)	1.036		
Moral Judgement							
H1	AW→JUDGE	-.001	.000	No	1.216		
H3b	PCE→JUDGE	-.039	.002	No	1.246		
H3d	CONC→JUDGE	.280***	.086	Yes (small)	1.451	.370***	.262
H3f	SCEPT→JUDGE	-.117*	.013	Yes (-)	1.689		
H5b	MI→JUDGE	.308***	.099*	Yes (small)	1.518		
H6b	INFO→JUDGE	.075	.008	No	1.175		
Moral Intent							
H2	JUDGE→INT	.128*	.013	Yes (-)	1.561		
H4a	REP→INT	.165*	.009	Yes (-)	1.062		
H4b	SQ→INT	-.048	.002	No	1.190		
H4c	EB→INT	.174***	.029	Yes (small)	1.116		
H4d	CONV→INT	.099	.009	No	1.126	.218***	.149
H5c	MI→INT	.111	.010	No	1.518		
H6c	INFO→INT	.130**	.019	Yes (-)	1.131		
H7	SC→INT	.179**	.033	Yes (small)	1.226		
H8	NEUTR→INT	-.048	.002	No	1.318		
***significant at 1% level; **significant at 5% level; *significant at 10% level							

Table II.1-4: Results of Structural Assessment

Next, we consider the exogenous factors influencing the EDM process. We find overall nine correlations that are significantly different from zero. The sign of each of these significant path estimates complies with the respective theoretical hypothesis (see Appendix B). On the first step of the process, moral awareness, only information was found to significantly affect moral awareness (.338***). On moral judgement, moral intensity (.308***) and concern (.280***) exert a small positive and significant influence, whereas scepticism (-.117*) negatively correlates with the second step of the process. Moreover, social context (.179**) and economic benefit (.174***) have a small impact on moral intent. Besides, information (.130**) and reputation (.165*) were equally found to influence moral intent.

As assessment of the structural model shows, not all hypotheses are supported. Only bold variables were found to influence the EDM process (see Figure II.1-3). Based on mean value calculation presented in II.1.4.2.1, we set dashed lines around variables if we found indications of hindering potential clients to switch to ethical banks and solid lines if the factor was found to push towards ethical banks.

However, the missing significance of some path coefficients as well as the low effect size of all path coefficients is not surprising. Due to the high number of hypotheses in our integrated, holistic model, it was expected that not all are significantly supported. We deliberately did not sort out variables or influences from our model before testing to be sure to not leave aside potentially important effects. As variables of our model are based on publications of different contexts, it was expected that not all hypotheses are transferrable to ethical bank customers DM. Our model is a holistic representation of all possible influencing variables during the EDM process of choosing between ethical and conventional banks. Due to the statistical assessment, we are now, as explained above, able to differentiate between relevant influences for decision-makers and those that seem to be less decisive in our context.

II.1.5   Discussion of the results

Perceived consumer effectiveness, service quality, neutralization, and convenience were not found to significantly influence any stage of the EDM process. As illustrated in Figure II.1-3, the dashed line of the boxes demonstrate that a perceived disadvantageous economic benefit, low moral intensity, missing information, and low perceived pressure of the social context hinder potential customers of switching to ethical banks. Furthermore, the boxes marked by solid lines show that high concern, low skepticism towards ethical banks, and a good reputation were found to push clients towards ethical banks at different stages of the EDM process.

II.1.5.1   Theoretical Contributions

This paper contributes to the research on EDM in multiple ways. First, to the best of our knowledge, we are the first to contextualize EDM of customers for retail banking. Earlier studies investigate EDM of customers in different contexts, primarily consumption decisions regarding physical goods like organic food (e.g. Ozcaglar-Toulouse et al. 2006; Nicholls and Lee 2006) or sustainable fashion (e.g. Shaw et al. 2006). We extend existing literature of EDM to retail banking services. This contextualization supports the general applicability in this domain, but it also highlights substantial shortcomings of existing models in this domain, for example of Rest (1986). Further development of EDM models for retail banking or ethical consumer decisions generally might aim at addressing these issues.

Second, we extensively screened literature on DM and EDM and developed a holistic model for EDM of customers in retail banking by combining relevant components of existing models

and influencing factors. In this, we produced a research artefact that can also serve as basis for further research in the contexts of customer relationship management and retail banking.

Third, we tested our model via an empirical study and thus confirmed previously established relations in a new context, detected new relations, and sorted out insignificant influencing factors for the specific context of retail banking. Table II.1-5 shows the significant relations, which we confirmed in our study based on existing research, with reference to the field of research and the relevant studies.

In the field of general DM, Ajzen's (1985) theory of planned behavior was found to be relevant for our model. Furthermore, the widespread model of EDM by Rest (1986) and its extension by Jones (1991) were found to be significant. Moreover, the model of De Pelsmacker and Janssens (2007), specifically set up in the context of fair trade buying behavior, appeared to be essential. With this, we present a novel combination of established EDM models and suggest that a unified theory of EDM (which we do not attempt to develop in this paper) might further advance the field. Based on established bank selection criteria for conventional retail banking, we identified reputation and economic benefit as significant influencing factors of moral intent and hence detected new relations. While these constructs and relationships emerged from the retail banking context, we posit that they are relevant in many consumer decision contexts. Hence, reputation and economic benefit should be part of future theorizing on consumer EDM.

Author(s)	Year of publication	Field of research	Significant relation
Ajzen	1985	Decision-making (DM)	Social context →+ Moral intent
Rest	1986	Ethical decision-making (EDM)	Moral judgement →+ Moral intent
Jones	1991	Ethical decision-making (EDM)	Moral intensity →+ Moral judgement
De Pelsmacker and Janssens	2007	Ethical decision-making (EDM)	Concern →+ Moral judgement Skepticism →- Moral judgement Information →+ Moral awareness Information →+ Moral intent

Table II.1-5: Significant Relations

Due to its positive influence on customer loyalty (e.g. De Leaniz and Del Bosque Rodíguez 2016), reputation is an essential success factor for firms. A good reputation is based on personal experiences and recommendations from other customers (e.g. Blankson et al. 2009; Devlin 2002; Kamenidou 2013; Martenson 1985). It comes along with expectations of high levels of service and product quality as well as an ethically correct behavior of the firm.

Economic benefit means customers' cognitive tradeoff between the perceived benefits of the use of services or products and the monetary costs for using them (cf. Dodds et al. 1991). The economic benefit is positive when the benefits of using a service or product are perceived to be greater than the monetary cost (cf. Dodds et al. 1991). Given the relevance of economic benefit for consumer decisions (e.g. Venkatesh et al. 2012), it appears surprising that it is not consistently integrated in consumer EDM models.

From a methodical perspective, our results implicate that for setting up a model of EDM in a new context, it is useful to rely on well-established models of general DM and EDM to design the core of the model, include additional relevant variables based on models from a similar context, and add specific factors from the concrete context at hand.

In sum, based on existing research and our empirical study we provide researchers with relevant constructs, relations, and influencing factors for the context of EDM for customers in retail banking and therefore contribute to this field of interest in multiple ways.

II.1.5.2   *Practical Contributions*

Our study confirms that missing information is a core factor contributing to the rather small market share of ethical banks. According to our results, missing information leads to a low level of moral awareness. Moreover, our study shows that a large number of respondents without moral awareness at the beginning of our survey started to engage with ethical banking due to the provided information and finally arrived at a moral judgement in favor of ethical banks. This reveals that already a small amount of information and the short time it took to fill in the survey were sufficient to initiate reflections about the ethical aspects of banking. Since moral awareness is the first step in the EDM process towards a decision in favor for ethical banks, an active information policy and marketing campaigns should be the starting point for ethical banks to gain awareness of potential customers. Furthermore, publicly effective discussions on ethical aspects of banking could further draw attention on this topic and stimulate reflections among bank customers.

In our study, around 40% of respondents that successfully established moral awareness for the ethical content of the topic of banking, do nevertheless not form a moral judgement, meaning

that they do not judge ethical banks as more ethical than conventional ones. We found that concern, skepticism, and moral intensity significantly influence moral judgement. The positive relation between concern and moral judgement in combination with a relative high level of concern on the one hand and the negative relation between skepticism and moral judgement in combination with a relative low level of skepticism on the other hand show that these factors do not hinder potential customers in forming a positive moral judgement regarding ethical banks. However, the positive relation between moral intensity and moral judgement in combination with a relative low level of moral intensity in our study indicates that this factor is an obstacle in forming a positive moral judgement with respect to ethical banks. A closer look at the items of moral intensity reveals missing visibility and perception of (direct) benefits for the individual customer as main reasons for the low level of moral intensity and intrinsic motivation, respectively. Therefore, due to missing moral intensity, moral judgement is oftenly not made in favor of ethical banks. For example, compared to the boom of organic food within the last years, it seems like ethical banks are still a widely unknown part of the ethical consumerism movement. The judgement that organic is better than conventional food is driven by positive impacts on consumer's health (Magnusson et al., 2003). This perception of a direct positive impact through consumption of the ethical product seems not to be present in the case of ethical banks. Therefore, ethical banks might foster intrinsic motivation of potential customers by establishing a direct link between the consumption of ethical banking products and positive impacts on the life of the customer in particular and the world in general.

Moreover, our study shows that reputation, economic benefit, social context and information significantly influence moral intent. While a positive reputation is attributed to ethical banks, relative low levels of economic benefit, social context and information have a negative impact on moral intent, which is the actual intention to switch to an ethical bank. As earlier studies show, the perceived financial drawback of ethical bank products does not only concern the banking sector but all kinds of ethical products, as for example clothes or food (e.g. De Pelsmacker et al. 2005). Therefore, ethical banks have to address economic topics to reduce prejudices and insecurities. With a very small market share of ethical banks in Germany of (FNG 2018), it is comprehensible that due to the low number of ethical bank customers there is no noticeable social pressure towards ethical banks. Again, missing information hinders customers to switch to an ethical bank. Thus, there is a need for active and targeted educational work on ethical banking, especially considering economic aspects.

In sum, two fields of action can be derived in order to gain clients for ethical banking: On the one hand-side, potential clients need more facts about ethical banking. Especially the aspect of economic benefit should be included within information campaigns in order to address prejudices towards perceived financial drawbacks of ethical banks. Clearly pointing out economic aspects concerning ethical banks via concrete and tangible information might reduce insecurities. As many perceive ethics as a vague concept, including ethical or sustainable keywords (for example social, green, regional, environmental, fair, etc.) within public relations might not necessarily increase perceived quality of information for potential customers. Instead of those "buzzwords", investment projects should be named to provide a clear picture of ethical banks' strategy. On the other hand-side, low moral intensity might be tackled via emotional charging of ethical banking by establishing a direct link between the consumption of ethical bank products and its positive impacts. Preconditions for the success of emotionally loaded campaigns are promising, as the general concern about ethical topics is high and since there is no considerable level of skepticism towards ethical banks. If once a critical market share of ethical banks is reached, the social pressure and good reputation might increase moral intent as multiplicators via positive word of mouth.

II.1.5.3   *Limitations and Further Research*

In this study, we focus on the psychological process of bank customers in forming their moral intent to switch or not to switch to an ethical bank. We stopped with moral intent and did not regard moral behavior itself. While moral intent is assumed a good predictor of moral behavior (Rest 1986), there might be an intention-behavior gap. Future research may analyze the relationship between moral intent and moral behavior in bank selection.

The survey poses conventional limits to generalization: Participants' average age is 27 years and many of them are students. Neither of these is characteristic for the entire population. Nevertheless, students might be likely to overthink their choice of bank when beginning a new period of life after university. Moreover, students can be considered as an important target group of ethical banks, since they are well-educated, often critical thinking, and supposedly high-earning in the future. Therefore, although results are not conferrable to the whole population, our study offers a valid insight in an important target group of ethical banks. Even though the results should not be overgeneralized, they are a legitimate basis for our research purpose. Future research could classify further target groups of ethical banks and focus on potential similarities and differences within the EDM process of those groups.

Social desirability bias is especially important for ethical topics. People tend to behave as they are expected to and therefore tend to give socially desirable answers. Although the authors tried to reduce it to a minimum via conscious wording and arrangement of questions within the survey, this bias cannot be completely excluded. Nevertheless, results are valid as tendencies rather than concrete numbers are interpreted. Again, it might be interesting to set up a larger-scaled survey with our model, including measurement of moral behavior at a given time after measurement of intent, as behavior is measured as the fact of being client of an ethical bank or not, minimizing the social desirability bias at this last step. Further, experimental research designs may circumvent this issue.

As explained in sections II.1.5.1 and II.1.5.2, there are differences within the industry of food and the banking industry. Further research could use our description of how to set up a model of EDM in a new context and study different industries. For further research, we expect a comparison between different industries to bring interesting results. In a second step, differences in motivation to buy ethically within the industries could be subject for further research.

II.1.6   Conclusion

Overall, the study shows that EDM in the context of banking is a complex topic. Therefore, it is difficult to catch every influencing factor. Nevertheless, our model provides valid indications of the main factors causing a low number of clients of ethical banking and giving practical advices of how those aspects can be used by ethical banks to gain new customers. On the theoretical side, it provides an example how to contextualize EDM models to different domains, shows the value of integrating different EDM models, and suggests reputation and economic benefit as additional antecedents of morel intent.

Despite the ethical movement within society on the one hand-side and the devastating impact of the financial crisis of 2008 and ongoing consequences on the other hand-side, client's responsiveness towards ethical banking is relatively low. In our study, we took the basic ethical decision-making processes as a point of departure for our model of bank customers' ethical decision-making and, based on an extensive literature review, enriched the process with further relevant variables. We empirically tested the model via data of an online-based survey and found that good reputation of ethical banks, a low level of skepticism, as well as a high concern for ethical banks proof that ethical banks have the potential for gaining a considerable customer share. Nevertheless, aspects like perceived economic drawbacks, missing information for the topic of ethical banking, and missing pressure of the social context

currently might hinder people of becoming clients of ethical banks. Educational work, focusing on facts, combined with emotional content, might resolve this obstacle and bring more clients to ethical banks.

II.1.7   Appendix A: Overview of variables considered but not used in the research model

Reason for irrelevance for our model	Category, if attributed	Variable	Source
Missing transferability to retail banking context	employment factor	organizational factors	Jones (1991)
	employment factor	job-related situational factors	Trevino (1986)
	employment factor	industry environment	Hunt and Vitell (1986)
	employment factor	organizational environment	Hunt and Vitell (1986)
	employment factor	professional affiliation	5 literature reviews *
	employment factor	conflict	5 literature reviews *
	employment factor	top management influence	5 literature reviews *
	employment factor	rewards and sanction	5 literature reviews *
	employment factor	business competitiveness	5 literature reviews *
	employment factor	codes of ethics	5 literature reviews *
	employment factor	ethical climate	5 literature reviews *
	employment factor	industry type	5 literature reviews *
	employment factor	organizational climate	5 literature reviews *
	employment factor	organizational size	5 literature reviews *
	employment factor	training	5 literature reviews *
	employment factor	decision style	5 literature reviews *
	employment factor	organizational commitment	5 literature reviews *
	learning factor	evaluation of behavior	Ferrell and Gresham (1985)
	learning factor	actual consequence	Hunt and Vitell (1986)
	learning factor	personal experience	Hunt and Vitell (1986)
	learning factor	skills and abilities	Ajzen (1985)
	supermarket factor	buying inertia	Deng (2015)
	supermarket factor	buying task	Deng (2015)
	supermarket factor	physical surroundings	Deng (2015)
	fair-trade factor	economic-development argument	D'Astous and Legendre (2009)
Relevant only short term	emotion	emotions and compulsions	Ajzen (1985)
	opportunity	time and opportunity	Ajzen (1985)
	opportunity	dependence on others	Ajzen (1985)
	opportunity	opportunity	Ferrell and Gresham (1985) 5 literature reviews *
	opportunity	situational constraints	Hunt and Vitell (1986)
	emotion	current status	Deng (2015)
	emotion	Emotions /mood	5 literature reviews *
	opportunity	situation	5 literature reviews *

Appendix A (continued)

Reason for irrelevance for our model	Category, if attributed	Variable	Source
cannot be influenced by banks	personality	power of will	Ajzen (1985)
	personality	ego strength	Trevino (1986)
	personality	field dependence	Trevino (1986)
	personality	locus of control	Trevino (1986)
	personality	individual differences	Ajzen (1985)
	personality	cognitive moral development	Trevino (1986) 5 literature reviews *
	personality	personality	5 literature reviews *
	personality	acceptance of authority	5 literature reviews *
	personality	locus of control	5 literature reviews *
	personality	need for cognition	5 literature reviews *
	personality	Machiavellianism	5 literature reviews *
	-	deontological evaluation	Hunt and Vitell (1986)
	-	teleological evaluation	Hunt and Vitell (1986)
	external environment	cultural environment	Ferrell and Gresham (1985) Hunt and Vitell (1986)
	external environment	background characteristics	Chatzidakis et al. (2007)
	external environment	ethical obligation	Chatzidakis et al. (2007)
	internal values	cultural values	5 literature reviews *
	internal values	personal values	5 literature reviews *
	internal values	philosophy / value orientation	5 literature reviews *
	internal values	religion / spirituality	5 literature reviews *
	external environment	external environment	5 literature reviews *

* Literature reviews of Ford and Richardson (1994), Loe et al. (2000), O'Fallon and Butterfield (2005), Craft (2013) and Lehnert et al. (2015)

II.1.8   Appendix B: Hypotheses

	Hypotheses for Rest's ethical decision-making process
H1	Moral awareness positively impacts moral judgement.
H2	Moral judgement positively impacts moral intent.
	Hypotheses for influencing variables
H3a	Perceived consumer effectiveness positively impacts moral awareness.
H3b	Perceived consumer effectiveness positively impacts moral judgement.
H3c	Concern positively impacts moral awareness.
H3d	Concern positively impacts moral judgement.
H3e	Skepticism negatively impacts moral awareness.
H4f	Skepticism negatively impacts moral judgement.
H4a	Reputation positively impacts moral intent.
H4b	Service quality positively impacts moral intent.
H4c	Economic benefit positively impacts moral intent.
H4d	Convenience positively impacts moral intent.
H5a	Moral intensity positively impacts moral awareness.
H5b	Moral intensity positively impacts moral judgement.
H5c	Moral intensity positively impacts moral intent.
H6a	Information positively impacts moral awareness.
H6b	Information positively impacts moral judgement.
H6c	Information positively impacts moral intent.
H7	Social context positively impacts moral intent.
H8	Neutralization negatively impacts moral intent.

II.1.9 Appendix C: Measurement of the model of bank customer's ethical decision-making process

Construct	Item	Question	Source
AW	AW	There are important ethical aspects to banking.	Culiberg and Bajde (2014), Valentine and Hollingworth (2012)
JUDGE	JUDGE1	Being customer of an ethical bank is … … fair-unfair	Culiberg and Bajde (2014), Valentine and Hollingworth (2012)
	JUDGE2	… just-unjust	
	JUDGE3	… acceptable-unacceptable	
	JUDGE4	… morally right-morally wrong	
INT	INT	How likely are you to switch to an <ethical bank / conventional bank> within the next three months?	Culiberg and Bajde (2014)
MI	MI1	Being customer of an ethical bank, … … the overall benefit is very small. (R)	Culiberg and Bajde (2014), Singhapakdi et al. (1996)
	MI2	… there is a very small likelihood that it will produce any benefit to the environment. (R)	
	MI3	… it will benefit people who are close to me.	
	MI4	… it will cause any benefit in an immediate future.	
	MI5	… it will benefit very few people. (R)	
	MI6	… most people would agree that it is right.	
	MI7	… the overall benefit is not visible. (R)	
SC	SC1	Most family members/ friends/ neighbors/ colleagues close to me promote sustainable banks.	Deng (2015) and own reflections
	SC2	The government/media network/consumer groups often call on me to switch to sustainable banks.	
	SC3	Being customer of a sustainable bank is prestigious.	
Bank Selection Criteria: Service Quality, Economic Benefit, Convenience, Reputation	SQ1/ EB1/ CONV1/ REP1	In your opinion, what are the most important bank choice criteria? <service quality / economic criteria / convenience / reputation >	own reflections
	SQ2/ EB2/ CONV2/ REP2	How do you evaluate <service quality / economic criteria / convenience / reputation> of ethical banks compared to conventional banks?	

Appendix C (continued)

Construct	Item	Question	Source
NEUTR	NEUTR1	I am not customer of an ethical bank because it is not my responsibility.	Strutton et al. (1994), D'Astous and Legendre (2009)
	NEUTR2	I am not customer of an ethical bank because not being there will not cause any serious injuries.	
	NEUTR3	I would not change my banking habits in order to be more ethical, because it is the government's role to force banks to conform to ethical standards.	
INFO	INFO1	I know pretty much about ethical banks.	D'Astous and Legendre (2009), De Pelsmacker and Janssens (2007)
	INFO2	There is not a lot information about actions of ethical banks. (R)	
	INFO3	There is not a lot information on ethical banking. (R)	
	INFO4	There could be more information on which banks are ethical or not. (R)	
	INFO5	"Ethical banking" is a not well-defined concept that should be explained concisely and clearly. (R)	
	INFO6	There is only low-quality information about ethical banking. (R)	
CONC	CONC1	Ethical banks are important.	De Pelsmacker and Janssens (2007)
	CONC2	Ethical banks ought to be a generalized way of banking (benchmark) and not an alternative way (exception).	
	CONC3	I am concerned about the ethical banking issue.	
SCEPT	SCEPT1	Ethical banking is too much like charity: using ethical banking does not solve anything in the long run. It just eases your conscience.	De Pelsmacker and Janssens (2007)
	SCEPT2	Ethical banks are lacking credibility.	
	SCEPT3	The ethical principle cannot work on a larger scale.	
	SCEPT4	Ethical banks are not compatible with free-market principles. It is impossible to be ethical and be profitable.	
PCE	PCE1	There is not much that any one individual can do about the environment. (R)	Jayawardhena et al. (2016)
	PCE2	The conservation efforts of one person are useless as long as other people refuse to conserve. (R)	
	PCE3	As just one consumer I have no real power. (R)	

- In general, a 5-point Likert scale with levels (strongly agree, agree, undecided, disagree, strongly disagree) was applied.
- For JUDGE, a 5-point scale for the respective options was applied.
- <…>: based on previous answers, participant was only shown one of the options.
- R: Reversed question (High value of the item leads to low value of the construct.

II.1.10 Appendix D: Assessment of measurement models (reflective variables)

Item	Survey Wording	Main Loading	Cronbach's alpha	Composite Reliability	Average Variance Extracted
Moral Judgement (JUDGE)					
JUDGE1	Being customer of an ethical bank is … … fair-unfair	.871	.909	.936	.786
JUDGE2	… just-unjust	.903			
JUDGE3	… acceptable-unacceptable	.915			
JUDGE4	… morally right-morally wrong	.856			
Neutralization (NEUTR)					
NEUTR1	I am not customer of an ethical bank because it is not my responsibility.	.861	.755	.859	.673
NEUTR2	I am not customer of an ethical bank because not being there will not cause any serious injuries.	.892			
NEUTR3	I would not change my banking habits in order to be more ethical, because it is the government's role to force banks to conform to ethical standards.	.694			
Information (INFO)					
INFO1	I know pretty much about ethical banks.	.738	.783	.859	.604
INFO2	There is not a lot information about actions of ethical banks.	.844			
INFO3	There is not a lot information on ethical banking.	.784			
INFO6	There is only low-quality information about ethical banking.	.737			
Concern (CONC)					
CONC1	Ethical banks are important.	.925	.820	.917	.847
CONC2	Ethical banks ought to be a generalized way of banking (benchmark) and not an alternative way (exception).	.916			
Skepticism (SCEPT)					
SCEPT1	Ethical banking is too much like charity: using ethical banking does not solve anything in the long run. It just eases your conscience.	.811	.776	.856	.598
SCEPT2	Ethical banks are lacking credibility	.707			
SCEPT3	The ethical principle cannot work on a larger scale.	.822			
SCEPT4	Ethical banks are not compatible with free-market principles. It is impossible to be ethical and be profitable.	.746			
Perceived Consumer Effectiveness (PCE)					
PCE1	There is not much that any one individual can do about the environment.	.904	.835	.900	.751
PCE2	The conservation efforts of one person are useless as long as other people refuse to conserve.	.807			
PCE3	As just one consumer I have no real power.	.886			

II.1.11   References

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III   Understanding Customers' Perceptions and Evaluations

Customer experience management (CXM) requires knowledge on the customers as well as the relevant customer journeys (CJs) and touch points in order to provide positive customer experiences (CXs) and improve them continually. Therefore, it is important to measure and monitor customers' perceptions and evaluations in the CJ, which is the basis for a subsequent design of superior CJs and CXs.

From a customer's perspective, the satisfaction and loyalty with a firm is influenced by all interactions and experiences relating to this firm. Based on previous experiences with the firm and/or other service providers, customers have specific expectations with respect to the interactions. These expectations are the basis for an evaluation of the static and dynamic CXs (e.g. customer satisfaction, service quality). Evaluations occur by comparing expectations with perceptions of the actual experience (confirmation/disconfirmation paradigm). Thereby, customers' evaluations of static CXs make a contribution to their dynamic CXs and overall satisfaction with the firm's services or products (Canfield and Basso 2017; Voorhees et al. 2017). If expectations are consistently met, customers are satisfied and build trust in the firm, brand, or service personnel respectively (e.g. Ha and Perks 2005). Thereby, customer trust plays a central role in developing customer satisfaction and loyalty (e.g. Swan et al. 1999; Aljukhadar et al. 2010).

Currently, two major developments can be observed: First, the intensification of multiculturalism in societies of developed nations (e.g. USA, Germany, Great Britain) due to recent migration flows. This leads to an increasing number of intercultural encounters and customer-firm interactions with customers and employees with different cultural backgrounds, which entail the risk of cultural misunderstandings and rejection (e.g. decreasing customer trust). Second, the increasing digitalization of customer-firm interactions. Next to the trend of multiculturalism, customer-firm interactions increasingly occur in digital environments. It is thus interesting if existing theories, already tested for non-digital environments, are equally valid for digital contexts.

With intent to gain a deeper understanding of the effects of cultural distance and digital channels on customer satisfaction for digital service encounters, research paper 2 develops and tests a theoretical model. Research paper 3 conducts an additional survey to test this model for a varying group of customers. Complementary to research papers 2 and 3, research paper 4 develops and tests a theoretical model that integrates customer trust as mediator of the effect of cultural distance on customer satisfaction in order to analyze the influence of digital

communication channels and cultural distance on customer trust and its consequences for digital service encounters.

III.1 Research Paper 2: "Customer satisfaction in digital service encounters: the role of media richness, social presence, and cultural distance"

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Abstract: *Digital technologies are increasingly used for communication between service personnel and customers. These digital service encounters bring along two changes: First, diverse digital channels such as text, audio, or video communication vary in the perceived media richness and perceived social presence of the counterpart. Second, digital channels allow service providers to employ service personnel remote from the customer and to serve a geographically wider, potentially global market. In this, there is a rise of intercultural service encounters. Therefore, we investigate how customer satisfaction is influenced by the type of digital communication channel and by cultural differences between service personnel and customer. We build a theoretical model on the effect of communication channels and cultural differences on customer satisfaction in digital service encounters. Afterwards, we collect data through an internet-based survey including a simulation of a digital service encounter and cultural differences. We use the data and structural equation modelling to test our theoretical model. Our results indicate that perceived media richness and perceived social presence play*

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[2] Research paper 3 is an extension of research paper 2. Intersections are not marked due to review processes.

a substantial role for customer satisfaction. Contrary to prior literature on offline service encounters, our results suggest that perceived cultural distance does not affect customer satisfaction in digital service encounters.

III.1.1   Introduction

Digitalization transforms business and private life (e.g. Keil et al. 2001; Piccinini et al. 2015). This transformation is driven by technological innovations like fast internet connections, smart and connected products (technology push; Lasi et al. 2014; Kyoseva et al. 2014), and by changing consumer demand and behavior (market pull; Leimeister et al. 2014; Nüesch et al. 2015). Part of this transformation affects the interaction of firms with their customers (e.g. Gimpel and Röglinger 2015; Verhoef et al. 2015). Interactions are more and more conducted via digital channels like email, website, social media, audio or video chat (Thurlow et al. 2004). Examples for digital service encounters include personal consultation, requests, and complaints (Heinonen 2008). For firms, the benefits from using digital channels include the ability to address a wider, less locally-constrained market and to lower costs compared to pre-digital, offline channels. For customers, the benefits from using digital channels include primarily convenience such as 24/7 availability of services, for example, when service personnel is located in different locations around the world and interacts with the customer via digital channels.

The increasing usage of digital channels for interpersonal communication in service encounters comes along with two distinct changes: First, different channels have different levels of media richness (Guo and Turner 2005; Massey et al. 2001) and social presence of the counterpart in a communication (Massey et al. 2001). Second, digital channels facilitate supra-regional and international customer interactions – here, information systems connect actors in different geographic locations and can be seen as global gateway for service providers to operate in a wider market. This leads to an increasing number of intercultural service encounters, i.e. interactions between employees and customers with different cultural backgrounds. Beyond digitalization, globalization and migration add to the incidence of intercultural service encounters. Thereby, culture has visible (e.g. language, music, rituals, clothes) and invisible (e.g. values, norms, belief, attitudes, expectations) areas (Hall 1976). While visible areas of culture such as clothes can be perceived directly, invisible areas of culture like attitudes influence expectations and behavior. Both changes – varying media richness and social presence between channels as well as partially increasing cultural distance between service provider and customer – might affect customer satisfaction (e.g. Simon and

Peppas 2004; Sharma et al. 2012; Wang et al. 2012) and in turn customer loyalty and firm value (e.g. Gupta et al. 2004; Luo and Homburg 2007). Thus, it is essential for service providers to gain a detailed understanding of the influence of these factors on customer satisfaction. Based on this information, they can define their multi-channel strategy and inform the matching of service personnel to customers. Our central research question is:

How do media richness, social presence, and cultural difference
influence customer satisfaction in digital service encounters?

Our paper is structured following the "reference guide for researchers" of Urbach and Ahlemann (2010, p. 5), who presented a "framework for empirical research": We review the theoretical background (III.1.2) and develop a theoretical framework of the impact of the digital communication channel and cultural differences on customer satisfaction (III.1.3). We operationalize the theoretical model and obtain data from a survey among service customers (III.1.4). In this, we simulate a digital service encounter and subsequently query the survey participant, having the role of the customer, for her or his satisfaction. Each participant faces one out of six scenarios in a 3x2 full factorial design varying between common digital communication channels (text, audio, and video communication) and cues on the culture of the service employee (common German name, clear language, and unremarkable attire in a Western society as compared to common Turkish name, light accent, and wearing a headscarf). We use the survey data to test our theoretical model by means of structural equation modeling (III.1.5), discuss the results (III.1.6), and conclude (III.1.7).

III.1.2 Theoretical Background

Our research is based on the existing literature on marketing, customer relationship management (CRM), digital communication channels, and intercultural service encounters. Since customer satisfaction is a key factor to realize customer retention, customer value, and thus business success (e.g. Anderson et al. 2004; Aksoy et al. 2008; Williams and Naumann 2011), it is a focal construct in our investigation. Customer satisfaction is an aggregate measure of all experiences with an organization and its products and services (Payne and Frow 2005; Verhoef et al. 2009). Thereby, a single customer experience arises through a direct or indirect interaction with an organization or its products and services and implicates customer involvement on rational, emotional, sensory, physical and/or spiritual levels (Gentile et al. 2007; Meyer and Schwager 2007). Central antecedents of customer experience are the service interface including the technology used and the social environment including the service

personnel (Verhoef et al. 2009). As argued in the introduction, both tend to be different in digital service encounters as compared to pre-digital, offline service encounters.

III.1.2.1   *Effect of communication channels on customer satisfaction*

Through the increasing importance of e-commerce and digital communication technologies, organizations have to decide about their provision of digital communication channels for customer interaction. From the customer point of view, these communication alternatives have divergent characteristics such as media richness (i.e. information transportation capability), social presence, synchronism/asynchronism, and rehearsability (Massey et al. 2001; Thurlow et al. 2004). These characteristics might influence customer satisfaction (e.g. He et al. 2012; Tang and Wang 2011).

Media richness is characterized by the capacity to process rich information (Lengel and Daft 1984). Following Lengel and Daft (1984), media richness has four facets: (1) Feedback capability, i.e. the ability of the medium to facilitate immediate feedback and clarification of issues during dialogs; (2) Multiple cues/communication channels (including body language, voice inflection, physical representations) facilitated by the medium; (3) Language Variety, i.e. the ability of the medium to facilitate dialogs involving both numbers and natural language; (4) Personal focus/source, i.e. the ability of the medium to convey the personal feelings and emotions of dialog partners. Digital communication channels can be characterized as high or low in "richness" based on their ability to facilitate shared meaning, i.e. insight and rapid understanding (Daft et al. 1987). Therefore, according to existent research, concerning media richness we can rank face-to-face communication (e.g. video chat as an approximation of face-to-face interaction), audio communication (e.g. voice over IP), and text communication (e.g. email, instant messaging) in a descending order with respect to media richness (e.g. Daft et al. 1987; Guo and Turner 2005).

Social presence means "the degree of salience of the other person in the interaction and the consequent salience of the interpersonal relationship" (Short et al. 1976, p. 65). Representing the degree of person-to-person awareness in an interaction, social presence became a core construct in computer-mediated communication and gained remarkable interests from communication and human-computer interaction researchers (Tang and Wang 2011). In reference to existing research, concerning social presence we can similarly rank face-to-face communication (e.g. video chat as an approximation of face-to-face interaction), audio communication (e.g. voice over IP), and text communication (e.g. email, instant messaging) in a descending order (Massey et al. 2001; Sallnäs 2005).

In summary, we conclude that media richness and social presence differ between commonly used channels in digital service encounters and that customer satisfaction may depend on the customer's perception of both media richness and social presence.

III.1.2.2   *Effect of cultural distance on customer satisfaction*

Intercultural service encounters occur when employees and customers with different cultural backgrounds interact with each other. In this, cultural differences can be originated by visible aspects such as language (e.g. accent) or clothes on the one hand and invisible aspects like belief or expectations (e.g. related to employee behavior) on the other hand (Hall 1976). Intercultural service encounters possibly occur in domestic as well as international markets. Thereby, increased digital communication via the internet facilitates location-independent customer-employee interactions and thus leads to an increasing number of intercultural interactions.

Intercultural CRM aims at realizing customer satisfaction and, thus, profitable customer relations across the multi-cultural customer and personnel base. Existing research on intercultural CRM can be categorized in six research directions: (1) General intercultural aspects in customer-employee interactions (e.g. Youngdahl et al. 2003; Ribbink and Grimm 2014), (2) comparative assessment of service quality in diverse cultures (e.g. Espinoza 1999; Malhotra et al. 2005), (3) assessment of customer satisfaction in intercultural service encounters (e.g. Hopkins et al. 2009; Tam et al. 2014), (4) comparison of customer reactions after service failures in different cultures (e.g. Wang and Mattila 2011; Johnson et al. 2013), (5) investigation of the importance of intercultural competence (e.g. Ascalon et al. 2008; Ihtiyar and Ahmad 2014), and (6) various ways for acquisition of intercultural competence (e.g. Bartel-Radic 2006; Antal and Friedman 2008). In all these streams, except to Van Birgelen et al. (2002) researchers solely investigate service encounters in non-digital contexts such as retail grocery stores or restaurants (e.g. Sharma et al. 2009, 2012). Van Birgelen et al. (2002) examine variations in the assessment of service quality and customer satisfaction related to different national cultural characteristics for the aftersales service formats "face-to-face", "voice-to-voice", and "bit-to-bit". They find that, in contrast to the traditional face-to-face service encounter, the perceived quality-satisfaction-relationship is particularly moderated by national culture in the case of technology-based after-sales services. While existent research focuses on the divergent assessment of service quality or satisfaction across different cultures, so far, there is no research on the impact of perceived cultural distance on customer satisfaction in digital service encounters. Therefore, it is our purpose to investigate

the impact of cultural differences on customer satisfaction in digital service encounters. Regarding the categorization in six research streams, our work primarily contributes to stream (3), the assessment of customer satisfaction in intercultural service encounters. Moreover, we also integrate some aspects of research stream (5), the investigation of the importance of intercultural competence.

When regarding intercultural service encounters, a lot of researchers are interested in the impact of a perceived cultural distance on the satisfaction of customers and employees (e.g. Sharma et al. 2009, 2012; Tam et al. 2014). It has been argued that perceived cultural distance influences customer satisfaction (Sharma et al. 2009) – for intercultural service encounters in restaurants, a survey study by Sharma et al. (2012) surprisingly showed that increasing perceived cultural distance increases customer satisfaction. Several researchers (e.g. Sizoo 2007; Ihtiyar et al. 2013) analyze the role of experiences and abilities to appropriately handle cultural differences – named "intercultural competence". Thus, in our research, we are interested in the role of perceived cultural distance and intercultural competence in service encounters via digital channels.

III.1.3   Model Development

We developed a theoretical model of the impact of the choice of a digital communication channel and cultural differences on customer satisfaction in digital services. Our model is composed of well-established constructs from communication theory (especially Short et al. 1976; Lengel and Daft 1984; Daft and Lengel 1986; Daft et al. 1987; Canary and Spitzberg 1987) on the one hand, and existent constructs from Sharma et al. (2009)'s conceptual framework on intercultural service encounters on the other hand. Core constructs, causal relationships among these constructs, and testable propositions are presented in the following sub-sections by means of words, a table, and a diagram. The scope of our theory are digital service encounters with both human customers and human service provider personally interacting with the customer via digital channels.

III.1.3.1   *Constructs*

In order to take account for the different perceptions of the digital communication channels, we use "media richness", "social presence", and "channel competence" from communication theory (Short et al. 1976; Lengel and Daft 1984; Daft and Lengel 1986; Daft et al. 1987; Canary and Spitzberg 1987; Tang and Wang 2011; Ledford 2012; Armengol et al. 2015). We include "perceived cultural distance" and "intercultural competence" from Sharma et al. (2009)'s intercultural service encounter (ICSE) framework in our theoretical model, to

account for the role of cultural distances. Furthermore, we control the digital channel (CD) and the cultural distance (CD). Table III.1-1 shows a summary of the core constructs including definitions and references.

Construct	Definition	References
Digital Channel (DC)	Methods for customer-company interactions through digital technology interfaces such as email, text-based live chat on webpages, audio or video communication.	Heinonen and Michelsson (2010)
Perceived Media Richness (PMR)	Customer's perception of the information carrying capacity of media.	Lengel and Daft (1984), Daft and Lengel (1986), Daft et al. (1987), Ledford (2012)
Perceived Social Presence (PSP)	Customer's perception of person-to-person awareness in an interaction.	Short et al. (1976), Sallnäs (2005), Tang and Wang (2011), Wang et al. (2012), He et al. (2012)
Channel Competence (CC)	Customer's experiences and abilities regarding the effective and appropriate usage of a specific communication channel.	Canary and Spitzberg (1987), Polasik and Wisniewski (2009), Verdugo and Fierro (2014), Armengol et al. (2015)
Cultural Distance (CD)	Overall cultural difference between customer and employee as a result of differences in various cultural elements such as language, religion, social structure, standard of living, and values.	Triandis (2000), Sharma et al. (2009), Sharma et al. (2012), Tam et al. (2014)
Perceived Cultural Distance (PCD)	Customer's perception of CD to employee.	
Intercultural Competence (IC)	Customer's ability to think and act in appropriate ways with people from other cultures. Customers with higher IC display more respect and empathy for people from other cultures.	Hammer et al. (1978), Hammer et al. (2003), Lustig and Koester (2003), Friedman and Antal (2005), Antal and Friedman (2008), Ihtiyar and Ahmad (2014)
Customer Satisfaction (CS)	Customer's overall evaluation of total interaction, purchase, and consumption experience.	Fornell et al. (1996), Sharma et al. (2009)

Table III.1-1: Model Constructs

III.1.3.2 Hypotheses

The hypotheses of our theoretical model are summarized in Figure III.1-1 and are discussed in the following.

Massey et al. (2001) characterize various media capacity measures for different communication technologies on a low-to-high scale. According to their illustration, in video-based communication (e.g. videoconference) media richness and social presence are perceived relatively high, in audio communication (e.g. voice over IP) media richness and social presence are perceived relatively medium, and in text communication (e.g. instant messaging) the same measures are perceived relatively low (Massey et al. 2001). Following this categorization, we assume a descending order for video, audio, and text communication in

perceived media richness (PMR) (H1a) and perceived social presence (PSP) (H1b). H1b is additionally supported by the results of Sallnäs (2005)' work who shows a higher PSP in a videoconference than in an audioconference and a lower PSP in text communication than in video- and audioconferences.
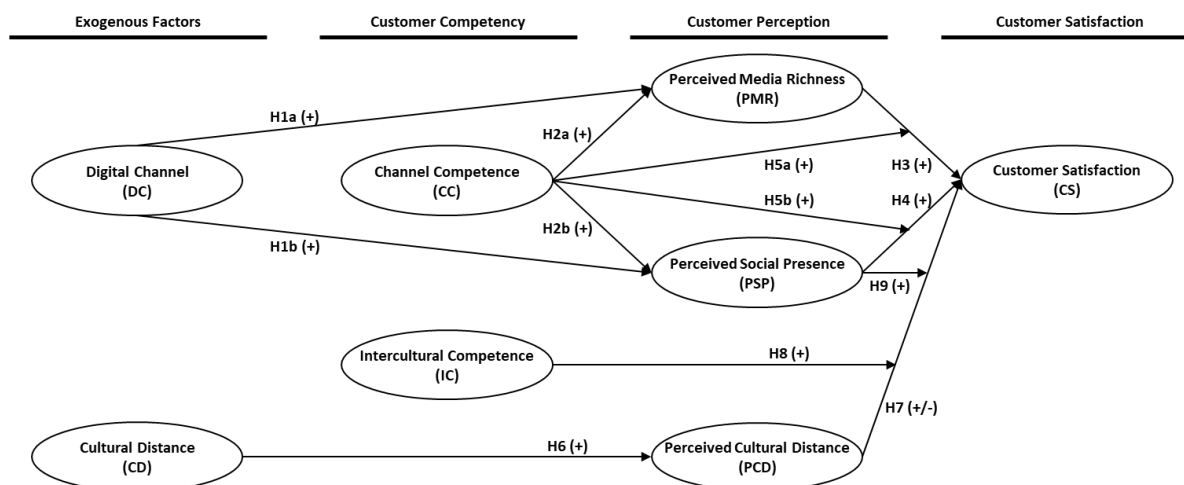

Figure III.1-1: Theoretical model on the influence of digital channel and cultural distance on customer satisfaction

Moreover, since Armengol et al. (2015) found that PMR is positively influenced by a persons' experience with the specific medium, we expect a positive influence of CC on PMR (H2a). According to Tang and Wang (2011), the user's experience with a medium influences PSP. Furthermore, Wrench and Punyanunt-Carter (2007) show that increased skill in virtual environments augments PSP. Hence, we expect a positive impact of CC on PSP (H2b).

If we think about a mediums' capacity to transport information on various ways (e.g. spoken and body language), we expect that customers feel more comfortable in an interaction the larger their possibilities to express themselves are. Therefore, grounded on the work of several researchers (Simon and Peppas 2004; Sevinc and D'Ambra 2004; Pinsonneault et al. 2010; Ogara and Koh 2014) we expect a positive impact of PMR on CS (H3). Thus, it is anticipated that a higher PMR leads to a greater CS. On the basis of existing research conducted by Tang and Wang (2011), Ogara and Koh (2014), Wang et al. (2012), and He et al. (2012) which find a positive impact of PSP on CS in various contexts, we expect a positive influence of PSP on CS (H4).

The results of Harrison and Rainer (1996)'s study show a positive interdependency between low computer anxiety and user satisfaction and again a positive interdependency between computer usage and user satisfaction. Thus, we expect that a higher CC intensifies the positive influence of PMR (H5a) and PSP (H5b) on CS.

We hypothesize that customers at least partially perceive cultural distance (CD) and, thus, a high CD leads to a higher perceived cultural distance (PCD). This is hypothesis H6. PCD in turn is hypothesized to affect CS (H7). This relationship derives directly from the ICSE framework (Sharma et al. 2009, 2012). It is hypothesized that the relationship from PCD to CS is mediated by interaction comfort, and perceived service level on the one hand and by inter-role congruence and adequate service level on the other hand. For parsimony of our model, we refrain from including these mediators. Once the effect of PCD on CS is established for digital service encounters and the relationship with digital channels is clarified, the model might be extended in this direction. For H7, we do not have a directed hypothesis due to the contradictory prior literature. Specifically, Sharma et al. (2009) hypothesize a negative impact of PCD on CD. Sharma et al. (2012) reiterate this hypothesis but then empirically demonstrate a positive relationship. Tam et al. (2014) also show a positive influence of PCD on CS. Contrary to these findings, Rizal et al. (2016) find that consumers are more satisfied (dissatisfied) in service encounters with service providers of the same (different) ethnic affiliation as themselves.

Like in the original ICSE model (Sharma et al. 2009, 2012), we assume that IC moderates the effect from PCD on CS (H8). Like in the ICSE model and regarding the results of Sharma and Wu (2015)'s work we expect that a high level of IC intensifies the effect of PCD on CS whichever direction it takes. From Chen et al. (2008)'s work on the cultural impact on trust in virtual communities we hypothesize that a high PSP entails a higher level of trust and thus intensifies the influence of PCD on CS (H9). Our assumption is additionally supported by Ke and Kwak (2013)'s results showing interdependencies between cultural differences and PSP and satisfaction levels in a web-based education setting.

Our theoretical model for assessing the impact of the choice of the digital communication channel on customer satisfaction is shown in Figure III.1-1. Each of the arrows represents one of the hypotheses to be tested. We transformed the theoretical model into a structural equation model, which we tested empirically.

III.1.4　Research Method and Data

For the empirical assessment of our theoretical model, we apply survey-based quantitative research, which is "[…] considered to be superior to qualitative approaches with respect to generalizability" (Urbach et al. 2010, p. 188). In the following, we firstly describe the construct operationalization before we secondly introduce the research setting and data collection.

III.1.4.1 Construct operationalization

To operationalize the model's constructs, we follow the suggestions of Urbach et al. (2010) and build on measures by established research (Fornell et al. 1996; Nowak and Biocca 2003; Sharma et al. 2012; Armengol et al. 2015). Hence, we rely on validated scales (Table III.1-2), slightly modified them for the research context at hand, and decided to measure them based on a seven-point Likert-type scale (1 = strongly disagree, 7 = strongly agree) survey instrument. For construct PSP, however, we used different wording (1 = no extent, 7 = full extent) and for the construct CS we relied on a ten-point Likerttype scale according to the American Customer Satisfaction Index (Fornell et al. 1996).

Construct	Items	#	References
Channel Competence (CC)	experience, ease of use, competence, understanding, comfort, noviceness [rev]	6	Armengol et al. (2015)
Perceived Media Richness (PMR)	resolve doubts, clarify situations, present information, clarify controversies	4	Armengol et al. (2015)
Perceived Social Presence (PSP)	assess reactions, face-to-face meeting, same room, reality, get to know new people	5	Nowak and Biocca (2003)
Intercultural Competence (IC)	convenience with: ethnicity, nationality, language, customs and culture, religion	5	Sharma et al. (2012)
Perceived Cultural Distance (PCD)	ethnicity, nationality, language, customs and culture, religion	5	Sharma et al. (2012)
Customer Satisfaction (CS)	happiness, pleasure, satisfaction, expectancy, ideal conception	5	Fornell et al. (1996), Sharma et al. (2012)

Table III.1-2: Selected Measures

We firstly discussed the choice of items in detail within the research team and secondly refined the selection in order to correspond to the respective construct. Thirdly, to ensure content validity, we distributed items as well as deduced corresponding survey wording amongst eight colleagues and asked for feedback on comprehensibility, relevance, and completeness.

III.1.4.2 Research setting and data collection

For our study, we simulated a (previously recorded) digital service encounter, more precisely, an online application for a credit card at a fictitious bank. We decided for this setting because digital service encounters are both comparatively common in financial services industry (Sohn and Tadisina 2008) and may consequently appear realistic and credible for our survey participants. To realize the aspired manipulation of diverging digital channels (DC), we decided to create three different sub-settings: an online application for a credit card via text, audio, and video communication. The content of the interaction is the exact same in all three settings: to ensure comparability between the different digital channels, both written (text communication) and spoken (audio and video communication) text within the settings are

identical. However, the levels of media richness and social presence of the three channels differ and so do the cues to cultural distance. While text communication "just" displays the name of the digital service desk employee, audio communication additionally reveals the voice (i.e., also potential accent), and video communication moreover the visual attire (i.e., also potential atypical clothing or religious items). With focus on the aspired manipulation of diverging cultural distances (CD), we engaged a female actor to represent a typical local service desk employee (i.e., common German name, clear language, and unremarkable attire) likely representing a low CD for most participants recruited in Germany as well as a foreign service desk employee (i.e., common Turkish name, light accent, and wearing a headscarf) likely representing a high CD for most participants. As we engaged the same person twice, attached great importance on consistent professionalism, and (successfully) pretested the different scenarios amongst eight colleagues, we are very confident that our research setting regarding the manipulation of diverging cultural distances (CD) is sufficient. Summing up, with three different settings for DC (0 = chat; 1 = audio; 2 = video) and two for CD (0 = German; 1 = Turkish), we have six different combined scenarios in total (i.e., German_text, German_audio, German_video, Turkish_text, Turkish_audio, Turkish_video), of which exactly one scenario was randomly assigned to each participant. The invitations for the study were distributed via several university newsletters and Facebook presences. In the online experiment, the participants clicked through the dialogue of the assigned scenario and afterwards took part in the survey.

To mitigate non-response bias, we offered incentives (i.e., vouchers for an online retailer) and sent reminders where applicable. Furthermore, we designed our survey carefully in a professional way and emphasized the importance of participating in this study. To prevent possible common method bias (CMB), we took the following actions: First, especially as intercultural topics may be perceived critically and social desirability bias might arise, we provided a serious confidentiality statement. Second, at the beginning of the survey, we explicitly mentioned that all answers are neither correct nor false, hence encouraging the participants to be as honest as possible. Third, we foremost asked the questions for CS before all others (e.g. PCD) in order to avoid any bias towards an apparently desired outcome. However, even though we are positive that our preventive measures avoid both non-response and common method bias, we additionally relied on Harman's single-factor test (Podsakoff et al. 2003; Malhotra et al. 2006) to hedge our bets. To do so, we executed an exploratory factor analysis (c.f. Segars 1997) and checked if "[…] (a) a single factor will emerge from the factor analysis or (b) one general factor will account for the majority of the covariance among the

measures" (Podsakoff et al. 2003, p. 889). With six factors featuring an Eigenvalue above 1.0 emerging and the first factor accounting for just 22% of the total variance, CMB is apparently not distorting the results.

In total, 732 participants started with one of the mentioned six scenarios, whereof 659 finished the survey subsequent to the simulated digital service encounter. 131 of them, however, did not agree that the scenario at hand appeared realistic and credible (control question), leading to finally 528 valid observations. This sample size thereby clearly exceeds the postulated requirements to achieve statistical power of at least 80% (Cohen 1992). Descriptive statistics of participants are displayed in Table III.1-3, the randomization of participants to the six different scenarios is depicted in Table III.1-4.

Male / female (%)	Age mean / SD	Migration background (%)	University degree (%)
246 (47%) / 282 (53%)	23.84 / 5.59	70 (13%)	210 (40%)

Table III.1-3: Descriptive statistics of participants

	DC (0 = chat)	DC (1 = audio)	DC (2 = video)
CD (0 = German)	118 (22%)	68 (13%)	66 (13%)
CD (1 = Turkish)	131 (25%)	71 (13%)	74 (14%)

Table III.1-4: Number of participants among the six different scenarios (percentage in parentheses)

Regarding homogeneity in terms of baseline demographic characteristics, participants in all six scenarios did not show any significant differences in the distribution of gender, university degree (χ^2 tests), and age (ANOVA). However, since the distribution of migration background (MB) is heterogeneous, we decided to control for this (single control question) and consequently added MB as covariate to our research model.

III.1.5 Empirical Analyses and Results

Using the collected empirical data from the survey (III.1.4), we assess the measurement properties and test the derived hypotheses (III.1.3) in the following. To do so, we draw on the partial least squares (PLS) structural equation modelling (SEM) approach (Chin 1998; Wold 2004), using the software SmartPLS 3 (Ringle et al. 2015). In line with Hair et al. (2011, p. 144), we deliberately applied PLS-SEM because our "research is […] an extension of an existing structural theory". Furthermore, as mentioned by Urbach and Ahlemann (2010), PLS-SEM is advantageous with focus on measurement scales, sample size, and distribution of residuals. To validate our assessment and to test the significance of the results, we rely on a non-parametric bootstrap procedure (Efron 1979; Efron and Tibshirani 1993) with 5,000 subsamples, which are recommended as a rule of thumb (Hair et al. 2014).

III.1.5.1   Assessment of measurement models

As we used reflective indicators for the operationalization of the model's constructs, we test the reflective measurement models for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Urbach and Ahlemann 2010; Hair et al. 2014). With focus on indicator reliability, items' indicators with outer loadings below .700 are considered too unreliable (Chin 1998). Thus, we decided to remove items PSP1, PSP5, CC6, and PCD3. Doing this, all remaining items significantly load above the mentioned threshold of .700 (Table III.1-6). Concerning internal consistency reliability, we draw on both Cronbach's Alpha (CA) (Cronbach 1951) and composite reliability (CR) (Werts et al. 1974). As shown in Table III.1-6, both CA and CR values are well above the recommended minimum of .700 (Nunnally and Bernstein 1994) or .600 (Bagozzi and Yi 1988). In terms of convergent validity, we rely on average variance extracted (AVE) (Fornell and Larcker 1981) as criterion. As all values exceed the postulated minimum of .500 (Bagozzi and Yi 1988; Segars 1997), we deliberately assume appropriate convergent validity (Table III.1-6). Regarding discriminate validity, we apply the Fornell-Larcker criterion (Fornell and Larcker 1981). As shown in Table III.1-5, the square root of each construct's AVE is higher than the respective interconstruct correlations. This indicates that all constructs are sufficiently different, hence pointing out discriminate validity. Summing up, the assessment of the measurement models did not discover any cause for concern – quite the opposite – all results indicate excellent reliability as well as validity and allow assessment and interpretation of the structural model.

	PMR	PSP	CC	PCD	IC	CS
PMR	**.888**					
PSP	.513	**.855**				
CC	.172	.220	**.828**			
PCD	.105	.021	-.060	**.901**		
IC	.106	-.044	.055	-.102	**.847**	
CS	.371	.405	.086	-.020	.095	**.926**

Table III.1-5: Interconstruct correlations and square root of the AVE (diagonal)

Item	Survey Wording	Loading	CA	CR	AVE
Perceived Media Richness (PMR)					
PMR1	\<chat/audio/video\> allows me to resolve complex doubts and questions	.891***			
PMR2	\<chat/audio/video\> allows me to clarify confusing situations	.910***			
PMR3	\<chat/audio/video\> allows me to present complex information in a simple way	.886***	.910***	.937***	.788***
PMR4	\<chat/audio/video\> allows me clarify controversies caused by lack of information	.861***			
Perceived Social Presence (PSP)					
PSP1	To what extent did you feel able to assess your partner's reactions to what you said?	–			
PSP2	To what extent was this like a face-to-face meeting?	.893***			
PSP3	To what extent was this as if you were in the same room with your partner?	.821***	.818***	.891***	.731***
PSP4	To what extent did your partner seem "real"?	.849***			
PSP5	To what extent did you feel you could get to know someone that you met only through this system?	–			
Channel Competence (CC)					
CC1	I am very experienced using \<chat/audio/video\>	.766***			
CC2	I feel that \<chat/audio/video\> is easy to use	.811***			
CC3	I feel competent using \<chat/audio/video\>	.846***			
CC4	I understand how to use all of the features of the \<chat/audio/video\> system	.761***	.900***	.910***	.675***
CC5	I feel comfortable using \<chat/audio/video\>	.907***			
CC6	I feel that I am a novice using the \<chat/audio/video\> system [rev]	–			
Perceived Cultural Distance (PCD)					
PCD1	Race or ethnicity is very different from me	.921***			
PCD2	Nationality is very different from me	.903***			
PCD3	Language is very different from me	–	.923***	.945***	.811***
PCD4	Customs and culture are very different from me	.899***			
PCD5	Religious beliefs are very different from me	.878***			
Intercultural Competence (IC)					
IC1	I feel comfortable dealing with people whose… …race or ethnicity is very different from me	.875***			
IC2	…nationality is very different from me	.868***			
IC3	…language is very different from me	.777***	.902***	.901***	.683***
IC4	…customs and culture are very different from me	.827***			
IC5	…religious beliefs are very different from me	.728***			
Customer Satisfaction (CS)					
CS1	What was your overall happiness with the service?	.950***			
CS2	What was your overall pleasure with the service?	.946***			
CS3	What was your overall satisfaction with the service?	.938***	.959***	.968***	.858***
CS4	To what extent did the service meet your expectations?	.883***			
CS5	How well did the service compare with the ideal service?	.914***			

*** significant at p < .001; ** significant at p < .010; * significant at p < .050;

Table III.1-6: Item outer loadings and measurement quality indicators from bootstrapping

III.1.5.2 Assessment of structural model

After supporting both reliability and validity of the measurement models, we assess the structural model's quality and the structural model's relationships (i.e., collinearity issues, significance and relevance of the coefficients, and effect size).

Relating to the structural model's quality, we determined the explanatory power (squared multiple correlations R^2) and predictive relevance (cross-validated redundancy measures Q^2). As depicted in Table III.1-7, the explained variance of the variable PSP ($R^2 = .128$) is weak while the values for PMR ($R^2 = .219$), PCD ($R^2 = .480$), and CS ($R^2 = .249$) can be perceived moderate, hence emphasizing predictive accuracy (Chin 1998).

In addition, to show that exogenous constructs have predictive relevance, we used the blindfolding procedure (Tenenhaus et al. 2005) for a nonparametric Stone-Geisser test (Stone 1974; Geisser 1975). As all values of Q^2 are positive (Table III.1-7), also predictive relevance can be assumed (Hair et al. 2014). Now focusing on the particular relationships, we first calculated variance inflation factors (VIF), which are all far below 5.0 (Table III.1-7), thus indicating absence of collinearity issues (Hair et al. 2014). Therewith having ensured a reasonable estimation, we analyzed the standardized path coefficients (β) and their significance to test the respective hypotheses. Furthermore, we also derived the effect sizes (f^2), which indicate small ($\sim .02$), medium ($\sim .15$), and large ($\sim .35$) effects (Cohen 1988) of the latent variables (Table III.1-7).

Hypothesis	Relationship	β	f^2	Support (effect)	VIF	R^2	Q^2
H1a	DC→PMR	.453***	.239***	Yes (medium)	1.119	.219***	.167
H2a	CC→PMR	.323***	.122***	Yes (small)	1.119		
H1b	DC→PSP	.288***	.087**	Yes (small)	1.119	.128***	.083
H2b	CC→PSP	.318***	.106***	Yes (small)	1.119		
H6	CD→PCD	.672***	.832***	Yes (large)	1.001	.480***	.373
[Covariate]	MB*CD→PCD	-.153***	.048	Yes (−)	1.005		
H3	PMR→CS	.225***	.048*	Yes (small)	1.464	.249***	.192
H5a	CC*PMR→CS	-.074	.008	No	1.324		
H4	PSP→CS	.294***	.082**	Yes (small)	1.436		
H5b	CC*PSP→CS	-.019	.003	No	1.302		
H7	PCD→CS	-.036	.004	No	1.040		
H8	IC*PCD→CS	.098*	.018	Yes (−)	1.021		
H9	PSP*PCD→CS	-.018	.003	No	1.014		
*** significant at p < .001; ** significant at p < .010; * significant at p < .050;							

Table III.1-7: Results of the structural assessment

In summary, the assessment of the structural model reveals eminent quality. However, not all hypotheses are supported: as shown in Table III.1-7, the standardized path coefficients (β) of

H5a, H5b, H7, and H9 neither do show any notable effect size (f^2) nor are they significantly different from zero (5% level). All other hypotheses are supported. The empirical assessment of the complete research model is depicted in Figure III.1-2 and the interpretation of the results is presented in the next section.
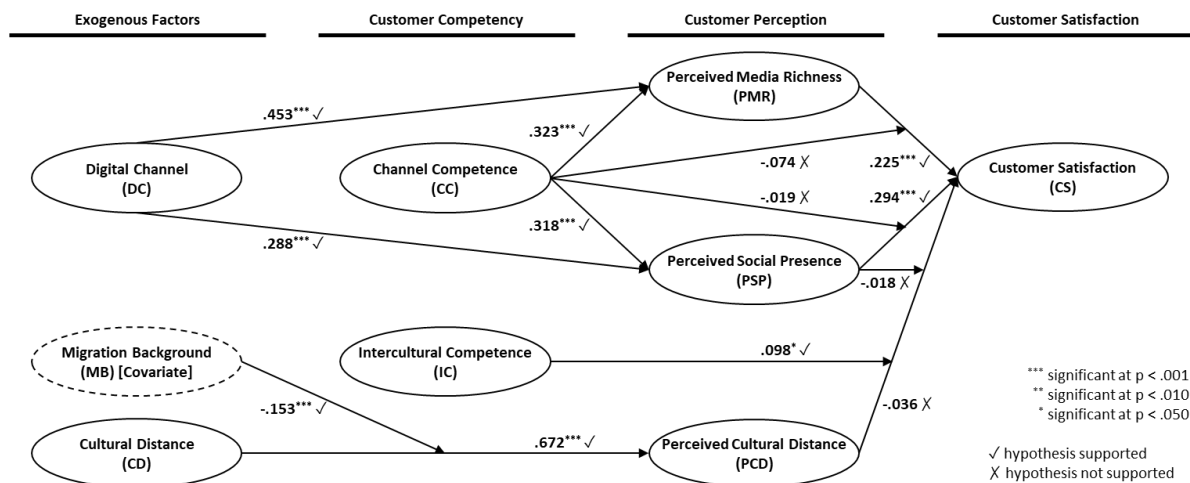

Figure III.1-2: Results of the research model

III.1.6   Discussion of the Results and Conclusion

After successfully analyzing both measurement and structural models, we firstly discuss theoretical and practical contributions before secondly outlining limitations and future research.

III.1.6.1   Theoretical and practical contributions

Most hypotheses from our theoretical model are supported by the empirical assessment (Table III.1-7; Figure III.1-2). In summary, we see by and large the expected effect of digital channels on customer satisfaction with the trend richer digital communication media improve customer satisfaction. Surprisingly, we do not see a substantial effect of cultural distance on customer satisfaction and interestingly, we do not see evidence for an interaction of digital channel and cultural distance in their effects on customer satisfaction. In more detail: The empirical results of our study support the theoretical argument that DC (H1a/H1b) as well as CC (H2a/H2b) influence both PMR and PSP. Likewise, CD significantly influences PCD (H6). With focus on the dependent variable CS, just PMR (H3), PSP (H4), and the moderation IC*PCD (H8) show a significant impact, though the effect size is small. However, the moderation CC*PMR and CC*PSP (H5a/H5b) cannot be supported. Moreover, neither PCD (H7) nor the moderation PSP*PCD (H9) is significantly influencing CS. From a theoretical point of view,

our contribution to existing literature on information systems in general and digital, intercultural service encounters in particular is threefold:

First, we link theory on digital communication and CRM: As hypothesized, the results reveal that a higher media richness and higher social presence apparently positively influences customer satisfaction which is in line with prior assumptions (Simon and Peppas 2004; Sevinc and D'Ambra 2004; Pinsonneault et al. 2010; Tang and Wang 2011; He et al. 2012; Wang et al. 2012; Ogara and Koh 2014). Here we provide further evidence for an established theoretical relationship.

Second, we extend existing literature on intercultural service encounters: To the best of our knowledge, we are the first to analyze the effect of perceived cultural distance on customer satisfaction in digital service encounters. For pre-digital, offline services, marketing research has established the existence of such an effect (Sharma et al. 2009, 2012; Sharma and Wu 2015). Our findings, surprisingly, suggest that cultural distance does not affect customer satisfaction in digital service encounters. This new finding may spur further research into differences in the antecedents of customer satisfaction in digital vs. nondigital customer relations.

Third, we bring together cross-disciplinary research on communication channels and cultural distance: Our manipulation check supports the hypothesis (H6) that perceived cultural distance is substantially affected by the variation of the service employee's culture across all three digital communication channels. Consequently, digital communication obviously transports cultural characteristics. We theorized that the ability of digital channels to transport culture might depend on the perceived social presence of the counterpart and, consequently, there might be an interrelation of digital channel and cultural distance in affecting customer satisfaction but interestingly do not see evidence for this hypothesis. This is a new result suggesting that there is no obvious need to further research the interaction of digital channels and cultural distance in digital service encounters.

Alongside these theoretical contributions, this study also contributes to business practice:

First, we show that it might be worth investing in richer digital media for interaction with customers: We see an influence of the digital channel on customer satisfaction via the increasing perceived media richness and perceived social presence. Noteworthy, this is the case with the exact same information and service provided via different communication media. Hence, companies should consider enriching communication channels, consequently providing a higher social presence in digital service encounters among employees and service

personnel, as this increases customer satisfaction. In this, the benefits have to be balanced with costs for richer channels.

Second, we provide insights that cultural differences might not be the primary issue behind globalization and digitalization: One could hypothesize that the cultural background of service employees is a relevant factor to consider, for example, by primarily hiring employees whose cultures fit the prevalent culture in the customer base or by real-time assignment of employees to individual customers. For digital service encounters, our results do not suggest that such strategies are important to improve customer satisfaction. Neither does perceived cultural distance show an effect on customer satisfaction in text communication where cues on the cultural background are minimal nor does it appear to play a role in the richer audio and video communication.

III.1.6.2 Limitations and future research

Besides the results above, there are limitations that leave room for future research:

First, regarding the operationalization of our six scenarios, we just simulated one digital service encounter. Hence, due to the limited interactivity and the limited, only stylized cues on culture, our participants may not have experienced a real-life scenario. Even though we deliberately asked if the scenario at hand appeared realistic and credible (control question), we suggest to validating the results by means of a field experiment, for instance, via a survey among real customers within an actual customer-company relationship.

Second, focusing on the sampling of the study, the mostly younger and well-educated participants certainly may have a high affinity on digital communication channels. This may consequently limit the generalizability of the results. Although we controlled for this affinity by considering the channel competence and participants in all six scenarios are homogenous in terms of baseline demographic characteristics, we suggest a comprehensive study considering a diversified background of participants.

Third, relating to the application context, we investigated a digital service encounter in financial services industry with one specific reason (here: credit card application). Further research on encounters in other industries (e.g. consumer goods) and other scenarios (e.g. complaint management) may be advisable.

Fourth, we focus on a single interaction between service personnel and customer. Since customers may switch communication channels, it would be interesting to analyze effects on customer satisfaction across several interactions and channels.

Fifth, we do not differentiate the type of migration background (e.g. Chinese vs. Turkish migration background) among participants, which may limit the generalizability of the results, since customers from different demographics have different perceptions.

Finally, for a high customer satisfaction, our results suggest video communication instead of audio and text. However, the trade-off between offering higher media richness or social presence and potentially higher costs is subject to further research.

III.1.6.3   Conclusion

We presented theoretical arguments and supporting empirical evidence for the positive effect of media richness and social presence on customer satisfaction in digital service encounters. The effect of cultural distance on customer satisfaction – which has been established in marketing research concerning offline service encounters – does not equally apply in digital service encounters.

Acknowledgement

III.1.7   References

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III.2 Research Paper 3: "How media richness, social presence, and cultural distance influence customer satisfaction in digital service encounters"

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Abstract: *The interaction of customers and enterprises via digital communication channels is wide spread. While digital communication provides a higher convenience for many customers, enterprises benefit from a geographically wider coverage of potential customers and can employ service personnel remote from the customer. This development leads to an increasing number of intercultural service encounters and it transforms business relationships, since digital channels vary in media richness and social presence. In this paper, we focus on the effects of media richness, social presence, and cultural distance on customer satisfaction in digital service encounters. We develop a theoretical model related to the effects of media richness, social presence, and cultural distance based on existing literature. Further, we collect data through two surveys including a simulation of a digital service encounter in the financial services industry and test our theoretical model with structural equation modeling. Consistent with existing research, we find evidence for the positive effects of perceived media richness and perceived social presence on customer satisfaction. With respect to video communication, we find clues on a negative impact of customers' perceived cultural distance on customer satisfaction in digital service encounters. Therefore, firms should be careful when investing in richer digital media for interaction with customers. We contribute to existing theory as we link theory on digital communication and CRM, extend*

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[3] As disclosed in chapter III.1, research paper 3 is an extension of research paper 2. Intersections are not marked due to review processes.

existing literature on intercultural service encounters, and bring together cross-disciplinary research on communication channels and cultural distance.

III.2.1 Introduction

Digital technologies provide large capabilities to improve products as well as services and have a great potential for resource efficiency. Technological developments like artificial intelligence (AI) drive the transformation of business models, products, and services on the one hand (technology push; Lasi et al. 2014; Kyoseva et al. 2014), and the change in customer demand and behavior on the other hand (market pull; Leimeister et al. 2014; Nüesch et al. 2015). For instance, AI enables automation of customer care (e.g. via chatbots) and advisory services (e.g. financial robo advice) (Jung et al. 2018). Considering more established digital technologies, customers increasingly prefer to use digital channels like email, websites, social media, audio or video chat to communicate with firms, buy products, and use services (Thurlow et al. 2004; Heinonen 2008). For customers, the benefits from using digital channels include convenience such as 24/7 availability of services, for example, when service personnel are in different locations around the world to interact with customers via digital channels at any time. For firms, the benefits from using digital channels include the ability to address a wider, less locally constrained market and to lower costs compared to pre-digital, offline channels.

The increasing usage of digital channels for interpersonal communication in service encounters comes along with two distinct changes: First, different channels have different levels of media richness (Guo and Turner 2005; Massey et al. 2001) and social presence of the counterpart in a communication (Massey et al. 2001). Second, digital channels facilitate supraregional and international customer interactions – here, information systems connect actors in different geographic locations and are a global gateway for service providers to operate in a wider market. This leads to an increasing number of intercultural service encounters, that is, interactions between employees and customers with different cultural backgrounds. Beyond digitalization, globalization and migration add to the incidence of intercultural service encounters. Thereby, culture has visible (e.g. language, music, rituals, clothes) and invisible (e.g. values, norms, belief, attitudes) areas (Hall 1976). While visible areas of culture such as clothes can be perceived directly, invisible areas of culture like attitudes influence expectations and behavior. Both changes – varying media richness and social presence between channels as well as partially increasing cultural distance between service provider and customer – might affect customer satisfaction (e.g. Simon and Peppas

2004; Sharma et al. 2012; Wang et al. 2012) and in turn customer loyalty and firm value (e.g. Gupta et al. 2004; Luo and Homburg 2007). Thus, it is essential for service providers to gain a detailed understanding of the influence of these factors on customer satisfaction. Based on this information, they can define their multi-channel strategy and inform the matching of service personnel to customers. Our central research question is:

How do media richness, social presence, and cultural difference
influence customer satisfaction in digital service encounters?

The remainder of the paper is structured as follows: We review the theoretical background (III.2.2) and develop a theoretical model of the impact of the digital communication channel and cultural differences on customer satisfaction (III.2.3). We operationalize the theoretical model, obtain data from two surveys among service customers, and use the survey data to test our theoretical model by means of structural equation modeling (III.2.4). In this, we simulate a digital service encounter and subsequently query the survey participant, having the role of the customer, for her or his satisfaction. Each participant faces one out of six scenarios in a 3x2 full factorial design varying between common digital communication channels (text, audio, and video communication) and cues on the culture of the service employee (common German name, clear language, and unremarkable attire in a Western society as compared to common Turkish name, light accent, and wearing a headscarf). We discuss the results (III.2.5) as well as limitations and future research (III.2.6) and conclude (III.2.7).

III.2.2   Theoretical Background

Our research is based on the existing literature on marketing, customer relationship management (CRM), digital communication channels, and intercultural service encounters. Since customer satisfaction is a key factor to realize customer retention, customer value, and thus business success (e.g. Anderson et al. 2004; Aksoy et al. 2008; Williams and Naumann 2011), it is a focal construct in our investigation. Customer satisfaction is an aggregate measure of all experiences with an organization and its products and services (Payne and Frow 2005; Verhoef et al. 2009). Thereby, a single customer experience arises through a direct or indirect interaction with an organization or its products and services and implicates customer involvement on rational, emotional, sensory, physical and/or spiritual levels (Gentile et al. 2007; Meyer and Schwager 2007). Central antecedents of customer experience are the service interface including the technology used and the social environment including the service personnel (Verhoef et al. 2009). As argued in the introduction, both tend to be different in digital service encounters as compared to pre-digital, offline service encounters.

III.2.2.1 Effect of communication channels on customer satisfaction

Through the increasing importance of e-commerce and digital communication technologies, organizations must decide about their provision of digital communication channels for customer interaction. From the customer point of view, these communication alternatives have divergent characteristics such as media richness (i.e., information transportation capability), social presence, synchronism/asynchronism, and rehearsability (Massey et al. 2001; Thurlow et al. 2004). These characteristics might influence customer satisfaction (e.g. Tang and Wang 2011; He et al. 2012).

Media richness is characterized by the capacity to process rich information (Lengel and Daft 1984). Following Lengel and Daft (1984), media richness has four facets: (1) Feedback capability, i.e. the ability of the medium to facilitate immediate feedback and clarification of issues during dialogs; (2) Multiple cues/communication channels (including body language, voice inflection, physical representations) facilitated by the medium; (3) Language Variety, i.e. the ability of the medium to facilitate dialogs involving both numbers and natural language; (4) Personal focus/source, i.e. the ability of the medium to convey the personal feelings and emotions of dialog partners. Digital communication channels can be characterized as high or low in "richness" based on their ability to facilitate shared meaning, i.e. insight and rapid understanding (Daft et al. 1987). Therefore, according to existent research, concerning media richness we can rank face-to-face communication (e.g. video chat as an approximation of face-to-face interaction), audio communication (e.g. voice over IP), and text communication (e.g. email, instant messaging) in a descending order with respect to media richness (e.g. Daft et al. 1987; Guo and Turner 2005).

Social presence means "the degree of salience of the other person in the interaction and the consequent salience of the interpersonal relationship" (Short et al. 1976, p. 65). Representing the degree of person-to-person awareness in an interaction, social presence became a core construct in computer-mediated communication and gained remarkable interests from communication and human-computer interaction researchers (Tang and Wang 2011). In reference to existing research, concerning social presence we can similarly rank face-to-face communication (e.g. video chat as an approximation of face-to-face interaction), audio communication (e.g. voice over IP), and text communication (e.g. email, instant messaging) in a descending order (Massey et al. 2001; Sallnäs 2005).

In summary, we conclude that media richness and social presence differ between commonly used channels in digital service encounters and that customer satisfaction may depend on the customer's perception of both media richness and social presence.

III.2.2.2 Effect of cultural distance on customer satisfaction

Intercultural service encounters occur when employees and customers with different cultural backgrounds interact with each other. In this, cultural differences can be originated by visible aspects such as language (e.g. accent) or clothes on the one hand and invisible aspects like belief or expectations (e.g. related to employee behavior) on the other hand (Hall 1976). Intercultural service encounters possibly occur in domestic as well as international markets. Thereby, increased digital communication via the internet facilitates location-independent customer-employee interactions and thus leads to an increasing number of intercultural interactions.

Intercultural CRM aims at realizing customer satisfaction and, thus, profitable customer relations across the multi-cultural customer and personnel base. Existing research on intercultural CRM can be categorized in six research directions: (1) General intercultural aspects in customer-employee interactions (e.g. Youngdahl et al. 2003; Ribbink and Grimm 2014), (2) comparative assessment of service quality in diverse cultures (e.g. Morales Espinoza 1999; Malhotra et al. 2005), (3) assessment of customer satisfaction in intercultural service encounters (e.g. Hopkins et al. 2009; Tam et al. 2014), (4) comparison of customer reactions after service failures in different cultures (e.g. Wang and Mattila 2011; Johnson et al. 2013), (5) investigation of the importance of intercultural competence (e.g. Ascalon et al. 2008; Ihtiyar and Ahmad 2014), and (6) various ways for acquisition of intercultural competence (e.g. Bartel-Radic 2006; Antal and Friedman 2008). In all these streams, except to Van Birgelen et al. (2002) researchers solely investigate service encounters in non-digital contexts such as retail grocery stores or restaurants (e.g. Sharma et al. 2009, 2012). Van Birgelen et al. (2002) examine variations in the assessment of service quality and customer satisfaction related to different national cultural characteristics for the after-sales service formats "face-to-face", "voice-to-voice", and "bit-to-bit". They find that, in contrast to the traditional face-to-face service encounter, the perceived quality-satisfaction-relationship is particularly moderated by national culture in the case of technology-based after-sales services. While existent research focuses on the divergent assessment of service quality or satisfaction across different cultures, so far, there is no research on the impact of perceived cultural distance on customer satisfaction in digital service encounters. Therefore, it is our purpose to

investigate the impact of cultural differences on customer satisfaction in digital service encounters. Regarding the categorization in six research streams, our work primarily contributes to stream (3), the assessment of customer satisfaction in intercultural service encounters. Moreover, we also integrate some aspects of research stream (5), the investigation of the importance of intercultural competence.

When regarding intercultural service encounters, several studies investigate the impact of perceived cultural distance on the satisfaction of customers and employees (e.g. Sharma et al. 2009, 2012, 2015; Tam et al. 2014). It has been argued that perceived cultural distance influences customer satisfaction (Sharma et al. 2009), since dissimilarities regarding language, values, and interpersonal norms between customers and service employees complicate their communication with each other and thus their interaction and its outcomes (cf. similarity-attraction paradigm; Byrne 1997). For intercultural service encounters in restaurants, a study by Sharma et al. (2012) surprisingly showed that increasing perceived cultural distance increases customer satisfaction. In a later study, Sharma et al. (2015) find evidence for a negative influence of perceived cultural distance on customer satisfaction in a restaurant setting. Furthermore, Sharma et al. (2016) again find empirical support for the negative influence of perceived cultural distance on customer satisfaction in a restaurant setting. Gaur et al. (2017) investigate the impact of different acculturation behaviors of frontline service employees (assimilation, separation, integration, and marginalization) on customer satisfaction in a personal banking context. They find that behaviors reducing perceived cultural distance (assimilation and integration) lead to a higher customer satisfaction. Furthermore, several researchers (e.g. Sizoo 2007; Ihtiyar et al. 2013; Ihtiyar and Ahmad 2014, 2015) analyze the role of experiences and abilities to appropriately handle cultural differences in intercultural service encounters and find evidence for a positive influence of the so called "intercultural competence" on customer satisfaction.

In summary, we conclude that perceived cultural distance between the customer and the service personnel affects customer satisfaction. The most common finding is that the greater cultural distance, the lower customer satisfaction.

III.2.3 Model Development

We developed a theoretical model of the impact of the choice of a digital communication channel and cultural differences on customer satisfaction in digital services. Our model is composed of well-established constructs from communication theory (especially Short et al. 1976; Lengel and Daft 1984; Daft and Lengel 1986; Daft et al. 1987; Canary and Spitzberg

1987) on the one hand, and existent constructs from Sharma et al. (2009)'s conceptual framework on intercultural service encounters on the other hand. Core constructs, causal relationships among these constructs, and testable propositions are presented in the following sub-sections by means of words, a table, and a diagram. The scope of our theory are digital service encounters with both human customers and a human service provider personally interacting with the customer via digital channels.

III.2.3.1 Constructs

Table III.2-1 shows a summary of the core constructs including definitions and references.

Construct	Definition	References
Digital Channel (DC)	Methods for customer-company interactions through digital technology interfaces such as email, text-based live chat on webpages, audio or video communication.	Heinonen and Michelsson (2010)
Perceived Media Richness (PMR)	Customer's perception of the information carrying capacity of media.	Lengel and Daft (1984), Daft and Lengel (1986), Daft et al. (1987), Ledford (2012)
Perceived Social Presence (PSP)	Customer's perception of person-to-person awareness in an interaction.	Short et al. (1976), Sallnäs (2005), Tang and Wang (2011), Wang et al. (2012), He et al. (2012)
Channel Competence (CC)	Customer's experiences and abilities regarding the effective and appropriate usage of a specific communication channel.	Canary and Spitzberg (1987), Polasik and Wisniewski (2009), Verdugo and Fierro (2014), Armengol et al. (2017)
Cultural Distance (CD)	Overall cultural difference between customer and employee because of differences in various cultural elements such as language, religion, social structure, standard of living, and values.	Triandis (2000), Sharma et al. (2009, 2012), Tam et al. (2014)
Perceived Cultural Distance (PCD)	Customer's perception of CD to employee	
Intercultural Competence (IC)	Customer's ability to think and act in appropriate ways with people from other cultures. Customers with higher IC display more respect and empathy for people from other cultures.	Hammer et al. (1978), Hammer et al. (2003), Friedman and Antal (2005), Antal and Friedman (2008), Lustig and Koester (2013), Ihtiyar and Ahmad (2014)
Customer Satisfaction (CS)	Customer's overall evaluation of total interaction, purchase, and consumption experience.	Fornell et al. (1996), Sharma et al. (2009)

Table III.2-1: Model Constructs

In order to take account for the different perceptions of the digital communication channels, we use "media richness", "social presence", and "channel competence" from communication theory (Short et al. 1976; Lengel and Daft 1984; Daft and Lengel 1986; Daft et al. 1987;

Canary and Spitzberg 1987; Tang and Wang 2011; Ledford 2012; Armengol et al. 2017). We include "perceived cultural distance" and "intercultural competence" from Sharma et al. (2009)'s intercultural service encounter (ICSE) framework in our theoretical model, to account for the role of cultural distances. Furthermore, we control the digital channel (CD) and the cultural distance (CD).

III.2.3.2 Hypotheses

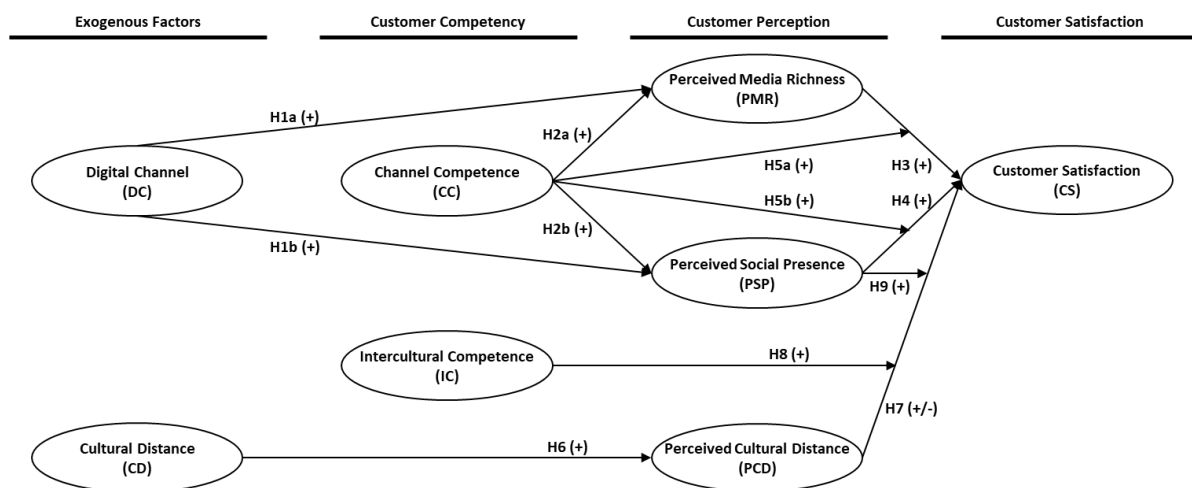Figure III.2-1 summarizes the hypotheses of our theoretical model.

Figure III.2-1: Theoretical model on the influence of digital channel and cultural distance on customer satisfaction

Massey et al. (2001) characterize various media capacity measures for different communication technologies on a low-to-high scale. According to their illustration, in video-based communication (e.g. videoconference) media richness and social presence are perceived relatively high, in audio communication (e.g. voice over IP) media richness and social presence are perceived relatively medium, and in text communication (e.g. instant messaging) the same measures are perceived relatively low (Massey et al. 2001). Following this categorization, we assume a descending order for video, audio, and text communication in perceived media richness (PMR) (H1a) and perceived social presence (PSP) (H1b). H1b is additionally supported by the results of Sallnäs (2005)' work who shows a higher PSP in a videoconference than in an audioconference and a lower PSP in text communication than in video- and audioconferences.

Moreover, since Armengol et al. (2017) found that PMR is positively influenced by a persons' experience with the specific medium, we expect a positive influence of CC on PMR (H2a). According to Tang and Wang (2011) the user's experience with a medium influences PSP.

Furthermore, Wrench and Punyanunt-Carter (2007) show that increased skill in virtual environments augments PSP. Hence, we expect a positive impact of CC on PSP (H2b).

If we think about a mediums' capacity to transport information on various ways (e.g. spoken and body language), we expect that customers feel more comfortable in an interaction the larger their possibilities to express themselves are. Therefore, grounded on the work of several researchers (Simon and Peppas 2004; Sevinc and D'Ambra 2004; Pinsonneault et al. 2010; Ogara and Koh 2014) we expect a positive impact of PMR on CS (H3). Thus, we anticipate that a higher PMR leads to a greater CS. On the basis of existing research conducted by Tang and Wang (2011), Ogara and Koh (2014), Wang et al. (2012), and He et al. (2012) which find a positive impact of PSP on CS in various contexts, we expect a positive influence of PSP on CS (H4).

The results of Harrison and Rainer (1996)'s study show a positive interdependency between low computer anxiety and user satisfaction and again a positive interdependency between computer usage and user satisfaction. Thus, we expect that a higher CC intensifies the positive influence of PMR (H5a) and PSP (H5b) on CS.

We hypothesize that customers at least partially perceive cultural distance (CD) and, thus, a high CD leads to a higher perceived cultural distance (PCD). This is hypothesis H6. PCD in turn is hypothesized to affect CS (H7). This relationship derives directly from the ICSE framework (Sharma et al. 2009, 2012). It is hypothesized that the relationship from PCD to CS is mediated by interaction comfort, and perceived service level on the one hand and by inter-role congruence and adequate service level on the other hand. For parsimony of our model, we refrain from including these mediators. Once the effect of PCD on CS is established for digital service encounters and the relationship with digital channels is clarified, the model might be extended in this direction. For H7, we do not have a directed hypothesis due to the contradictory prior literature. Specifically, Sharma et al. (2009) hypothesize a negative impact of PCD on CD. Sharma et al. (2012) reiterate this hypothesis but then empirically demonstrate a positive relationship. Tam et al. (2014) also show a positive influence of PCD on CS. Contrary to these findings, Rizal et al. (2016) find that consumers are more satisfied (dissatisfied) in service encounters with service providers of the same (different) ethnic affiliation as themselves. Moreover, Sharma et al. (2015) find strong evidence for the negative influence of PCD on CS.

Like in the original ICSE model (Sharma et al. 2009, 2012), we assume that IC moderates the effect from PCD on CS (H8). Like in the ICSE model and regarding the results of Sharma and

Wu (2015)'s work we expect that a high level of IC intensifies the effect of PCD on CS whichever direction it takes.

From Chen et al. (2008)'s work on the cultural impact on trust in virtual communities we hypothesize that a high PSP entails a higher level of trust and thus intensifies the influence of PCD on CS (H9). Our assumption is additionally supported by Ke and Kwak (2013)'s results showing interdependencies between cultural differences and PSP and satisfaction levels in a web-based education setting.

Our theoretical model for assessing the impact of the choice of the digital communication channel on customer satisfaction is shown in Figure III.2.1. Each of the arrows represents one of the hypotheses to be tested. We transformed the theoretical model into a structural equation model, which we tested empirically.

III.2.4 Empirical Analyses

For the empirical assessment of our theoretical model, we apply survey-based quantitative research, which is "[…] considered to be superior to qualitative approaches with respect to generalizability" (Urbach et al. 2010, p. 188). In the following, we firstly describe the construct operationalization before we secondly introduce the research setting and data collection.

III.2.4.1 Construct Operationalization

To operationalize the model's constructs, we follow the suggestions of Urbach et al. (2010) and build on measures by established research (Fornell et al. 1996; Nowak and Biocca 2003; Sharma et al. 2012; Armengol et al. 2017). Hence, we rely on validated scales (Table III.2-2), slightly modified them for the research context at hand, and decided to measure them based on a seven-point Likert-type scale (1 = strongly disagree, 7 = strongly agree) survey instrument. For construct PSP, however, we used different wording (1 = no extent, 7 = full extent) and for the construct CS we relied on a ten-point Likert-type scale according to the American Customer Satisfaction Index (Fornell et al. 1996).

We firstly discussed the choice of items in detail within the research team and secondly refined the selection to correspond to the respective construct. Thirdly, to ensure content validity, we distributed items as well as deduced corresponding survey wording amongst eight scholars and asked for feedback on comprehensibility, relevance, and completeness.

Construct	Items	#	References
Channel Competence (CC)	experience, ease of use, competence, understanding, comfort, noviceness [rev]	6	Armengol et al. (2017)
Perceived Media Richness (PMR)	resolve doubts, clarify situations, present information, clarify controversies	4	Armengol et al. (2017)
Perceived Social Presence (PSP)	assess reactions, face-to-face meeting, same room, reality, get to know new people	5	Nowak and Biocca (2003)
Intercultural Competence (IC)	sense of well-being in interactions with other ethnicities, nationalities, languages, customs and cultures, religions	5	Sharma et al. (2012)
Perceived Cultural Distance (PCD)	ethnicity, nationality, language, customs and culture, religion	5	Sharma et al. (2012)
Customer Satisfaction (CS)	happiness, pleasure, satisfaction, expectancy, ideal conception	5	Fornell et al. (1996), Sharma et al. (2012)

Table III.2-2: Selected Measures

III.2.4.2   Research Setting

Simulation of six scenarios

For our studies, we simulated a (previously recorded) digital service encounter, more precisely, an online application for a credit card at a fictitious bank including a service failure. We decided for this setting because digital service encounters are both comparatively common in financial services industry (Sohn and Tadisina 2008) and may consequently appear realistic and credible for our survey participants. Furthermore, we chose this comparatively simple case to concentrate on the characteristics of the various digital channels. To realize the aspired manipulation of diverging digital channels (DC), we decided to create three different sub-settings: an online application for a credit card via text, audio, and video communication. The content of the interaction is the exact same in all three settings: to ensure comparability between the different digital channels, both written (text communication) and spoken (audio and video communication) text within the settings are identical. However, the levels of media richness and social presence of the three channels differ and so do the cues to cultural distance. While text communication "just" displays the name of the digital service desk employee, audio communication additionally reveals the voice (i.e., also potential accent), and video communication moreover the visual attire (i.e., also potential atypical clothing or religious items). With focus on the aspired manipulation of diverging cultural distances (CD), we engaged a female actor as service desk employee for both cases. With a common German name, clear language, and unremarkable attire she likely represents a typical local service desk

employee and a low CD for most participants recruited in Germany. With a common Turkish name, light accent, and wearing a headscarf she likely represents a foreign service desk employee and a high CD for most participants. As we engaged the same person twice, attached great importance on consistent professionalism, and (successfully) pretested the different scenarios amongst eight scholars, we are confident that our research setting regarding the manipulation of diverging cultural distances (CD) is sufficient. Summing up, with three different settings for DC (0 = chat; 1 = audio; 2 = video) and two for CD (0 = German; 1 = Turkish), we have six different combined scenarios in total (i.e., German_text, German_audio, German_video, Turkish_text, Turkish_audio, Turkish_video), of which exactly one scenario was randomly assigned to each participant (between-subjects design).

Data collection

We distributed the invitations for the first study via several university newsletters and Facebook presences. For the second study, we acquired participants via a commercial online panel. Initially, the questionnaire started with questions on the personal details of the participants. Afterwards, a short introduction of the context (application for a credit card) and the relevant communication channel (text, audio, or video) of the scenario followed. Subsequently, the participants navigated through the dialogue of the assigned scenario including five interactions with the service staff to make it easier for them to imagine themselves in the situation described in the scenario. In the case of text communication, we showed screenshots of the chat windows to the participants. In the case of audio communications, we presented audio files to the participants. In the case of video communication, we presented video files to the participants. These steps provide our study with a reasonable degree of experimental realism (Bitner 1990). Each scenario contains the same service failures, namely a content-related (checking account instead of credit card) and a grammatical failure. The participants then answered questions on customer satisfaction, perceived cultural distance, intercultural competence, perceived media richness, perceived social presence, and channel competence. Finally, we controlled for the perceived quality and the actual consideration of media data as well as for the perceived authenticity of the scenario.

To prevent possible common method bias (CMB), we took the following actions: First, especially as intercultural topics may be perceived critically, and social desirability bias might arise, we provided a serious confidentiality statement. Second, at the beginning of the survey, we explicitly mentioned that all answers are neither correct nor false, hence encouraging the participants to be as honest as possible. Third, we foremost asked the questions for CS before

all others (e.g. PCD) to avoid any bias towards an apparently desired outcome. However, even though we are positive that our preventive measures avoid both non-response and common method bias, we additionally relied on the correlational marker technique to detect potential common method variance (CMV; Lindell and Whitney 2001).

Data analyses

Using the collected empirical data from the surveys, we assess the measurement properties and test the derived hypotheses in the following. To do so, we draw on the partial least squares (PLS) structural equation modeling (SEM) approach (Chin 1998; Wold 2004), using the software SmartPLS 3 (Ringle et al. 2018). In line with Hair et al. (2014, p. 144), we deliberately applied PLS-SEM because our "research is […] an extension of an existing structural theory". Furthermore, as mentioned by Urbach and Ahlemann (2010), PLS-SEM is advantageous with focus on measurement scales, sample size, and distribution of residuals. To validate our assessment and to test the significance of the results, we rely on a non-parametric bootstrap procedure (Efron 1979; Efron and Tibshirani 1993). Since the number of bootstrap samples is recommended to be 5,000 as a rule of thumb and must be at least equal to the number of valid observations in the data set (Hair et al. 2014), we use 5,000 subsamples for the larger first data set and 500 subsamples for the smaller second data set.

III.2.4.3   First Survey

Data collection

732 participants started with one of the mentioned six scenarios, whereof 659 finished the survey. To mitigate non-response bias, we offered incentives (i.e., vouchers for an online retailer) and sent reminders where applicable. 131 of 659 participants, however, did not agree that the scenario at hand appeared realistic and credible (control question), leading to 528 valid observations. This sample size clearly exceeds the postulated requirements to achieve statistical power of at least 80% with a 5% significance level and minimum R^2 of 0.25 (Hair et al. 2014, p. 21). Descriptive statistics of participants are displayed in Table III.2-3; the randomization of participants to the six different scenarios is depicted in Table III.2-4.

Regarding homogeneity in terms of baseline demographic characteristics, participants in all six scenarios did not show significant differences in the distribution of gender, education (χ^2 tests), or age (ANOVA). However, since the distribution of migration background (MB) is heterogeneous, we decided to control for this (single control question) and consequently added MB as covariate to our research model. We applied the correlational marker technique

to detect potential common method variance (CMV; Lindell and Whitney 2001). The test indicated that CMV is no major concern in our study.

Male / female (%)	Age mean / SD	Migration background (%)	Educational level (%)
246 (47%) / 282 (53%)	23.84 / 5.59	70 (13%)	Lower Secondary 26 (5%)
			Upper Secondary 290 (55%)
			Post-secondary non-tertiary 0 (0%)
			Bachelor or equivalent 164 (31%)
			Master or equivalent 41 (8%)
			Doctoral or equivalent 5 (1%)
			Other 2 (0%)

Table III.2-3: Descriptive statistics of participants for the first survey

	DC (0 = chat)	DC (1 = audio)	DC (2 = video)
CD (0 = German)	118 (22%)	68 (13%)	66 (13%)
CD (1 = Turkish)	131 (25%)	71 (13%)	74 (14%)

Table III.2-4: Number of participants among the six different scenarios (percentage in parentheses) for the first survey

Assessment of measurement models

We test the reflective measurement models for indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Urbach and Ahlemann 2010; Hair et al. 2014). With focus on indicator reliability, items' indicators with outer loadings below .700 are considered too unreliable (Chin 1998). Thus, we decided to remove items PSP1, PSP5, CC6, and PCD3. Doing this, all remaining items significantly load above the mentioned threshold of .700 (Table III.2-5). Concerning internal consistency reliability, we draw on both Cronbach's Alpha (CA) (Cronbach 1951) and composite reliability (CR) (Werts et al. 1974). As shown in Table III.2-5, both CA and CR values are well above the recommended minimum of .700 (Nunnally and Bernstein 1994) or .600 (Bagozzi and Yi 1988).

In terms of convergent validity, we rely on average variance extracted (AVE) (Fornell and Larcker 1981) as criterion. As all values exceed the postulated minimum of .500 (Bagozzi and Yi 1988; Segars 1997), we deliberately assume appropriate convergent validity (Table III.2-5). Regarding discriminate validity, we apply the Fornell-Larcker criterion (Fornell and Larcker 1981). As shown in Table III.2-6, the square root of each construct's AVE is higher than the respective interconstruct correlations.

This indicates that all constructs are sufficiently different, hence pointing out discriminate validity. Summing up, the assessment of the measurement models did not discover any cause for concern – quite the opposite – all results indicate excellent reliability as well as validity and allow assessment and interpretation of the structural model.

Item	Survey Wording	Loading	CA	CR	AVE
Perceived Media Richness (PMR)					
PMR1	\<chat/audio/video\> communication allows me to resolve complex doubts and questions	.891***			
PMR2	\<chat/audio/video\> communication allows me to clarify confusing situations	.910***			
PMR3	\<chat/audio/video\> communication allows me to present complex information in a simple way	.886***	.910***	.937***	.788***
PMR4	\<chat/audio/video\> communication allows me clarify controversies caused by lack of information	.861***			
Perceived Social Presence (PSP)					
PSP1	To what extent did you feel able to assess your partner's reactions to what you said?	–			
PSP2	To what extent was this like a face-to-face meeting?	.893***			
PSP3	To what extent was this as if you were in the same room with your partner?	.821***	.818***	.891***	.731***
PSP4	To what extent did your partner seem "real"?	.849***			
PSP5	To what extent did you feel you could get to know someone that you met only through this system?	–			
Channel Competence (CC)					
CC1	I am very experienced using \<chat/audio/video\>	.766***			
CC2	I feel that \<chat/audio/video\> is easy to use	.811***			
CC3	I feel competent using \<chat/audio/video\>	.846***			
CC4	I understand how to use all of the features of the \<chat/audio/video\> system	.761***	.900***	.910***	.675***
CC5	I feel comfortable using \<chat/audio/video\>	.907***			
CC6	I feel that I am a novice using the \<chat/audio/video\> system [rev]	–			
Perceived Cultural Distance (PCD)					
PCD1	Race or ethnicity is very different from me	.921***			
PCD2	Nationality is very different from me	.903***			
PCD3	Language is very different from me	–	.923***	.945***	.811***
PCD4	Customs and culture are very different from me	.899***			
PCD5	Religious beliefs are very different from me	.878***			
Intercultural Competence (IC)					
IC1	I feel comfortable dealing with people whose… …race or ethnicity is very different from me	.875***			
IC2	…nationality is very different from me	.868***			
IC3	…language is very different from me	.777***	.902***	.901***	.683***
IC4	…customs and culture are very different from me	.827***			
IC5	…religious beliefs are very different from me	.728***			
Customer Satisfaction (CS)					
CS1	What was your overall happiness with the service?	.950***			
CS2	What was your overall pleasure with the service?	.946***			
CS3	What was your overall satisfaction with the service?	.938***	.959***	.968***	.858***
CS4	To what extent did the service meet your expectations?	.883***			
CS5	How well did the service compare with the ideal service?	.914***			
*** significant at p < .001; ** significant at p < .01; * significant at p < .05;					

Table III.2-5: Item outer loadings and measurement quality indicators from bootstrapping for the first survey

	PMR	PSP	CC	PCD	IC	CS
PMR	**.888**					
PSP	.513	**.855**				
CC	.172	.220	**.828**			
PCD	.105	.021	-.060	**.901**		
IC	.106	-.044	.055	-.102	**.847**	
CS	.371	.405	.086	-.020	.095	**.926**

Table III.2-6: Interconstruct correlations and square root of the AVE (diagonal) for the first survey

Assessment of structural model

After supporting both reliability and validity of the measurement models, we assess the structural model's quality and the structural model's relationships (i.e., collinearity issues, significance and relevance of the coefficients, and effect size).

Relating to the structural model's quality, we determined the explanatory power (squared multiple correlations R^2) and predictive relevance (cross-validated redundancy measures Q^2). As depicted in Table III.2-7, the explained variance of the variable PSP ($R^2 = .128$) is weak while the values for PMR ($R^2 = .219$), PCD ($R^2 = .480$), and CS ($R^2 = .249$) can be perceived moderate, hence emphasizing predictive accuracy (Chin 1998).

Hypothesis	Relationship	β	f^2	Support (effect)	VIF	R^2	Q^2
H1a	DC→PMR	.453***	.239***	Yes (medium)	1.119	.219***	.167
H2a	CC→PMR	.323***	.122***	Yes (small)	1.119		
H1b	DC→PSP	.288***	.087**	Yes (small)	1.119	.128***	.083
H2b	CC→PSP	.318***	.106***	Yes (small)	1.119		
H6	CD→PCD	.672***	.832***	Yes (large)	1.001	.480***	.373
[Covariate]	MB*CD→PCD	-.153***	.048	Yes (−)	1.005		
H3	PMR→CS	.225***	.048*	Yes (small)	1.464	.249***	.192
H5a	CC*PMR→CS	-.074	.008	No	1.324		
H4	PSP→CS	.294***	.082**	Yes (small)	1.436		
H5b	CC*PSP→CS	-.019	.003	No	1.302		
H7	PCD→CS	-.036	.004	No	1.040		
H8	IC*PCD→CS	.098*	.018	Yes (−)	1.021		
H9	PSP*PCD→CS	-.018	.003	No	1.014		
*** significant at p < .001; ** significant at p < .01; * significant at p < .05;							

Table III.2-7: Results of the structural assessment for the first survey

In addition, to show that exogenous constructs have predictive relevance, we used the blindfolding procedure (Tenenhaus et al. 2005) for a nonparametric Stone- Geisser test (Stone 1974; Geisser 1975). As all values of Q^2 are positive (Table III.2-7), also predictive relevance can be assumed (Hair et al. 2014).

Now focusing on the particular relationships, we first calculated variance inflation factors (VIF), which are all far below 5.0 (Table III.2-7), thus indicating absence of collinearity issues (Hair et al. 2014). Therewith having ensured a reasonable estimation, we analyzed the standardized path coefficients (β) and their significance to test the respective hypotheses. Furthermore, we also derived the effect sizes (f^2), which indicate small (~ .02), medium (~ .15), and large (~ .35) effects (Cohen 1988) of the latent variables (Table III.2-7).

In summary, the assessment of the structural model reveals eminent quality. However, not all hypotheses are supported: as shown in Table III.2-7, the standardized path coefficients (β) of H5a, H5b, H7, and H9 neither do show any notable effect size (f^2) nor are they significantly different from zero (5% level). All other hypotheses are supported. The empirical assessment of the complete research model is depicted in Figure III.2-2.
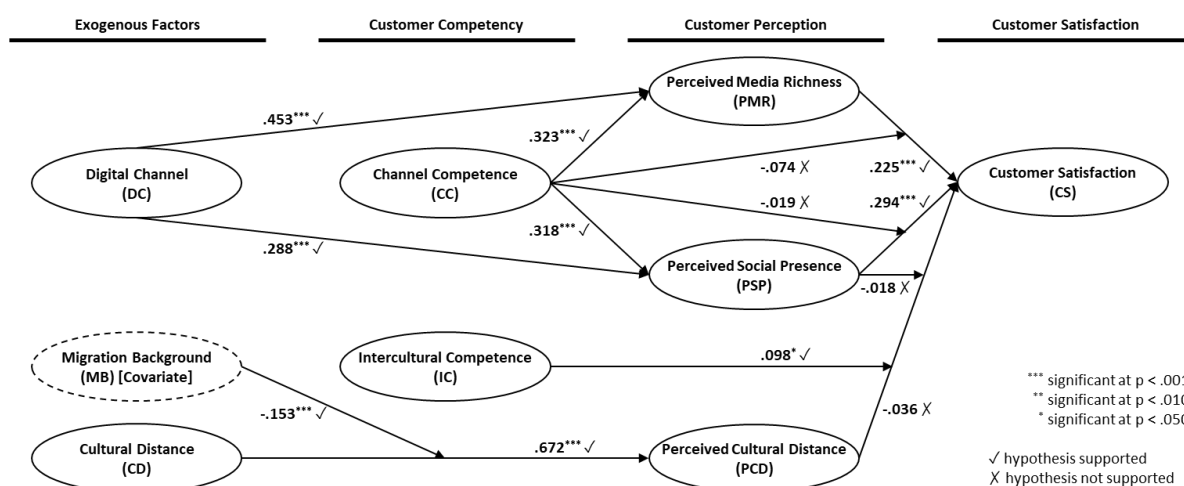

Figure III.2-2: Results of the research model for the first survey

We see by and large the expected effect of digital channels on customer satisfaction with the trend that richer digital communication media improve customer satisfaction via the hypothesized mediators. Surprisingly, we do not see a substantial effect of cultural distance on customer satisfaction and, interestingly, we do not see evidence for an interaction of digital channel and cultural distance in their effects on customer satisfaction. In more detail: The empirical results of our study support the theoretical argument that DC (H1a/H1b) as well as CC (H2a/H2b) influence both PMR and PSP. Likewise, CD significantly influences PCD (H6). With focus on the dependent variable CS, just PMR (H3), PSP (H4), and the moderation IC*PCD (H8) show a significant impact, though the effect size is small. However, the moderation CC*PMR and CC*PSP (H5a/H5b) cannot be supported. Moreover, neither PCD (H7) nor the moderation PSP*PCD (H9) is significantly influencing CS.

Interim discussion of results

Unlike other studies from offline service encounters (Sharma et al. 2012, 2015; Tam et al. 2014; Sharma et al. 2016), our data neither supports a direct effect of PCD on CS (H7) nor the moderation of such an effect by PSP (H9). We see three potential reasons for the difference between our results and the ones by Sharma et al. (2012, 2015), Tam et al. (2014), and Sharma et al. (2016). First, prior evidence primarily relates to perceived cultural distance between Chinese and Western people. Our evidence primarily relates to perceived cultural distance between German (rather Christian) and Turkish (rather Muslim) people. In the context of cultures considered in our study, it might be the case that cultural distance is not that important. However, in the context of the labor market, there is evidence for clearly inferior employment chances of Muslims in the mostly Christian societies of Germany (Weichselbaumer 2016) and France (Valfort 2018). Second, prior evidence relates to face-to-face service encounters. We hypothesized the same effects to occur in digitally mediated service encounters. Potentially – and theoretically most interestingly – this relaxation of boundary conditions and extension of the scope of the effect of cultural distance on customer satisfaction to digital service encounters was unwarranted. However, a single empirical study does not provide sufficient evidence for this claim. Third, the respondents of our first survey are rather young and well educated (many university students). It might be hypothesized that their reaction to cultural distance is different from other groups. Hence, we decided to perform a second survey with more heterogeneous participants to test the robustness of the missing support for H7 and H9.

III.2.4.4   Second Survey

Data Collection

We recruited 200 participants via a commercial online panel and randomized them to one of the six scenarios described above. They participated in the simulated service encounter and answered the survey questions. 15 of them, however, did not agree that the scenario at hand appeared realistic and credible (control question). Another 12 of them had technical problems with playing the media files, leading to finally 173 valid observations. This sample size thereby clearly exceeds the postulated requirements to achieve statistical power of at least 80% with a 5% significance level and minimum R^2 of 0.25 (Hair et al. 2014, p. 21). Descriptive statistics of participants are displayed in Table III.2-8; the randomization of participants to the six different scenarios is depicted in Table III.2-9.

Compared to survey 1, the participants of survey 2 are on average substantially older, less educated and fewer of them have a migration background.

Male / female (%)	Age mean / SD	Migration background (%)	Educational level (%)
96 (55%) / 77 (45%)	48.46 / 15.84	9 (5%)	Lower Secondary 99 (57%)
			Upper Secondary 26 (15%)
			Post-secondary non-tertiary 19 (11%)
			Bachelor or equivalent 11 (6%)
			Master or equivalent 18 (10%)
			Doctoral or equivalent 0 (0%)
			Other 0 (0%)

Table III.2-8: Descriptive statistics of participants for the second survey

	DC (0 = chat)	DC (1 = audio)	DC (2 = video)
CD (0 = German)	32 (18%)	28 (16%)	26 (15%)
CD (1 = Turkish)	33 (19%)	40 (23%)	14 (9%)

Table III.2-9: Number of participants among the six different scenarios (percentage in parentheses) for the second survey

Regarding homogeneity in terms of baseline demographic characteristics, participants in all six scenarios did not show significant differences in the distribution of gender (χ^2 test), education level (χ^2 test), and age (ANOVA). Unlike in survey 1, we do not find significant differences between the participants in the six scenarios with respect to migration background. Hence, we do not include the additional control variable MB. We applied the correlational marker technique to detect potential common method variance (CMV; Lindell and Whitney 2001). The test indicated that CMV is no major concern in our study.

Contrary to survey 1, to reduce the length of the survey and the redundancy of items, we used three items (instead of five) to measure customer satisfaction (CS) according to Fornell et al. (1996). All other scales are identical to survey 1

Assessment of measurement models

The assessment of the measurement models uses the same indicators and quality criteria as for survey 1. We removed items PSP1 and CC6 due to outer loadings below .700. Doing this, all remaining item loadings, Cronbach's Alpha (CA), composite reliability (CR), average variance extracted (AVE), and the Fornell-Larcker criterion are all satisfactory (Tables III.2-10 and III.2-11). As for survey 1, the assessment of the measurement models indicates excellent reliability and validity.

Item	Survey Wording	Loading	CA	CR	AVE
Perceived Media Richness (PMR)					
PMR1	<chat/audio/video> communication allows me to resolve complex doubts and questions	.910***	.942***	.958***	.851***
PMR2	<chat/audio/video> communication allows me to clarify confusing situations	.946***			
PMR3	<chat/audio/video> communication allows me to present complex information in a simple way	.940***			
PMR4	<chat/audio/video> communication allows me clarify controversies caused by lack of information	.894***			
Perceived Social Presence (PSP)					
PSP1	To what extent did you feel able to assess your partner's reactions to what you said?	–	.899***	.930***	.769***
PSP2	To what extent was this like a face-to-face meeting?	.896***			
PSP3	To what extent was this as if you were in the same room with your partner?	.876***			
PSP4	To what extent did your partner seem "real"?	.826***			
PSP5	To what extent did you feel you could get to know someone that you met only through this system?	.907***			
Channel Competence (CC)					
CC1	I am very experienced using <chat/audio/video>	.764***	.912***	.929***	.724***
CC2	I feel that <chat/audio/video> is easy to use	.862***			
CC3	I feel competent using <chat/audio/video>	.893***			
CC4	I understand how to use all of the features of the <chat/audio/video> system	.849***			
CC5	I feel comfortable using <chat/audio/video>	.880***			
CC6	I feel that I am a novice using the <chat/audio/video> system [rev]	–			
Perceived Cultural Distance (PCD)					
PCD1	Race or ethnicity is very different from me	.933***	.955***	.965***	.847***
PCD2	Nationality is very different from me	.943***			
PCD3	Language is very different from me	.854***			
PCD4	Customs and culture are very different from me	.946***			
PCD5	Religious beliefs are very different from me	.922***			
Intercultural Competence (IC)					
IC1	I feel comfortable dealing with people whose… …race or ethnicity is very different from me	.815**	.946***	.950***	.794***
IC2	…nationality is very different from me	.839***			
IC3	…language is very different from me	.932***			
IC4	…customs and culture are very different from me	.962***			
IC5	…religious beliefs are very different from me	.898***			
Customer Satisfaction (CS)					
CS1	What was your overall satisfaction with the service?	.960***	.951***	968***	.911***
CS2	To what extent did the service meet your expectations?	.946***			
CS3	How well did the service compare with the ideal service?	.957***			
*** significant at p < .001; ** significant at p < .01; * significant at p < .05					

Table III.2-10: Item outer loadings and measurement quality indicators from bootstrapping for the second survey

	PMR	**PSP**	**CC**	**PCD**	**IC**	**CS**
PMR	**.923**					
PSP	.623	**.877**				
CC	.501	.507	**.851**			
PCD	-.063	-.148	-.045	**.920**		
IC	.197	.063	.213	.056	**.891**	
CS	.371	.530	.214	-.156	.075	**.954**

Table III.2-11: Interconstruct correlations and square root of the AVE (diagonal) for the second survey

Assessment of structural model

Explanatory power (squared multiple correlations R^2; Table III.2-12) for PSP ($R^2 = .277$), PMR ($R^2 = .253$), PCD ($R^2 = .466$), and CS ($R^2 = .341$) are moderate, hence emphasizing predictive accuracy (Chin 1998). As all values of Q^2 are positive, also predictive relevance can be assumed (Hair et al. 2014). All VIF are far below 5.0, thus indicating absence of collinearity issues (Hair et al. 2014). Like for survey 1, the assessment of the structural model reveals eminent quality.

Hypothesis	Relationship	β	f^2	Support (effect)	VIF	R^2	Q^2
H1a	DC→PMR	.047	.003	No	1.063	.253***	.198
H2a	CC→PMR	.512***	.330**	Yes (medium)	1.063		
H1b	DC→PSP	.147*	.028	Yes (-)	1.063	.277***	.194
H2b	CC→PSP	.542***	.383**	Yes (large)	1.063		
H6	CD→PCD	.683***	.873**	Yes (large)	1.000	.466***	.364
H3	PMR→CS	.071	.004	No	1.834	.341***	.278
H5a	CC*PMR→CS	-.211*	.053	Yes (-)	1.539		
H4	PSP→CS	.538***	.228*	Yes (medium)	1.928		
H5b	CC*PSP→CS	.189	.039	No	1.524		
H7	PCD→CS	-.086	.011	No	1.051		
H8	IC*PCD→CS	-.005	.000	No	1.200		
H9	PSP*PCD→CS	-.019	.001	No	1.214		
*** significant at $p < .001$; ** significant at $p < .01$; * significant at $p < .05$							

Table III.2-12: Results of the structural assessment for the second survey

Table III.2-12 shows the standardized path coefficients (β) and effect sizes (f^2): For H1a, H3, H5b, H7, H8 and H9 we see neither notable effect sizes nor path estimates significantly different from zero (5% level). All other hypotheses are supported. The empirical assessment of the complete research model is depicted in Figure III.2-3. We see an effect of digital channels on customer satisfaction with higher perceived social presence in digital communication media improving customer satisfaction. Unlike hypothesized and unlike for survey 1, the effect of digital channel on customer satisfaction is not mediated by perceived media richness.

Like survey 1, we again do not see an effect of cultural distance on customer satisfaction and we again do not see evidence for an interaction of digital channel and cultural distance in their effects on customer satisfaction.

In more detail: In contrast to the first survey, the empirical results of the second study show that DC (H1b) does only influence PSP and there is no effect on PMR (H1a). The results support the theoretical argument that CC (H2a/H2b) influences both PMR and PSP.
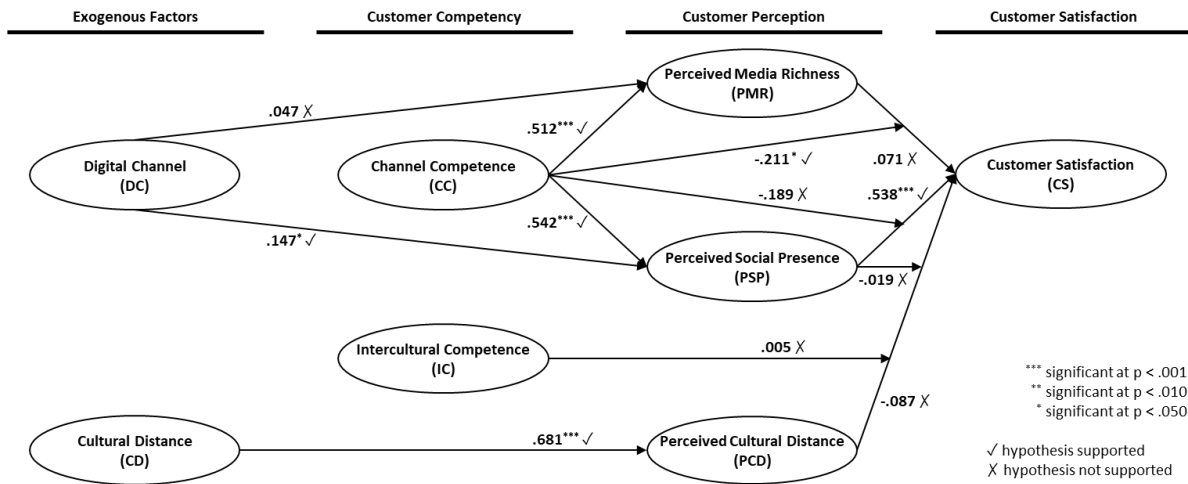
Figure III.2-3: Results of the research model for the second survey

Furthermore, the moderation CC*PMR (H5a) is supported. CD significantly influences PCD (H6). With focus on the dependent variable CS, just PSP (H4) shows a significant impact. However, the effect of PMR (H3) as well as the moderation CC*PSP (H5b) cannot be supported. Furthermore, neither PCD (H7) nor the moderations IC*PCD (H8) and PSP*PCD (H9) are significantly influencing CS.

Examination of mean values

As we are especially interested in the effect of PCD on CS, we conducted further analyses of mean values to gain a deeper understanding of this relationship.

Table III.2-13 shows the mean values for PCD in the six scenarios. We clearly see that the mean values for PCD are higher in the Turkish scenario and thus CD is perceived in all three digital channels. Moreover, the mean values for PCD are increasing from text to audio to video communication in the Turkish scenario. In contrast, the mean values for PCD are decreasing from text to audio to video communication in the German scenario. Hence, we conclude that cultural differences are better perceived with an increasing social presence in the communication (i.e. video > audio > text; cf. H4)

PCD	German	Turkish
Text	1.92	3.82
Audio	1.59	4.61
Video	1.37	5.64

Table III.2-13: Mean values of PCD (co-domain [1; 7])

Table III.2-14 shows the mean values for CS in the six scenarios.

CS	German	Turkish
Text	6.34	6.63
Audio	7.00	6.64
Video	7.49	6.10

Table III.2-14: Mean values of CS (co-domain [1; 10])

The mean values for CS are increasing from text to audio to video communication in the German scenario. In the Turkish scenario, the mean values for CS are nearly on the same level for text and audio communication, whereas the mean value for video communication is clearly on a lower level. Comparing text communication in the German and Turkish scenario (with the name of the service employee as single cultural clue), we see that the Turkish employee achieves a better evaluation. With respect to the included service failures, which are identical in all scenarios (e.g. misunderstandings), we assume that customers might excuse service failures more readily with increasing cultural distance. This assumption is in line with existing findings (e.g. Stauss and Mang 1999). Considering audio communication (with the voice of the service employee as further cultural clue), the German employee achieves a slightly better result. With regard to video communication (with the visual attire of the service employee as a further cultural clue), the German employee achieves a considerably better evaluation for the service encounter (i.e. CS; significant at 5% level according to t-test). Regarding previous results in offline contexts (e.g. Sharma et al. 2016; Gaur et al. 2017), we propose that PCD will have a negative effect on the evaluation of digital service encounters (e.g. CS) in the case of video communication, where visual clues on the cultural background are present. This relationship is subject to further research.

III.2.5   Discussion of the Results

Both surveys reveal similar empirical results, which appear to be robust to demographic differences between the participants in both surveys. From a theoretical point of view, our contribution to existing literature on information systems in general and digital, intercultural service encounters is threefold:

First, we link theory on digital communication and CRM: As hypothesized, the results reveal that a higher media richness (first survey) and higher social presence (both surveys) positively influences customer satisfaction, which is in line with prior assumptions (Simon and Peppas 2004; Sevinc and D'Ambra 2004; Pinsonneault et al. 2010; Tang and Wang 2011; He et al. 2012; Wang et al. 2012; Ogara and Koh 2014). Here we provide further evidence for an established theoretical relationship.

Second, we extend existing literature on intercultural service encounters: For pre-digital, offline services, marketing research has established the existence of an effect of perceived cultural distance on customer satisfaction (Sharma et al. 2009, 2012; Sharma and Wu 2015). Since we are interested in this relationship for the digital context, we analyzed the effect of perceived cultural distance on customer satisfaction in digital service encounters but did not find support for this direct relationship. As in our first survey we primarily surveyed students with a mean age of round about 24 years, our aim was to conduct a more representative study to find support for our hypothesis, that perceived cultural distance influences customer satisfaction. However, our findings, surprisingly, again suggest that cultural distance does not directly affect customer satisfaction in digital service encounters. Interestingly, our comparative examination of mean values for the different settings has revealed clues on the negative effect of perceived cultural distance on the evaluation of digital service encounters in the case of video communication. This finding is subject to further research. Based on this preliminary finding, firms should be cautious when investing in video communication for interaction with customers. Cultural similarity to the customers may be relevant for hiring or assigning service personnel, if video communication is the preferred channel for specific digital service encounters.

Third, we bring together cross-disciplinary research on communication channels and cultural distance: Our manipulation checks in both surveys support the hypothesis (H6) that perceived cultural distance is substantially affected by the variation of the service employee's culture across all three digital communication channels. Consequently, digital communication obviously transports cultural characteristics. We theorized that the ability of digital channels to transport culture might depend on the perceived social presence of the counterpart and, consequently, there might be an interrelation of digital channel and cultural distance in affecting customer satisfaction but interestingly do not see evidence for this hypothesis (H9). This is a new result, which requires further research.

III.2.6   Limitations and Future Research

Besides the results above, there are limitations that leave room for future research and need to be understood when interpreting our results: First, regarding the operationalization of our six scenarios, we just simulated one digital service encounter. Hence, due to the limited interactivity and the limited, only stylized cues on culture, our participants may not have experienced a real-life scenario. Even though we deliberately asked if the scenario at hand appeared realistic and credible (control question), we suggest to validate the results by means

of a field experiment, for instance, via a survey among real customers within an actual customer-company relationship.

Second, focusing on the sampling of the study, the mostly younger and well-educated participants of the first study and the participants from the commercial online panel of the second study may have a high affinity on digital communication channels. This may consequently limit the generalizability of the results. Although we controlled for this affinity by considering the channel competence and participants in all six scenarios are homogenous in terms of baseline demographic characteristics, we cannot assure representativeness for the general population. One possible way would be to additionally conduct an offline data collection via structured or semi-structured interviews to also capture possible customers with a low affinity on digital communication channels. On the other hand, such customers with a low affinity on digital communication channels might not select approaching their service provider via such channels in the first place.

Third, relating to the application context, we investigated a digital service encounter in financial services industry with one specific reason (here: credit card application). Further research on encounters in other industries (e.g. consumer goods) and other scenarios (e.g. complaint management) may be advisable.

Fourth, we focus on a single interaction between service personnel and customer. Since customers may switch communication channels, it would be interesting to analyze effects on customer satisfaction across several interactions and channels.

Finally, we do not differentiate the type of migration background (e.g. Chinese vs. Turkish migration background) among participants, which may limit the generalizability of the results, since customers from different demographics have different perceptions.

III.2.7   Conclusion

Led by the predominant digitalization and corresponding benefits, enterprises and their customers increasingly interact via digital communication channels. Since this development comes along with varying media richness and social presence between communication channels as well as partially increasing cultural distance between service provider and customer, we were interested in the influence of these factors on customer satisfaction in digital service encounters.

Therefore, based on existing research, we developed a theoretical model and empirically tested the validity of its hypotheses. We presented theoretical arguments and supporting

empirical evidence for the positive effects of media richness (first survey) and social presence (both surveys) on customer satisfaction in digital service encounters.

Moreover, in the case of video communication, we found indicators for a negative effect of cultural distance on customer satisfaction for digital service encounters. This is in line with established findings in marketing research concerning offline service encounters. However, this preliminary finding requires further research.

Acknowledgement

III.2.8   References

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III.3 Research Paper 4: "The impact of perceived cultural distance on customer trust and its consequences for digital service encounters"

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Working paper	

Abstract: *Increasingly, customer-firm-interactions occur through digital channels. Together with rising global migration, digitalization has led to a growing number of intercultural service encounters. Existing research suggests that, in offline service encounters, perceived cultural distance between customers and service employees has a negative impact on service outcomes. We are hence interested in the role of perceived cultural distance in digital service encounters. We developed a theoretical model based on existing research and tested its hypotheses using data from an online survey completed by 677 participants from Germany. Our results illustrate the crucial role of customer trust in digital service encounters. With regard to video communication, we found clues on a negative influence of perceived cultural distance on customer trust, customer satisfaction, positive word-of-mouth, and the intention for future interaction. These findings serve as a road sign for future research on the impact of perceived cultural distance on digital service encounters.*

III.3.1 Introduction

Due to their long histories of immigration, many areas of developed nations such as the USA, Germany, and Great Britain are home to multicultural populations (United Nations 2017). In these diverse societies, people often encounter others from different cultures (Josefová 2014). Recently, the frequency and intensity of these encounters has increased as a result of migration streams generated by conflicts in the Middle East and Africa (Bommes et al. 2014). In the context of customer relationship management and service relations, interactions between customers and service employees from different cultural backgrounds are referred to as "intercultural service encounters" (Stauss and Mang 1999). Some of the ways in which cultural differences manifest in these encounters are immediately apparent, such as differences in language or apparel (Hall 1976). Other differences are less obvious, such as difference in

religious beliefs or in social expectations (Hall 1976). The coexistence of such varied cultures within one society generates a potential problem: intercultural service encounters can be beset by conflicts based on cultural misunderstanding and rejection (Ting-Toomey and Dorjee 2018). To date, research has predominantly focused on the fact that the perception of cultural distance (CD) between customers and service employees has a negative impact on service outcomes such as customer trust (CT) and customer satisfaction (CS) (e.g. Gaur et al. 2017; Lev-Ari and Keysar 2010). Significantly, however, nearly all existing studies have focused on offline contexts, with only a few papers addressing the impact of perceived cultural distance (PCD) on digital service encounters (cf. Gimpel et al. 2016; Van Birgelen et al. 2002).

Technological innovations have led to faster internet connections, more intelligent mobile devices, new communication platforms, new possibilities for services, and changes in customer behavior (Leimeister et al. 2014; Nüesch et al. 2015). Since digital communication via the Internet increases over time, digital channels (e.g. website, instant messaging, and video-conferencing) gain increased importance in customer-firm relationships (Lemon and Verhoef 2016; Verhoef et al. 2015). What is more, digital channels offer new advantages both to customers (e.g. extended availability of information) and to firms (e.g. reduction of costs). Perhaps most importantly, digital channels facilitate location-independent service encounters by nearshoring or offshoring customer service desks. This development inevitably increases the frequency of intercultural service encounters.

Multiple studies (e.g. Aljukhadar et al. 2010; Johnson and Grayson 2005; Swan et al. 1999) show that CT in the brand, firm, or service employee plays an important role in business success. From a firm's perspective, it is thus crucial to establish trust in the context of customer relationships. In general, researchers distinguish between "trust in an individual" (interpersonal level) and "trust in an organization" (interorganizational level). CT generally describes positive characteristics of a person or another object (e.g. competence, benevolence), which are desirable in relationships (cf. McKnight and Chervany 2001). Since existing research show that a) CT in the employee positively influences CT in the firm (e.g. Zaheer et al. 1998), and b) customer experiences during service encounters are largely influenced by their interactions with the service employee (Verhoef et al. 2009), our research will focus on CT in the service employee (interpersonal level).

Taking account of previous findings, we have formulated the following research question:

How does perceived cultural distance affect customer trust in the service employee and its consequences for digital service encounters?

In order to answer this research question, we firstly present the theoretical foundations of the concepts "culture" and "trust", and illustrate communication theories relevant to digital service encounters (III.3.2). Secondly, we develop a theoretical model of the impact of PCD on CT and the consequences for digital service encounters (III.3.3). Thirdly, we describe the operationalization of the model, the simulation of six scenarios, and the data collection from the survey (III.3.4). This simulation involved the use of a previously recorded digital service encounter, which focused on investment consulting at a fictitious bank. Afterwards, we questioned the survey participants who took on the role of the customer. Each participant was allocated to one of six scenarios in a 3x2 full factorial design varying between digital channel richness (DCR; video, audio, and text communication) and CD (German vs. Syrian background of the service employee). In a fourth step, we test our theoretical model using the survey data and apply structural equation modeling (III.3.5). Finally, we discuss the theoretical and practical implications of the results, as well as the limitations, the potential for future research, and our conclusions (III.3.6).

III.3.2   Theoretical Foundations

Our research relates to existing literature on customer relationship management (CRM), intercultural service encounters, and communication theories. Customer trust (CT) is an important element of interpersonal relationships (e.g. Berry 1999; Srinivasan 2004), a significant antecedent of customer satisfaction (CS) (Swan et al. 1999), and thus of central importance for customer retention, customer value, and business success (e.g. Aksoy et al. 2008; Anderson et al. 2004; Williams and Naumann 2011). The concept of CT in the service employee is therefore the central focus of our model. Since customer experiences in service encounters are mainly influenced by the service employee and the communication channel (Verhoef et al. 2009), we take a closer look at these two elements.

In terms of the service employee, existing research on the construct of culture and its effects in interpersonal relationships suggest that people tend to trust others from their cultural "in-group" more than they trust people from their cultural "out-group" (e.g. Johnson and Grayson 2005; Shimp and Sharma 1987; Swan et al. 1999).

As for the communication channel, there is plenty research on intercultural service encounters in offline contexts (e.g. restaurant setting; Sharma et al. 2012), but little is known about the effects of perceived cultural distance (PCD) in digital environments (e.g. online interaction with financial services provider; Gimpel et al. 2016). Existing findings show that increased media richness and increased social presence of communication channels both have a positive

effect on CT (Straub 2003; Qiu and Benbasat 2005; Koert 2007) and CS (Daft et al. 1987; Guo and Turner 2005; Massey et al. 2001; Sallnäs 2005).

III.3.2.1 *Customer Trust and its Consequences*

Various definitions of interpersonal trust are available in existing literature. Scanzoni (1979; from Rempel et al. 1985, p. 95) defines trust as "[An] actor's willingness to arrange and repose his or her activities on Other because of confidence that Other will provide expected gratifications." Rotter (1980; from Rempel et al. 1985, p. 95) describes trust as "a generalized expectancy held by an individual that the word, promise, or statement of another individual can be relied on."

Other authors describe the concrete characteristics of a trustworthy service employee or provider in different contexts. They predominantly present ability/competence/expertise, benevolence, and integrity as qualities which inspire trust on the part of the customer (e.g. McKnight and Chervany 2001, in the context of e-commerce; Suh and Han 2002, in the context of internet banking; Coulter and Coulter 2002 in a B2B context; cf. Aljukhadar et al. 2010, for a more general perspective). In the context of service relationships, then, "ability/competence/expertise" can be read as the customer's belief that the service employee has the skills or power to fulfill the customer's needs. "Benevolence", in this context, refers to the customer's belief that the service employee cares about the customer and is motivated to act in his or her interest. "Integrity" describes the customer's belief that the service employee acts ethically and in good faith, is honest, and keeps his or her promises. Mayer et al. (1995) and McKnight and Chervany (2001) are among authors who controversially discuss "predictability" as the fourth characteristic of a trustworthy person in a business environment. In the context of this study, predictability relates to the customer's expectations of the service employee's behavior. However, some authors (e.g. Mayer et al. 1995) state that predictability is not equal to trust, although both qualities lead to the reduction of uncertainty. For instance, a person can be expected to consistently act in bad faith. Therefore, predictability alone is not sufficient to foster trust.

Several studies in the context of customer relationship management (CRM) analyze CT in the salesperson or service employee (e.g. Coulter and Coulter 2002; Johnson and Grayson 2005; Swan et al. 1999). Swan et al. (1999) and Johnson and Grayson (2005) among other researchers (e.g. Moorman et al. 1992; Rempel et al. 1985) divide trust into the two components, "affect" and "cognition", both of which are necessary. In the context of service relationships, affective trust refers to the confidence the customer places in the service

employee, which is based on the customer's feelings about the service employee's level of care and concern (Johnson and Grayson 2005). Affective trust, then, comprises vulnerability and uncertainty on the part of the customer (Moorman et al. 1992). Cognitive trust in service relationships refers to the customer's confidence or willingness to rely on a service employee's expertise and reliability (Johnson and Grayson 2005).

Many studies have examined the role of trust in business relations, and clearly demonstrate the importance of trust for business success (e.g. Berry 1999; Srinivasan 2004). Several papers show a positive relationship between CT and customer satisfaction (CS). Swan et al. (1999) conducted a literature review and meta-analysis of the determinants and consequences of CT in a salesperson. The results of their study show that trust aids the development of positive customer attitudes, intentions, and behavior towards the salesperson. Their research also points out that CT positively influences CS (Swan et al. 1999). Harris and Goode (2004) analyzed the influence of CT, among other factors, in the context of an online book store. Their results show that CT has a positive influence on CS.

Various authors have also found that CT has a positive effect on customers' intention to engage in future interaction with the service provider or employee. Johnson and Grayson (2005) analyzed the significance of trust in service relationships wherein financial advice is provided. They found that satisfaction with previous interactions positively influences cognitive trust, and that affective trust significantly contributes to the customer's willingness to interact with the service provider in the future. Swan et al. (1999) have also demonstrated that CT positively influences customers' intentions to interact with the service employee or provider in the future. Aljukhadar et al. (2010) examined the role of CT in the service employee and the service provider in the context of low and high media richness e-stores. They found clues, which suggest that trust has a positive impact on customer's purchase intentions.

Yet more authors have revealed that CT leads to increases in positive word-of-mouth activity (WOM). De Matos and Rossi (2008) conducted a meta-analytic review of the antecedents and moderators of WOM and found evidence of the positive effect of CT. Gremler et al. (2001) investigated the influence of trust on word-of-mouth communication in both banking and dental care. They found evidence of a positive relation in both contexts. Ranaweera and Prabhu (2003) analyzed the effects of CS and CT on customer retention and WOM among fixed-line telephone users. They found evidence of strong positive associations for both CS and CT.

According to Morgan and Hunt (1994, p. 22), relationship marketing aims at "[…] establishing, developing, and maintaining successful relational exchanges" (covering partnerships with suppliers, buyers, competitors, nonprofit organizations, the government, and internal relations). In their "commitment-trust theory in relationship marketing" they theorize that "the presence of relationship commitment and trust is central to successful relationship marketing […]" (Morgan and Hunt 1994, p. 22). They empirically test their theoretical model and reveal shared values, communication, and opportunistic behavior as antecedents of trust on the one hand, and cooperation, functional conflict, and decision-making uncertainty as direct as well as acquiescence and propensity to leave as indirect outcomes of trust on the other hand. Morgan and Hunt (1994) thereby emphasize that commitment and trust should not only be regarded as additional independent antecedents of relationship outcomes, but considered as key mediating variables in the relationship development process. The commitment-trust theory is well-established in marketing literature and leads to a multitude of publications, for example in the context of e-commerce (e.g. Elbeltagi and Agag 2016 for e-retailing and Yuan et al. 2018 for internet banking) amongst others.

The existing research leaves little doubt that the establishment of trust-based relationships is a key factor in sustainable success, and that trust is an essential element in customer-firm relationships. In sum, we conclude that CT in the service employee positively affects CS, WOM, and customers' intention for future interaction (FI) and that CT thereby is a key mediating variable in the relationship development process.

III.3.2.2 Culture and Intercultural Service Encounters

The concept of culture can be approached and defined in multiple ways, and there is no commonly accepted definition of culture in the existing literature. Hall (1976), for instance, describes culture as the thoughts, feelings, and actions of a specific group of people in their everyday life. Hofstede (1984, p. 21) defines culture as "the collective programming of the minds which distinguishes the members of one human group from another". For Samovar et al. (1981) and Miller (2002), culture influences the behavior and communication style of individuals. Therefore, culture plays an important role in interpersonal relationships and, hence, affects intercultural service encounters. Existing research on intercultural customer relationship management (CRM) – which aims to cultivate profitable customer relations – generally investigates the effects of PCD, intercultural competence (IC), and customer ethnocentrism (CET) on customer satisfaction (CS) and other outcomes of customer-firm interactions (e.g. Sharma et al. 2009; Sharma and Wu 2015).

In the context of intercultural service encounters, the concept of PCD has received most attention (e.g. Sharma et al. 2012, 2015; Tam et al. 2014). Researchers generally examine the effect that PCD has on the satisfaction of customers and employees. In this work, we are interested in the effects of PCD on CT and CS. We recognize cultural distance (CD) to constitute differences in language, social structures (e.g. family structures), religion (i.e. divergent beliefs), and standards of living (i.e. financial status) (Triandis 2000), and anticipate that these differences may lead to varying expectations and perceptions of the interaction and outcome of a service encounter (Stauss and Mang 1999; Weiermair 2000). Previous research suggests that customers prefer to interact with employees belonging to their cultural "in-group", and that CD negatively influences service outcomes (e.g. Kulik and Holbrook 2000; Sharma et al. 2009). Therefore, visible (e.g. language, clothes) and invisible (e.g. religious beliefs) similarities in cultural elements can be expected to have a positive impact on service outcomes due to perceived familiarity in communication style and a higher level of mutual trust (Kulik and Holbrook 2000). The existing research on the effects of PCD in intercultural service encounters primarily relates to non-digital, offline settings. One main research stream in this field investigates intercultural service encounters in restaurants (Sharma et al. 2009, 2012; Sharma and Wu 2015; Sharma et al. 2016; Tam et al. 2014). Sharma et al. (2012) found evidence of a positive relationship between PCD and CS. However, subsequent studies show that PCD has a negative impact on CS (Sharma et al. 2015; Sharma et al. 2016). Gaur et al. (2017) examined offline personal banking encounters, and analyzed various acculturation behaviors among service employees. Their results show that behaviors leading to a lower PCD cause higher levels of CS. To the best of our knowledge, only Van Birgelen et al. (2002) and Gimpel et al. (2016) examine intercultural service encounters in a digital environment. Van Birgelen et al. (2002) investigate divergent evaluations of service performance and CS via offline and online channels by customers from different cultures. They do not discuss PCD. Gimpel et al. (2016) simulate a digital service encounter in the context of banking. Their results do not suggest that PCD has a significant effect on CS. Other research addresses the effects of perceived cultural differences (e.g. foreign accents) on CT, and suggests that these differences have a negative effect on CT (e.g. Luo 2002; Lev-Ari and Keysar 2010). Again, these studies predominantly consider offline service encounters, and only a few studies examine digital contexts. For instance, Yuki et al. (2005) simulate trust decisions in an online money allocation game, and find that cultural in-group members are perceived more trustworthy. So despite the increasing use of digital communication channels in customer-firm interactions, and the increasing number of intercultural service encounters (cf. Lemon and

Verhoef 2016; Gimpel et al. 2016), there is a notable research gap when it comes to the effects of PCD on CT and CS in intercultural and digital service encounters.

Another important concept in research on intercultural service encounters is the IC of customers and service employees (e.g. Sharma et al. 2012; Tam et al. 2014). IC refers to the ability to overcome cultural differences in interpersonal interactions (Friedman and Antal 2005). It incorporates intercultural effectiveness and sensitivity, and persons with high levels of IC are able to communicate effectively in intercultural settings (Hammer et al. 2003; Hammer et al. 1978). According to Lustig and Koester (2013), persons with high IC treat people belonging to different cultures in a more respectful and empathic way than do those with low IC levels. Furthermore, interculturally competent persons often have better foreign language skills and are able to adapt their communication style to those of the other culture (Sharma et al. 2009). Multiple studies show a significant positive influence of customer's IC on CS (e.g. Ihtiyar and Ahmad 2014, 2015; Ihtiyar et al. 2013; Sizoo 2007). Other authors find evidence for the moderating role that IC has on the relation between PCD and interaction comfort (Sharma et al. 2012; Sharma and Wu 2015). They show that the higher IC, the lower the negative influence of PCD on the interaction comfort. Lorenz et al. (2017) investigate cultural intelligence, which they define as "an individual's ability to successfully adapt to new cultural contexts," (Lorenz et al. 2017, p. 476) and which can be interpreted as a synonym for IC. They find that higher levels of cultural intelligence lead to a higher willingness on the part of the service employee to adapt her or his behavior in the case of PCD.

On a related note, studies of consumerism and intercultural service encounters examine the concept of CET. The concept of CET relates the wider concept of "ethnocentrism" to consumer behavior (Shimp and Sharma 1987). Ethnocentrism refers to discrimination between cultural in- and out-groups; that is, to people's tendency to regard "their own group as the center of the universe, to interpret other social units from the perspective of their own group, and to reject persons who are culturally dissimilar, while blindly accepting those who are culturally like themselves" (Shimp and Sharma 1987, p. 280). Applied to consumerism, ethnocentrism describes ethnocentric customers' negative attitudes towards foreign products, and the attitude that consumption of foreign products is harmful for the domestic economy, leads to unemployment, and is unpatriotic (Sharma et al. 1994; Shimp and Sharma 1987). Sharma et al. (2005) suggest that CET has a negative impact on customer expectations of and perceptions about culturally different service employees. Sharma and Wu (2015) found evidence that the effect of service outcome on interaction comfort and perceived service quality is negatively moderated by CET.

Our conclusion thus far is that the customers' PCD from the service employee negatively affects CT, and that IC and CET may moderate this relation.

III.3.2.3 *Digital Communication*

The rapid, worldwide growth of e-commerce sales (Statista 2018), and the increasing number of digital service encounters, are the result of technological innovations and a shift towards digital communication channels (Heinonen and Michelsson 2010). These digital communication channels include text (e.g. e-mail, instant messaging), audio (e.g. voice over IP), and video (e.g. video conferencing) chat via different technologies. From the customer's perspective, digital service encounters are more convenient that non-digital service encounters thanks to the 24/7 availability of services and the reduced level of effort required to facilitate interactions. From the company's perspective, digital communication technologies offer wider market coverage and a reduction in costs. As a result, digital communication channels are increasingly important for customer relations. What is more, different digital communication options offer various characteristics, including synchronism-asynchronism, rehearsability, social presence, and media richness (Massey et al. 2001; Thurlow et al. 2004), which may increase CS (e.g. He et al. 2012; Tang and Wang 2011). In this study, we focus on the capacity of digital channels to process rich information (e.g. body language, voice, feelings; Lengel and Daft 1984) and therefore give clues about cultural differences between the customer and the employee. According to the existent research (e.g. Gimpel et al. 2016; Guo and Turner 2005; Massey et al. 2001; Sallnäs 2005), we can rank face-to-face communication (e.g. video chat as an approximation of face-to-face interaction), audio communication (e.g. voice over IP), and text communication (e.g. email, instant messaging) in a descending order in terms of digital channel richness (DCR). Furthermore, Aljukhadar et al. (2010) found evidence that media richness has a positive effect on customer judgements about retailer trustworthiness, and on purchase intentions. We are therefore interested in the effect of DCR on CT in the service employee.

To summarize, we conclude that DCR differs between commonly-used channels in digital service encounters, positively moderates the effect of CD on PCD, and positively influences CT in the service employee.

III.3.3 Theoretical Model

Based on the existing literature on customer relationship management (CRM), intercultural service encounters, and communication theories, we developed a theoretical model of the impact of perceived cultural distance (PCD) on customer trust (CT) and its consequences for

digital service encounters. In doing so, we have used well-established constructs, and derived hypotheses from existing findings. Our model represents digital service encounters, which feature interactions between human customers and service employees via digital communication channels.

III.3.3.1 Constructs

Table III.3-1 gives an overview of the core model constructs, as well as short definitions and corresponding references.

Construct	Definition	References
Digital Channel Richness (DCR)	The digital channel's capacity to process rich information such as body language, voice, and feelings.	Lengel and Daft (1984), Guo and Turner (2005), Froehle (2006), Heinonen and Michelsson (2010)
Cultural Distance (CD)	The overall cultural difference between the customer and the service employee, accounting for differences in various cultural elements such as language, appearance, religion, and values.	Triandis (2000), Sharma et al. (2009, 2012), Tam et al. (2014), Sharma and Wu (2015), Sharma et al. (2016)
Perceived Cultural Distance (PCD)	The customer's perception of CD to the service employee.	
Intercultural Competence (IC)	The customer's ability to think and act in appropriate ways with people from other cultures. Customers with higher IC display more respect and empathy for people from other cultures.	Hammer et al. (1978), Hammer et al. (2003), Friedman and Antal (2005), Antal and Friedman (2008), Lustig and Koester (2013), Ihtiyar and Ahmad (2014)
Customer Ethnocentrism (CET)	The customer's beliefs about the appropriateness and morality of purchasing foreign-made products.	Shimp and Sharma (1987), Sharma (2011), Sharma and Wu (2015), Sharma et al. (2016)
Customer Trust (CT)	The customer's trust in the service employee (during the first interaction).	Parasuraman et al. (1985), Gronroos (1990), Swan et al. (1999), Coulter and Coulter (2002)
Customer Satisfaction (CS)	The customer's overall evaluation of the service encounter.	Fornell et al. (1996), Sharma et al. (2009)
Positive Word-of-Mouth (WOM)	The customer's willingness to recommend the service provider.	Arndt (1967), Westbrook (1987)
Intention for Future Interaction (FI)	The customer's willingness to interact with the service employee in the future.	Bolton and Lemon (1999), Tam (2004)

Table III.3-1: Model Constructs

In order to address cultural distances (CD), our model incorporates PCD and intercultural competence (IC), which we draw from Sharma et al.'s (2009) intercultural service encounter framework. We also base our concept of customer ethnocentrism (CET) on Shimp and Sharma's (1987) concept of consumer ethnocentrism. The concept of CT in the service

employee, which features centrally in our model, was initially introduced by Parasuraman et al. (1985), and later applied by several authors (e.g. Coulter and Coulter 2002; Swan et al. 1999). We integrate CT as a key mediator in the development process of positive customer evaluations (cf. commitment-trust theory by Morgan and Hunt 1994). In terms of customer evaluations, our model incorporates customer satisfaction (CS), positive word-of-mouth regarding the service provider (WOM), and the intention for future interaction with the service employee (FI). Furthermore, we control digital channel richness (DCR) and CD.

III.3.3.2 Hypotheses

Figure III.3-1 shows our theoretical model, wherein arrows represent the hypotheses.
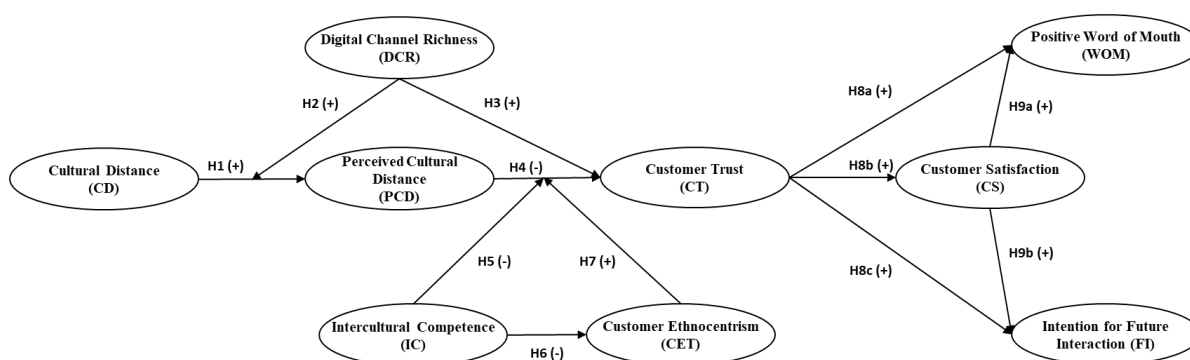

Figure III.3-1: Theoretical model

In accordance with existing evidence (e.g. Gimpel et al. 2016; Sharma et al. 2012), we hypothesize that customers perceive CD, and that a higher CD results in a higher PCD (H1). Since culture also incorporates obvious elements such as language and appearance (e.g. clothes, religious symbols), we assume that a higher DCR (i.e. capacity to process rich information) leads to a higher PCD (cf. Gimpel et al. 2016). Therefore, we hypothesize the effect of CD on PCD is positively moderated by DCR (H2).

Existing work on the antecedents of trust shows that a higher perceived media richness and a higher perceived social presence in interactions between customers and service employees leads to a higher level of CT (e.g. Burgoon et al. 2002; Gefen and Straub 2003; Qiu and Benbasat 2005). In particular, visual elements such as clothing have been found to have an impact on customers' trust in employees (Leigh and Summers 2002). The results of Muhlfelder et al. (1999) and Greenspan et al. (2000) for computer-mediated communication suggest that an increasing DCR has a positive effect on CT. Therefore, we hypothesize that DCR positively influences CT (H3).

According to previous findings, a speaker's foreign accent can negatively influence his perceived credibility, trustworthiness, and competence (e.g. Edwards 1982; Lev-Ari and

Keysar 2010). Furthermore, other studies show that PCD can have a significant negative effect on trust in various settings (e.g. Yuki et al. 2005, analyzed trust toward a relatively unknown target person; Luo 2002, studied trust in the context of cross-cultural collaboration). Thus, we assume a negative impact of PCD on CT (H4).

Earlier research also illustrates two findings about IC: Firstly, IC positively influences CS in intercultural settings (e.g. Sizoo 2007; Ihtiyar et al. 2013; Ihtiyar and Ahmad 2014, 2015). Secondly, IC positively moderates the negative relationship between PCD and interaction comfort (e.g. Sharma et al. 2012; Sharma and Wu 2015). Hence, we hypothesize that IC positively moderates the effect of PCD on CT (H5).

Researchers claim that there is a negative association between ethnocentrism and IC (e.g. Bennett and Bennett 2004; Chen 2010). For instance, Chen (2010) found a significant negative relationship between ethnocentrism and intercultural sensitivity, which is regarded as component of IC. Therefore, we assume a negative relationship between IC and customer ethnocentrism (CET) (H6).

De Ruyter et al. (1998) analyzed CET in the context of international services marketing, and demonstrated that CET has a negative influence on customer's attitudes toward the use of foreign services. Sharma et al. (2005) found that CET has a negative influence on customer's expectations and perceptions of culturally different service employees. Furthermore, Sharma and Wu (2015) illustrate that CET negatively moderates the influence of service outcome on interaction comfort and service quality. As a result, we assume that CET negatively moderates the impact of PCD on CT (H7).

Empirical results of earlier research on the consequences of CT reveal that CT has a positive effect on favorable WOM (e.g. Garbarino and Johnson 1999; Gremler et al. 2001; Matos and Rossi 2008; Ranaweera and Prabhu 2003), CS (e.g. Harris and Goode 2004; Swan et al. 1999), and FI (e.g. Aljukhadar et al. 2010; Johnson and Grayson 2005). Following these studies, we hypothesize that CT has positive effects on WOM (H8a), CS (H8b), and FI (H8c).

In the existing literature, it is widely accepted that CS is an antecedent of customer loyalty and other outcomes of customer relationships. Ranaweera & Prabhu (2003), Bown et al. (2005), and Bontis et al. (2007) all examine the link between CS and WOM and find a significant positive effect of CS on WOM. Moreover, various authors show the positive effect that CS can have on FI (e.g. Bolton and Lemon 1999; Olsen 2002; Tam 2004). Hence, we assume CS has a positive influence on WOM (H9a) and on FI (H9b).

III.3.4 Survey Design and Procedure

To test our theoretical model, we applied survey-based quantitative research, which, unlike other, qualitative approaches, allowed us to draw generalizations with some ease (Urbach et al. 2010). In the following, we firstly describe the construct operationalization, secondly introduce the simulation of the scenarios, and thirdly illustrate the data collection.

III.3.4.1 Construct Operationalization

Table III.3-2 gives an overview of the items used and the relevant references.

Construct	Items	#	References
Perceived Cultural Distance (PCD)	ethnicity, nationality, language, customs and culture, religion	5	Sharma et al. (2012), Sharma and Wu (2015)
Intercultural Competence (IC)	sense of well-being during interactions with people of other ethnicities, nationalities, languages, customs and cultures, religions	5	Sharma et al. (2012)
Customer Ethnocentrism (CET)	rejection of foreign products for reasons of damage caused to own economy, availability of products in own country, economic advantage for foreign countries, support for domestic products	4	Sharma and Wu (2015)
Customer Trust (CT)	trustworthiness, honesty, frankness and sincerity, competence, credibility	5	Aljukhadar et al. (2010)
Customer Satisfaction (CS)	overall satisfaction, expectancy, ideal conception	3	Fornell et al. (1996)
Positive Word-of-Mouth (WOM)	general recommendation to others, recommendation to friends and acquaintances, saying favorable things to others	3	Ladhari et al. (2011), Tam (2004)
Intention for Future Interaction (FI)	follow-up consultation, further investments, optimization of existing investment portfolio, continuation of doing business	4	Johnson and Grayson (2005)

Table III.3-2: Measurement Models

When putting the constructs into operation, we use validated measures, which we have adapted to our context. Moreover, we measure all constructs – except customer satisfaction (CS) – on a seven-point Likert-type scale (1 = strongly disagree, 7 = strongly agree). A ten-point Likert-type scale is used to measure CS, in line with the American Customer Satisfaction index (Fornell et al. 1996). To ensure content validity, we discussed the choice of items and

the survey wording with other scholars. To ensure the content is comprehensible, we tested the questionnaire among university students.

III.3.4.2   Simulation of Scenarios

For the following analyses of our model, we simulated a previously recorded digital service encounter in the context of investment consulting at a fictitious bank (SEC bank). Specifically, participants imagine receiving an inheritance of €50,000 from their grandparents or parents in a predominant low-interest period. Since they need support to make a profitable investment, they contact a financial consultant at the fictitious SEC Bank (located in Germany) for an online investment consulting via text, audio, or video communication. We decided on this scenario as digital service encounters are comparatively common in the financial sector (Sohn and Tadisina 2008) and are therefore likely to appear realistic and credible to the participants.

We created three different settings for the manipulation of the digital channel richness (DCR): an investment consulting via text, audio, or video communication. Both the written (text communication) and verbal (audio and video communication) text used in the different settings was exactly the same in order to ensure comparability between the different digital channels. Since DCR varies between the three channels, each channel (text, audio, and video) provides different clues to the cultural distance (CD) of the service employee. Text communication only shows the name (i.e. a potentially atypical name) of the financial consultant. Audio communication additionally discloses the voice (i.e. a potential accent), and video communication further reveals the visual appearance (i.e. potentially atypical clothing).

In order to manipulate the CD of the service employee, we created two different settings: service encounters with a German and a Syrian financial consultant. For the setting with a high CD, we decided the consultant should have a Syrian background, as this is a realistic possibility due to the high number of Syrian refugees in Germany. Therefore, we engaged two male actors. A German actor with a common German name, clear language, blond hair, and blue eyes represented the German setting, involving a low level of CD for most participants from Germany. An actor with Lebanese and Kurdish ancestors, a common Arabic name, a light accent, dark hair, and brown eyes took on the role in the Syrian setting, presenting a high level of CD for most participants from Germany. Despite of one small subset ("most German customers" vs. "my former customers in Syria"), the text used in each settings are identical to ensure comparability.

The outcome of the three settings for DCR (0 = chat; 1 = audio; 2 = video) and two settings for CD (0 = German; 1 = Syrian) provide six different combined scenarios in total: German-

text, German-audio, German-video, Syrian-text, Syrian-audio, and Syrian-video. In keeping with a between-subjects design, we randomly assigned each participant to one scenario.

In order to intensify the reactions of the participants (and also to intensify the effects in the model) and to clearly reveal any differences between the six scenarios, we included failures in the digital service encounter, since customers often react strongly to service failures (Smith et al. 1999). These failures by the financial consultant were the same in all six scenarios, and included confusion (i.e. €15,000 instead of €50,000 as investment volume; checking instead of investment account) and misinterpretation (i.e. recommendation of investment in the stock market, despite the customer's expressed aversion of risk and the stock market). In addition to these, we included three small spelling errors in the text scenario (in both German and Syrian settings) to make the failure scenario more realistic.

III.3.4.3   Data Collection

After an initial trial involving 23 testers, we distributed invitations to the questionnaire by e-mail through our personal network, via multiple (65) Facebook presences of different German universities, and additionally via five forums focused on banking and insurance. All participants were anonymous and only closed-ended questions and well-established instruments drawn from the literature were used. These were translated into German using a combination of double translation and translation by committee (cf. McGorry 2000 for recommended translation procedures). The questionnaire began with a short introduction of the subject of the survey (i.e. digital service encounters in the financial services industry), the scenario (i.e. investment consulting), and the relevant communication channel (text, audio, or video). To make the described scenario easier to imagine, and to provide our survey with a reasonable degree of experimental realism (Bitner 1990), the participants later navigated through the dialogue with the financial consultant, which included four interactions. To illustrate the setting "text communication" we showed the participants screenshots of chat windows. In the setting "audio communication", we presented the participants audio files, and in the setting "video communication", we presented video files. Afterwards, the participants answered questions on the constructs FI, WOM, CS, CT, PCD, IC, and CET. Furthermore, we controlled for the perceived credibility of the scenario.

In an effort to avoid common method bias (CMB), we provided a confidentiality declaration in the introduction of the questionnaire and asked the questions on the concepts in the order: FI, WOM, CS, CT, PCD, personal questions (as a natural interruption to measure the following constructs independently from the scenario), IC, and CET. We are optimistic that

these measures prevented CMB. In addition, we relied on the correlational marker technique to reveal potential common method variance (CMV) (Lindell and Whitney 2001).

While 1132 participants started with the questionnaire, 1050 (92.76%) finished it completely. To reduce non-response bias, we offered vouchers for an online retailer. We also sent out reminders encouraging people to participate in our survey. With 363 participants not agreeing with the credibility of the scenario at hand and 10 participants being younger than 18 years, we finally received 677 valid observations (64.48%). According to Hair et al. (2014), this sample size clearly exceeds the requirements to achieve statistical power of at least 80% with a 5% significance level and minimum R^2 of 0.25. Table III.3-3 shows the descriptive statistics of participants, and Table III.3-4 presents the random assignment of participants to the six different scenarios.

Male / female (%)	Age groups		Migration background (%)	Educational level (%)
278 (41.1%) / 399 (58.9%)	18-19 years	75	90 (13.3%)	Lower Secondary 12 (1.8%)
	20-29 years	493		Upper Secondary 46 (6.8%)
	30-39 years	63		Post-secondary non-tertiary 344 (50.8%)
	40-49 years	16		Bachelor or equivalent 183 (27.0%)
	50-59 years	23		Master or equivalent 80 (11.8%)
	60-70 years	4		Doctoral or equivalent 11 (1.6%)
	>70 years	3		Other 1 (0.1%)

Table III.3-3: Descriptive statistics of participants for the survey

	DCR (0 = chat)	DCR (1 = audio)	DCR (2 = video)	Total
CD (0 = German)	126 (18.6%)	105 (15.6%)	132 (19.5%)	363 (53.6%)
CD (1 = Syrian)	102 (15.1%)	110 (16.2%)	102 (15.1%)	314 (46.4%)
Total	228 (33.7%)	215 (31.8%)	234 (34.6%)	677

Table III.3-4: Number of participants among the six different scenarios (percentage in parentheses)

Participants in the six scenarios did not show any significant differences in the distribution of gender, education (χ2 tests), or age (ANOVA). Since the distribution of migration background (MB) is heterogeneous, we decided to control for this aspect and thus added MB as covariate to our research model. The application of the correlational marker technique indicated that common method variance (CMV) is no major concern in our study (Lindell and Whitney 2001).

III.3.5   Empirical Analyses and Results

We used the empirical data collected from the survey to assess the measurement properties and test the hypotheses of our model. To do so, we use the partial least squares (PLS) structural equation modeling (SEM) approach (Chin 1998; Wold 2004) and the software SmartPLS 3

(Ringle et al. 2018). As our research extends existing theory, we intentionally applied PLS-SEM, following Hair et al. (2014, p. 14). PLS-SEM is superior to covariance-based SEM (CB-SEM) when it comes to "[…] measurement scales, sample size, and residual distributions" (Urbach and Ahlemann 2010, p. 12). In order to validate our assessment and test the significance of our results, we relied on a non-parametric bootstrap procedure (Efron 1979; Efron and Tibshirani 1993) with 5,000 subsamples that are recommended as a rule of thumb (Hair et al. 2014). To detect further effects, we also conducted an examination of mean values.

III.3.5.1   Assessment of Measurement Models

For the test of the reflective measurement models, we rely on indicator reliability, internal consistency reliability, convergent validity, and discriminant validity (Hair et al. 2014; Urbach and Ahlemann 2010). In terms of indicator reliability, as a rule of thumb, indicators' outer loadings should be .700 or higher (Chin 1998). Indicators with an outer loading below .700 should generally be removed, if the removal leads to an increase in composite reliability (CR) or average variance extracted (AVE) (Urbach and Ahlemann 2010; Hair et al. 2014). Hence, we decided to delete items CET3 and CET4. Consequently, all remaining items have a significant outer loading above .700, except CET2, which has an outer loading of .690 (Table III.3-5). According to Urbach and Ahlemann (2010) this small undercut is acceptable in the case of exploratory research, where various authors (Lederer and Sethi 1992; Lewis et al. 1995; Straub 1989) recommend lower thresholds. With respect to internal consistency reliability, we relied on both Cronbach's Alpha (CA) (Cronbach 1951) and CR (Werts et al. 1974). Table III.3-5 shows that all corresponding values exceed the recommended threshold of .700 (Nunnally and Bernstein 1994) or .600 (Bagozzi and Yi 1988). We further use AVE to measure convergent validity (Fornell and Larcker 1981). Since all values are above the recommended minimum of .500 (Bagozzi and Yi 1988; Segars 1997), we take an appropriate level of convergent validity as given (Table III.3-5). Moreover, to assess discriminate validity, we use the Fornell-Larcker criterion (Fornell and Larcker 1981). Table III.3-6 illustrates that the square root of each construct's AVE is greater than its highest correlation with any other construct. Therefore, we assume that all constructs are truly distinct from other constructs (Hair et al. 2014). In summary, the assessment of the measurement models revealed excellent reliability and validity of the construct measures.

Indicator	Survey Wording	Loading	CA	CR	AVE
Intention for future interaction (FI)					
FI1	I will use the follow-up consultation by this financial consultant.	.917***			
FI2	I will use this financial consultant if I need to make further investments.	.963***	.959***	.970***	.890***
FI3	I will use this financial consultant to manage my investments to better suit my needs.	.939***			
FI4	I will continue doing business with this financial consultant.	.953***			
Positive word-of-mouth (WOM)					
WOM1	I will recommend this bank to others.	.952***			
WOM2	I will say favorable things about this bank to others.	.954***	.948***	.967***	.906***
WOM3	I will certainly recommend this bank to friends and acquaintances.	.950***			
Customer satisfaction (CS)					
CS1	I am overall satisfied with the provided service.	.935***			
CS2	The provided service exceeds my expectations.	.959***	.940***	.962***	.893***
CS3	The provided service exceeds my expectations of an ideal service.	.941***			
Customer trust (CT)					
CT1	I believe that the service employee is trustworthy.	.918***			
CT2	I believe that the service employee is honest.	.905***			
CT3	I believe that the service employee is frank and sincere.	.933***	.947***	.960***	.828***
CT4	I believe that the service employee is competent.	.841***			
CT5	I believe that the service employee is credible.	.948***			
Perceived cultural distance (PCD)					
PCD1	Ethnicity is very different from me.	.917***			
PCD2	Nationality is very different from me.	.931***			
PCD3	Language is very different from me.	.807***	.938***	.953***	.804***
PCD4	Customs and culture are very different from me.	.935***			
PCD5	Religious beliefs are very different from me.	.887***			
Intercultural competence (IC)					
IC1	I feel comfortable dealing with people whose… … ethnicity is very different from me	.910***			
IC2	…nationality is very different from me.	.916***			
IC3	…language is very different from me.	.870***	.925***	.943***	.769***
IC4	…customs and culture are very different from me.	.890***			
IC5	…religious beliefs are very different from me.	.791***			
Customer ethnocentrism (CET)					
CET1	We should not buy foreign products because it hurts our economy.	.972***			
CET2	Only products that are unavailable in our country should be imported.	.690***	.668***	.827***	.711***
CET3	Purchasing foreign products allows other countries to get rich off us.	–			
CET4	It may cost me in the long run but I support my own country's products.	–			
*** significant at p < .001; ** significant at p < .01; * significant at p < .05					

Table III.3-5: Indicators' outer loadings and measurement quality indicators from bootstrapping

	CET	CS	CT	IC	FI	PCD	WOM
CET	**.843**						
CS	.086	**.945**					
CT	.039	.785	**.910**				
IC	-.202	.004	.000	**.877**			
FI	.021	.821	.793	.007	**.943**		
PCD	.086	-.035	-.049	-.004	-.098	**.896**	
WOM	.035	.841	.806	.026	.850	-.045	**.952**

Table III.3-6: Interconstruct correlations and square root of the AVE (diagonal)

III.3.5.2   Assessment of Structural Model

As the reliability and validity of the measurement models were given, we were able to evaluate the quality and relationships of the structural model (i.e. collinearity issues, significance and relevance of the relationships, effect sizes, predictive accuracy and relevance).

Firstly, we calculated the variance inflation factors (VIF) to assess collinearity. Since all VIF values are far below 5.0 (Table III.3-7), we assume the absence of collinearity issues (Hair et al. 2014).

Secondly, we examined the significance and relevance of the standardized path coefficients (β) and subsequently calculated the effect sizes (f^2) (Table III.3-7). The path coefficients of H3, H4, and H7 do not show any notable effect size and are not significantly different from zero on a 5% level. All other hypotheses are both supported and relevant, except for H5, which has no notable effect size.

Thirdly, we assessed the predictive accuracy and relevance of the structural model in order to demonstrate its quality. To do so, we calculated the squared multiple correlations (R^2) and the cross-validated redundancy measures (Q^2). As shown in Table III.3-7, the explained variance of the variables CT ($R^2 = .019$) and CET ($R^2 = .041$) can be described as weak. However the values for PCD ($R^2 = .582$) and CS ($R^2 = .616$) can be described as moderate while the values for WOM ($R^2 = .763$) and FI ($R^2 = .732$) can be perceived as substantial, thus illustrating predictive accuracy (Chin 1998). We also applied the blindfolding procedure (Tenenhaus et al. 2005) for a nonparametric Stone-Geisser test (Geisser 1975; Stone 1974) to depict the model's predictive relevance. With all Q^2 values being positive, we assume the predictive relevance of the model (Hair et al. 2014).

To summarize the empirical results of our study: interestingly, we did not find evidence of the expected effects of digital channels (H3) and cultural distance (CD) (H4) on customer's trust in the service employee. However, the moderation IC*PCD (H5) shows a significant impact, even if the size of the effect is small. As predicted, we found substantial evidence of the

influence of CT on CS (H8b), WOM (H8a), and FI (H8c). Furthermore, the results strongly suggest the effect of CS on WOM (H9a) and FI (H9b). Figure III.3-2 illustrates the empirical assessment of the complete research model.

Hypothesis	Relationship	β	f^2	Support (effect)	VIF	R^2	Q^2
H1	CD→PCD	.744***	1.323***	Yes (large)	1.000		
H2	DCR*CD→PCD	.132***	.041*	Yes (small)	1.003	.582***	.433
[Covariate]	MB*CD→PCD	-.077**	.014	Yes (−)	1.001		
H3	DCR→CT	-.005	.000	No	1.012		
H4	PCD→CT	-.048	.002	No	1.013		
H5	IC*PCD→CT	.118**	.015	Yes (−)	1.051	.019	.013
H7	CET*PCD→CT	.026	.001	No	1.056		
H6	IC→CET	-.202***	.043**	Yes (small)	1.000	.041**	.023
H8a	CT→WOM	.380***	.234***	Yes (medium)	2.601	.763***	.654
H9a	CS→WOM	.543***	.478***	Yes (large)	2.601		
H8b	CT→CS	.785***	1.601***	Yes (large)	1.000	.616***	.517
H8c	CT→FI	.389***	.216***	Yes (medium)	2.601	.732***	.611
H9b	CS→FI	.516***	.382***	Yes (large)	2.601		
*** significant at p < .001; ** significant at p < .01; * significant at p < .05							

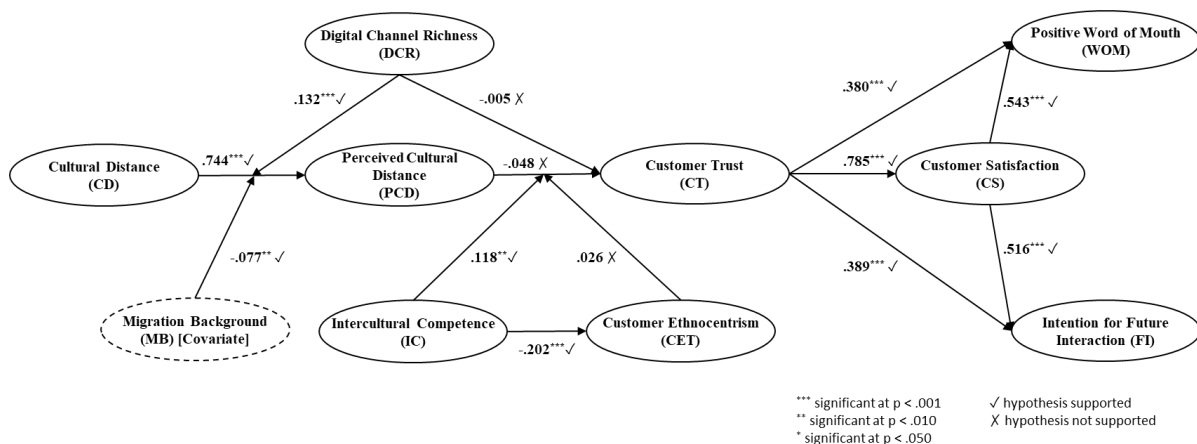**Table III.3-7:** Results of the structural assessment

Figure III.3-2: Results of the research model

III.3.5.3 Examination of Mean Values

Since we did not find evidence that PCD has a direct, linear effect on CT, we conducted further analyses, which we hoped would provide additional insights. Our examinations of scatterplots from the different scenarios led us to assume a non-linear relationship between PCD and evaluations of the digital service encounter. Based on previous results, we are especially interested in the effects of PCD on customers' evaluations of CT, CS, WOM, and FI.

Therefore, we compared the mean values of these constructs in the different scenarios. A comparison of digital channels in the German scenario revealed that we can rank video, audio, and text communication in a descending order (cf. Table III.3-8). Thus, the evaluation of the service encounter (i.e. CT, CS, WOM, and FI) improves with an increasing DCR for the German employee.

Mean Values	CT	CS	WOM	FI
Text – German	2.89	3.10	2.49	2.69
Audio – German	3.25	3.16	2.73	2.85
Video – German	3.32	3.53	2.83	3.08

Table III.3-8: Evaluation of the service encounter in the German scenario

In the Syrian scenario, audio communication leads to the best evaluation of the service encounter (i.e. CT, CS, WOM, and FI) and text communication to the second best. Interestingly, video communication leads to by far the lowest mean values in the Syrian scenario (cf. Table III.3-9).

Mean Values	CT	CS	WOM	FI
Text – Syrian	3.24	3.28	2.54	2.74
Audio – Syrian	3.35	3.41	2.80	2.74
Video – Syrian	2.73	2.59	2.24	2.15

Table III.3-9: Evaluation of the service encounter in the Syrian scenario

If we compare text communication in the two different cultural scenarios (with the name of the service employee as single clue to his cultural background), we see that the Syrian employee achieves a better evaluation. Regarding audio communication (with the voice of the service employee as further clue to his cultural background), the results are very similar to text communication, except for FI. Since we included several identical failures in all scenarios (e.g. misunderstandings) in these two digital channels, we conclude that customers might excuse service failures on the part of the cultural "out-group" more readily than they would excuse them on the part of the cultural "in-group". This suggestion is in line with previous findings (e.g. Stauss and Mang 1999). With respect to video communication (with the visual attire of the service employee as a further clue to his cultural background), the results are completely reversed: the German employee clearly achieves a better evaluation for the service encounter (i.e. CT, CS, WOM, and FI; significant at 0.1% level according to t-test). The boxplots in Figure III.3-3 illustrate the large differences in the evaluation of the service encounter for the German and the Syrian scenario with video communication. We see that the

mean values and the interquartile ranges of CT, CS, WOM, and FI are all smaller, while the mean value and interquartile range of PCD is considerably greater in the Syrian compared to the German scenario (with X representing mean values).
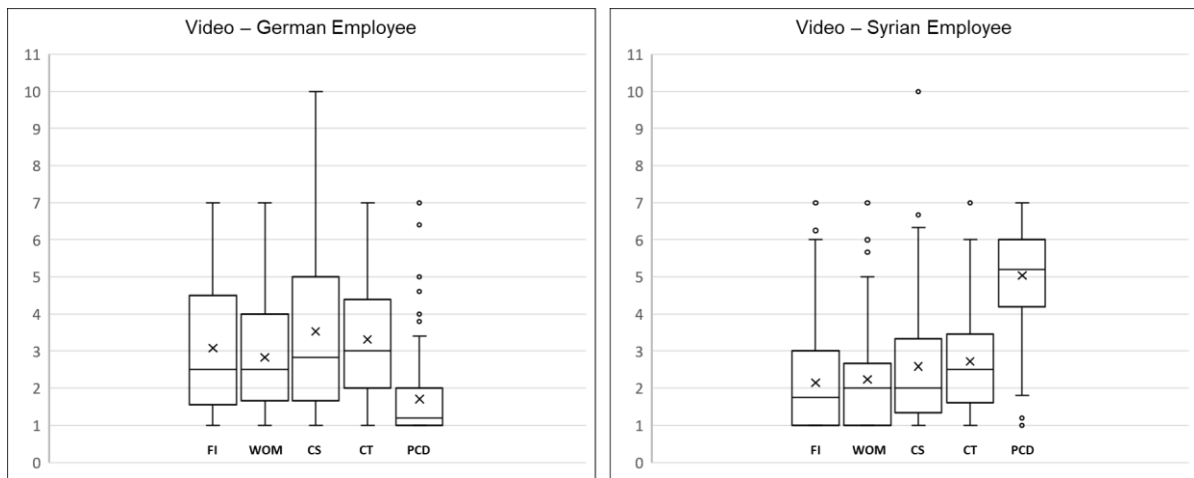

Figure III.3-3: Boxplots for the two video scenarios

Together with the finding that cultural differences are better perceived with an increasing DCR (i.e. video > audio > text; H2) and with respect to earlier results (cf. Gaur et al. 2017; Sharma et al. 2016), we assume PCD will have negative effects on the evaluation of the digital service encounter (i.e. CT, CS, WOM, and FI) via video communication. These effects might be non-linear and mediated, or moderated by other factors, and are subject to further research.

III.3.6 Discussion and Conclusion

In this section, we initially present the theoretical and practical contributions of the results of the empirical analyses. Subsequently, we discuss the limitations of the results as well as the future research, and conclude.

III.3.6.1 Theoretical Contributions

Since we combine existing theories and findings with respect to CRM, intercultural service encounters, and digital communication, our work here makes multiple contributions to the existing literature.

First, we combine theory on intercultural service encounters and digital communication: In correspondence with our hypothesis, the participants perceived the simulated cultural distance (German vs. Syrian). Furthermore, digital channel richness and migration background moderate this relationship as hypothesized. On the one hand, a higher digital channel richness (i.e. video > audio > text) leads to a stronger perception of cultural differences. On the other hand, the existence of a migration background leads to a weaker perception of cultural

distance. This is in line with existing findings (cf. Gimpel et al. 2016). We thus provide additional evidence for established relationships.

Second, we combine theory on intercultural service encounters and CRM: Previous research has found evidence for a negative impact of perceived cultural distance on customer trust in various contexts (e.g. Luo 2002; Yuki et al. 2005). However, in our context of investment consulting we did not find support for this direct relationship across different digital communication channels. This is an interesting result as it contradicts existing findings and therefore requires further research on the effects of perceived cultural distance and the antecedents of customer trust in digital service environments. For the moment, our comparative analysis of mean values for the different settings has revealed clues on the negative impact of perceived cultural distance on the evaluation of digital service encounters via video communication. Yet this, too, must be subject to further research. In line with existing findings (e.g. Bennett and Bennett 2004; Chen 2010), our results show a negative impact of intercultural competence on customer ethnocentrism across the digital channels. Hence, our work provides further evidence for this established relationship.

Third, we combine theory on digital communication and CRM: Since other researchers already have shown a positive effect of channel richness on customer trust in digital contexts (e.g. Gefen and Straub 2003; Greenspan et al. 2000; Qiu and Benbasat 2005), we assumed this effect also for our context. However, we surprisingly were not able to show support for this relationship. Therefore, we cannot transfer the positive effect of perceived media richness and perceived social presence on customer satisfaction, which was found by Gimpel et al. (2016) for digital service encounters, to customer trust in the service employee. Therefore, further research is necessary to examine the moderators in the relationship between digital channel richness and customer trust.

Fourth, we extend theory on CRM: We investigated the consequences of customer trust and CS in our context of investment consulting via digital communication channels. As hypothesized and in line with existing research (e.g. Aljukhadar et al. 2010; Matos and Rossi 2008 for customer trust; Bontis et al. 2007; Tam 2004 for customer satisfaction) we found strong support for the positive impact of customer trust on customer satisfaction, positive word-of-mouth, and the intention for future interaction. Moreover, we found evidence for the positive effect of customer satisfaction on positive word-of-mouth and the intention for future interaction. Thus, we provide complementary support for these established relationships in digital service encounters.

III.3.6.2   Practical Contributions

Besides our theoretical contributions, we can also give preliminary recommendations for service providers.

First, our findings suggest cautiousness when investing in video communication for interaction with customers: Since our comparison of the German and the Syrian scenario indicate negative effects of perceived cultural distance on the evaluation of the digital service encounter in the case of video communication, digital service providers should be careful when investing in this channel. If video communication is the preferred channel for particular digital service encounters, cultural similarity to the customers may be relevant for hiring or assigning service personnel.

Second, our results illustrate the importance of customer trust in digital service encounters: Our results show the crucial role of customer trust in the development of customer satisfaction, positive word-of-mouth, and the intention for future interaction in digital service encounters. Thus, we recommend to investigate relevant factors of trust building in digital service environments for the specific context at hand and to invest in measures to generate customer trust and therefore effective customer relations.

Third, we show that it might be worth investing in the promotion of intercultural competence: Our results show that customers' ethnocentrism reduces with increasing intercultural competence. On the one hand, it might be worth investing in measures to build intercultural competence in the customer base. For instance, companies could provide information about relevant countries, cultures, and migration processes of relevance to their employees. However, the effectiveness of customer education is arguable. On the other hand, it might be worth investing in staff training to develop intercultural competence among the service employees. As a result, service employees would be qualified to perceive customer's ethnocentric tendencies more easily and hence handle customer's concerns or negative attitudes more effectively. Actually, the education of service employees instead of customers appears to be more promising and manageable for firms.

III.3.6.3   Limitations and Future Research

Since the results of this empirical study are beset by certain limitations, there is room for further research. The first of these limitations is the extent to which the six scenarios examined here can accurately simulate a digital service encounter. In other words, the interactivity for the participants was limited. We used previously recorded sequences of text, audio, and video communication for the simulation of these service encounters, yet even though we ran

satisfying quality checks on the credibility of the scenario, the participants may not have experienced an entirely real-life scenario. To address this issue, future research could conduct a laboratory experiment with participants directly interacting with service employees via text, audio, or video communication. Furthermore, since we only used one specific actor for the German and one for the Syrian scenario, personal traits of the actors may have distorted the perception and answers of the participants. A more comprehensive study ought to safeguard against these potential effects by conducting several surveys, each with varying actors representing a specific cultural background. A subsequent comparison of the results would shed light on this currently intangible factor.

The second limitation concerns the application context of the survey. Since we only simulated a specific digital service encounter in the financial services industry (here: investment consulting), the results may not be directly transferrable to other service encounters in the financial services industry or indeed to other industries. Further research should investigate digital service encounters in other scenarios and industries (e.g. telecommunication).

The third limitation is about the punctual observation of two constructs: customer trust and customer satisfaction. Both are stock sizes, the result of evaluations of all relevant customer experiences. Since we only considered one type of interaction between customer and service employee, future research should analyze the effects on customer trust and customer satisfaction across multiple interactions as well as the interdependencies between different communication channels.

The fourth limitation stems from the sample of our survey, which is predominantly composed of young and well-educated participants. Since this group of participants may have a higher intercultural competence, a lower ethnocentrism, and a greater affinity towards digital technologies than the general German population, our results may not be of universal validity. Future research should test the hypotheses for other social groups in a more representative sample.

The fifth and final limitation concerns the potential existence of a socially desirable response behavior of our participants. When working with written questionnaires, it is inherently impossible to safeguard against such behavior. Hence, we are not able to say with certainty that socially desirable response behavior did not have an adverse effect on our findings. Future research could use other research methods such as implicit association tests to gain further insights into this sensitive issue.

Overall, our results reveal interesting fields of further research into the impact of perceived cultural distance on the evaluation of digital service encounters. Since we were not able to show a direct effect of perceived cultural distance but found clues on a negative impact on the evaluation of the service encounter, further research should investigate the role of cultural distance in digital service encounters. Another main field of further research concerns the antecedents of customer trust and the trust building process. Since our results indicate the crucial role of customer trust in the evaluation of digital service encounters, further research should identify relevant antecedents of customer trust in electronic markets.

III.3.6.4 Conclusion

International migration flows have led to increasingly multicultural societies. As a result, intercultural service encounters are also on the increase. Another driver of this development is the increasing digitalization of customer-firm-interactions, which is why we have here examined how the customer's perception of cultural distance influences their evaluation of digital service encounters across different communication channels.

To understand the relationship between perceived cultural distance and other essential constructs in customer relations (i.e. customer trust, customer satisfaction, word-of-mouth, and the intention for future interaction) we developed a theoretical model based on existing literature. We then tested its hypotheses with data from an online survey. Our results illustrate the crucial role played by customer trust and customer satisfaction in digital service encounters, which has allowed us to verify existing findings. What is more, we have demonstrated that digital communication channels are able to transport cultural attributes and that the perception of cultural distance increases with the digital channel richness (video > audio > text). Moreover, we have found indicators that perceived cultural distance has a negative impact on a customer's evaluation of the digital service encounter when it comes to video communication, which we then examined in greater detail. Finally, we have presented theoretical arguments in conjunction with supporting empirical evidence for the positive impact that intercultural competence has on customer ethnocentrism.

In conclusion, the research at hand extends existing literature on the role of perceived cultural distance in digital service encounters and points out interesting fields for future research.

Acknowledgement

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IV   Results, Future Research, and Conclusion

This chapter contains the key findings of this doctoral thesis in section IV.1 and an outlook on future research areas in section IV.2. It also provides a short conclusion in section IV.3.

IV.1   Results

In the following, the key findings of the research papers of this doctoral thesis are presented.

IV.1.1   Results of Chapter II: Understanding Customers' Decision-Making

Chapter II focuses on gaining insights into customers' decision-making in the customer journey. Therefore, research paper 1 presents a theoretical model of bank customers' decision-making process in choosing between ethical and conventional banking and an empirical examination of the model (objective II). Thereby, the external validity of existing theories of ethical decision-making are tested in the context of bank selection with the purpose of providing valuable contributions to overcome ethical bank's challenge of increasing market share (cf. Brown and Dant 2008; Spilski et al. 2018).

The research approach started with an intense literature review concerning existing models of (ethical) decision-making and potential influencing factors relevant to the banking context. Based on existing theories and established relationships, a theoretical model with the customers' decision process in the core of the model and hypothesized effects of various influencing factors was developed in a second step in order to analyze customers' bank selection behavior. Afterwards, a survey was conducted in order to empirically test the hypothesized relationships. The results of the empirical analyses show that a perceived disadvantageous economic benefit, low moral intensity, missing information, and low perceived pressure of the social context may hinder potential customers of switching to ethical banks. Furthermore, a low level of skepticism towards ethical banks and a good reputation were found to push clients towards ethical banks.

Based on these insights, practitioners might pursue an active information policy and marketing campaigns to induce moral awareness of potential customers. One exemplary measure could be the promotion of publicly effective discussions on ethical aspects of banking to further draw attention on this topic and stimulate reflections among bank customers. Moreover, ethical banks might foster customers' intrinsic motivation by establishing a direct link between the consumption of ethical banking products and positive impacts on the life of the customers in particular and the world in general. What is more, ethical banks might

proactively provide educational work on ethical banking with respect to economic aspects in order to overcome the customers' perceived economic disadvantage of ethical banks.

IV.1.2 Results of Chapter III: Understanding Customers' Perceptions and Evaluations

Chapter III focuses on gaining insight into customers' perceptions and evaluations in the customer journey. For this purpose, two specific digital service encounters (online credit card application and online investment consulting) were used to analyze the effects of digital channels and cultural distance on the evaluation of the customer experience. Thereby, the external validity of existing theories of communication and intercultural CRM are probed for digital service encounters (human-to-human interactions) with the purpose of gaining valuable insights for service firms in order to avoid potential negative effects of perceived cultural distance on customer relations (cf. Brown and Dant 2008; Spilski et al. 2018).

In sections III.1 and III.2, the presented modeling approach contributes to the understanding of the effect of communication channels and cultural differences on customer satisfaction for digital service encounters (objective III.1). Starting with a literature review on existing research on the role of perceived cultural differences in service encounters on the one hand and on relevant communication theories on the other hand, the relevant constructs and hypotheses for the model were identified. This step in the research approach generated perceived media richness, perceived social presence, and perceived cultural distance as relevant constructs and potential influencing factors for customer satisfaction. Furthermore, channel and intercultural competence were derived as two moderating factors. Research paper 2 tested the hypothesized relationships via a survey primarily among university students simulating an online credit card application. Research paper 3 contributes complementary insights through a second survey from a more representative sample in the same application context. Both research papers contribute in the following ways: First, they link theory on digital communication and customer relationship management by revealing a positive impact of customers' perceived media richness (research paper 2) and perceived social presence (research paper 2 and 3) on customer satisfaction. Second, they extend existing literature on intercultural service encounters through a measurement of perceived cultural distance and its effect on customer satisfaction in an exemplary digital service encounter. The results reveal clues on a negative impact of customers' perceived cultural distance to the service employee on customer satisfaction in the case of video communication. Third, they bring together cross-

disciplinary research on communication channels and cultural distance as they demonstrate that digital channels (i.e. text, audio, and video chat) transport cultural characteristics.

In Section III.3, the presented modeling approach contributes to the understanding of the influence of communication channels and cultural differences on customer trust and its consequences for digital service encounters (objective III.2). In a first step, the relevant constructs and hypotheses for the theoretical model were derived from a literature review. Thereby, research paper 4 extends research paper 3 by additionally considering customer trust as mediator and customer ethnocentrism as moderator in the relationship between cultural distance and customer satisfaction as well as by adding positive word-of-mouth and the intention for future interaction as further customer evaluations in the model. In a second step, the hypotheses were tested with data from an online survey in the context of an online investment consulting. Research paper 4 provides the following findings: First, it combines theory on intercultural service encounters and digital communication by showing evidence for the ability of digital channels to transport cultural clues and the positive effect of digital channel richness on the perception of cultural distance. Second, it combines theory on intercultural service encounters and customer relationship management by revealing clues on the negative impact of customers' perceived cultural distance on the evaluation of digital service encounters via video communication. Third, it combines theory on digital communication and customer relationship management, but cannot show a significant effect of digital channel richness on customer trust. Fourth, it confirms theory on customer relationship management. In line with existing research, strong support for the positive impact of customer trust on customer satisfaction, positive word-of-mouth, and the intention for future interaction was found.

Based on these preliminary insights, firms should be cautious when investing in video communication for interaction with customers. If video communication is the preferred channel for particular digital service encounters, cultural similarity to the customers may be relevant for hiring or assigning service personnel. Moreover, firms should invest in the identification of relevant factors of trust building for their digital environments in order to support the building of customer trust and therefore effective customer relations. Third, it might be worth investing in the promotion of intercultural competence among service personnel. Providing information about relevant countries, cultures, and migration reasons may qualify service employees to interact more effectively in cross-cultural settings, for example, by perceiving customers' ethnocentric tendencies more easily and hence handling customers' concerns or negative attitudes in a better way.

IV.2 Future Research

To provide a concluding outlook on the research topics in this doctoral thesis, potential aspects for future research are highlighted for each chapter in the following.

IV.2.1 Future Research in Chapter II: Understanding Customers' Decision-Making

Research paper 1 has the following limitations that provide opportunities for future research:

- The developed model of bank customers' ethical decision-making stops at the process step "moral intent". Though moral intent seems to be a good predictor of moral behavior according to existing literature, there might be an intention-behavior gap. Thus, future research may shed light on the relationship between moral intent and moral behavior in the context of bank selection by two ways: First, by conducting an in-depth analysis of existing literature on the so called "attitude-behavior gap" and its transferability to bank selection. Second, by conducting a follow-up study including an observation of the actual bank selection behavior.

- Furthermore, according to one reviewer of the Journal of Business Economics, the discussion of literature on ethical decision-making would be more complete when additionally considering Joshua Greene's dual process theory (Greene 2014) and Jonathan Haidt's social intuitionist model (Haidt 2001), which consider the role of intuitive, non-reflective judgements in human decision-making. The relevant literature will be integrated in the next iteration.

- Since the ongoing digitalization leads to a change in customer behavior and a shift of the competitive situation in the financial services industry, existing models of customer decision-making (e.g. Rest 1986; Ajzen 1991) should be reconsidered. Accounting for this aspect would further improve the model.

- Another reviewer recommendation of the Journal of Business Economics for improvement is the supplement of a more detailed description of the literature review procedure and a more detailed, theory-driven derivation of the model hypotheses.

IV.2.2 Future Research in Chapter III: Understanding Customers' Perceptions and Evaluations

Further research may address the following weaknesses of research papers 2 and 3:

- The theoretical model is very complex. A simplification of the model by reducing the number of variables and hypotheses and focusing on the main effects would be a further improvement.

- The theoretical model at hand analyzes the direct effect of digital channels and cultural distance on customer satisfaction. A follow-up study could analyze mediator effects (e.g. service comfort, attitudes towards digital technologies) describing psychological mechanisms during the development of customer satisfaction.

- The preliminary evidence of a negative impact of cultural distance on customer satisfaction for video communication call for further research to gain a deeper knowledge of this effect.

- With respect to the dynamic character of the customer journey and experiences, the results are limited due to merely examining a single customer-firm interaction. Future research should analyze the hypothesized relationships across several interactions and multiple channels.

- The simplifying assumption of linearity regarding the independent variable "digital channel" may distort the results of the data analyses. Future research should adopt the state of the art regarding statistical analysis techniques in the case of a multicategorial independent variable (cf. Hayes and Preacher 2014).

- Since the developed model is only tested in one specific application context (here: online credit card application), the generalizability of the results is restricted. Further research should validate the findings for other application contexts in the financial service industry as well as for other industries.

- Another enhancement would be an extension of the initial discussion of the research gap and the concrete contribution, based on existing theory (e.g. media richness theory) including marketing literature, which is currently relatively brief. An alternative introduction and motivation of the research question would be a demonstration of the relevance for business practice, for example by presenting the results of a small survey among practitioners.

- In this spirit, a more detailed derivation of the model hypotheses based on relevant literature would be another refinement of the research paper.

Future research may address the subsequent limitations of research paper 4:

- Since the theoretical model at hand comprises a multitude of variables and hypotheses, focusing on the main effects by reducing the number of variables and hypotheses would be an improvement.

- As no direct effect of the digital channel richness on customer trust was found, further research should investigate the mediators in this relationship.

- Moreover, the preliminary evidence of a negative impact of cultural distance on customer evaluations for video communication calls for further research to achieve a more comprehensive understanding of these effects.

- In order to provide further new insights, additional mediators of the effect of cultural distance on customer evaluations (e.g. feeling right, similarity) could be integrated in the model, as customer trust is a well-established mediator.

- Since the single static customer experiences in the customer journey have an impact on the dynamic customer experience, customer trust and the overall customer satisfaction, the results are limited as only a single customer-firm interaction was regarded. Future research should analyze the hypothesized effects across several interactions and multiple channels.

- Again, the developed model is only tested in one specific application context (here: online investment consulting) and therefore the generalizability of the results is restricted. Further research should validate the findings for other application contexts.

In summary, these potential research opportunities provide various starting points for further research on customers' decision-making, perceptions, and evaluations in the customer journey.

IV.3   Conclusion

Summarizing the research papers presented in Chapter II and III, this doctoral thesis contributes to the existing literature in customer experience management by investigating specific aspects of customers' decision-making, perceptions, and evaluations in the customer journey. Though this doctoral thesis surely provides only preliminary answers to some selected questions, it contributes to previous work in this area. Since customer experience management will continue to play an important role in the course of digital customer journeys, this doctoral thesis hopefully can provide some valuable theoretical and practical insights for some specific aspects of customers' decision-making, perceptions, and evaluations in order to deliver positive customer experiences in the customer journey. Regarding customers' decision-making in choosing between ethical and conventional banking, research paper 1 found evidence for perceived economic drawbacks, missing information for the topic of ethical banking, and missing pressure of the social context as being obstacles for becoming a client of an ethical bank. With respect to customers' perceptions and evaluations of an online credit card application, research papers 2 and 3 found evidence for the positive effects of media richness (2) and social presence (2 and 3) on customer satisfaction. Furthermore, they found clues on the negative effect of customers' perceived cultural distance to the service employee on customer satisfaction in the case of video communication. In the context of an online investment consulting, research paper 4 shows the crucial role played by customer trust in the development of positive customer evaluations. Moreover, the results – similarly to research papers 2 and 3 – indicate that perceived cultural distance has a negative impact on customers' evaluation of the digital service encounter when it comes to video communication. Moreover, the results of research papers 2, 3, and 4 illustrate that digital communication channels are able to transport cultural attributes and that the perception of cultural distance increases with digital channel richness from text to audio to video communication.

IV.4 References

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