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HOW CUSTOMER EXPERIENCE MANAGEMENT RECONCILES STRATEGY DIFFERENCES BETWEEN EAST AND WEST

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HOW CUSTOMER EXPERIENCE MANAGEMENT

RECONCILES STRATEGY DIFFERENCES BETWEEN EAST AND WEST

Abstract

This paper studies how customers of a global firm evaluate their experiences within and across 44 countries. It focuses on customers' emotional, cognitive, sensory and behavioral responses to the catalog experience. It develops a theory-based model of satisfaction with the catalog experience as a function of experiential attributes and control variables. A second model captures how each experiential attribute's contribution to the customer experience is influenced by market and customer characteristics. The models were operationalized using survey data from 366,185 customers who used the firm's catalog across different trade areas in 44 countries, yielding 571 equations that describe satisfaction with the customer experience. Consistent with theoretical work on context-dependent judgments, nine contingency factors explain significant and substantial amounts of variation (30% on average) in the elasticities of the 12 experiential attributes. East and West can appear similar when market characteristics are similar – or when they are different. Emotional, cognitive, sensory, and behavioral responses to the customer experience systematically differ due to economic, demographic, technological, cultural and consumer characteristics. East and West especially differ in terms of responses to emotional and sensory experiences. Customer experience management can help to shape a strategy that resolves strategy differences between East and West.

Keywords: customer experience, management, retailing, brand, satisfaction, catalog, global strategy, emotions, behavior, cognition

Introduction

Over the past fifty years, global brands have become increasingly important to both firms and consumers (Douglas & Craig, 1989; Zou & Cavusgil, 2002), and firms have placed increased emphasis on customer experience management as a key source of competitive advantage (Pine & Gilmore, 1998; Schmitt, 1999). Marketers have adopted the term customer experience (CX) to refer to the emotional, cognitive, social, sensory, and behavioral dimensions of activities that connect the customer and the firm over time (Berry et al., 2002a; Lemke et al., 2011; Lemon & Verhoef, 2016). This definition encompasses *all* customer activities in which the firm is the focal object, including engagement and other non-purchase-related activities (e.g., online photo sharing, word-of-mouth). While the CX perspective is a natural extension of customer relationship management (cf. Parvatiyar & Sheth, 2001), CX management emphasizes the need for marketers to attend closely to situational characteristics or contingency factors that moderate the effectiveness of marketing decision variables. In general, firms that stage excellent customer experiences can expect to achieve increased cash flows and long-term business success (Gupta & Lehmann, 2003).

Conceptual work on CX management suggests that market characteristics (e.g., economic and cultural factors) and customer characteristics (e.g., goals and socio-demographics) tend to *moderate* the effect of experiential attributes on consumer evaluations (Verhoef et al., 2009). This contingency-based approach to CX management aligns with current perspectives on strategic global marketing. Recently, Steenkamp (2019) has noted that recent economic, political and social changes may pose challenges to the balance between standardization and adaptation of products and services for different markets. Sheth (2011) identified five key characteristics of emerging markets that differ radically from traditional industrialized markets: market

heterogeneity, socio-political governance, chronic shortages of resource, unbranded competition, and inadequate infrastructure. Sheth's argument that marketers must rethink fundamental assumptions about market orientation, market segmentation, and differential advantage is supported by empirical evidence that strategy standardization leads to superior business performance *only* when a global firm's marketing strategy aligns with the environmental context (Sin et al., 2005; Vorhies & Morgan, 2003), including regulatory environment, technological intensity and velocity, customs and traditions, customer characteristics, product life cycle stage, and competitive intensity (Katsikeas et al., 2006).

The current emphasis on CX management is at odds with marketing strategies that require product and service standardization across specific customer groups—that is, across nations or cultures (Holt et al., 2004; Zou & Cavusgil, 2002). As CX is context-specific, customer preferences regarding experiential attributes are likely to vary significantly within and across markets in ways that are not (yet) fully understood. For example, e-marketing strategies are likely to depend on a specific country's infrastructure and marketing institutional development (Sheth & Sharma, 2005). As CX management gains in importance, firms are less likely to standardize CX attributes, as the increased contribution margins in adapting to market conditions and customer characteristics may outweigh the associated costs. It follows that a profitable strategy for global brands requires a delicate balance between standardization and adaptation of CX to different markets and customer groups.

The present study examines *customer responses to experiential attributes* (i.e., elasticities) that influence satisfaction with the catalog experience. The dependent variables are elasticities that measure customer responses to 12 experiential attributes along *four dimensions* of the customer's catalog experience used by cooperating retailers as key performance indicators: emotions (fun,

difficult, expectancy-disconfirmation), cognition (ease of finding, ease of use, providing a broad overview, providing information for a visit, providing all information needed), sensory (attractive environment, appealing products, provides ideas and inspiration) and behavioral (product satisfaction). These 12 attributes were selected because prior catalog research has confirmed their importance to customers (Baker et al., 2002; Gehrt & Yan 2005; Mathwick et al., 2002); they are also relevant for many firms and are actionable by managers.

This paper examines how customers' responses to experiential attributes vary in systematic ways across markets with different characteristics. It empirically investigates whether the importance of an experiential attribute –such as fun (an emotion) or an attractive environment (a sensory attribute) – to customer satisfaction with the CX varies systematically depending on market and customer characteristics. We focus here on the moderating effects of market and customer characteristics on experiential attributes because although these are beyond the firm's control, they are likely to shape customer satisfaction judgments. The empirical work is based on cross-sectional data from 44 countries. We chose to focus on the catalog CX because the printed format means that design and delivery is similar across markets.

The results reveal systematic patterns in how market and customer characteristics moderate the effects of experiential attributes on satisfaction with the CX. Systematic differences in market characteristics such as market size, growth, urban density, income, and education − influence the importance of experiential attributes across trade areas and countries. For example, East and West are especially different in their responses to emotional and sensory experiences. These insights can guide managers in balancing standardization and adaptation to manage the CX in different countries. Cultural and customer characteristics –uncertainty avoidance, trust and loyalty behavior− are also associated with considerable variation in how customers respond to

experiential attributes. Marketing strategies must be adapted to address these "soft" factors and effectively manage the CX for specific customer groups. The present study offers insights into how firms can leverage CX management as an element of global marketing strategy to effectively allocate resources across customer groups, trade areas, and countries.

** Figure 1 here **

Prior Research on Customer Experiences with Catalogs

In this study, the ultimate dependent variable was customer satisfaction with the catalog experience (right side of Figure 1). This section briefly summarizes what is known about customer satisfaction with the catalog experience *(Catalog CX Satisfaction)* – identifying both main effect and moderator variables.

Experiential Attributes

Four decades of theoretical and empirical research (e.g., Oliver 2014; Szymanski & Henard 2001) have established that satisfaction *levels* depend on the main effects of expectancy-disconfirmation and other experiential attributes. In the case of catalogs, the relevant attributes include convenience, pre-order informativeness, post-selection informativeness, and design quality (Gehrt & Yan, 2005; Griffith et al., 2001; Mark et al., 2019; Mathwick et al., 2002; Vijayasarathy & Jones, 2000). As previously mentioned, customer experiences encompass five dimensions: emotions, cognition, sensory, social, and behavioral (Lemon & Verhoef, 2016). Our empirical work identified 12 experiential attributes corresponding to four of those five dimensions: emotions (fun, difficult, and expectancy-disconfirmation), cognition (ease of finding, ease of use, providing a broad overview, providing information for a visit, providing all information needed), sensory (attractive environment, appealing products, provides ideas and

inspiration) and behavioral (product satisfaction). These experiential attributes have main effects on *Catalog CX Satisfaction*, as shown on the left side of Figure 1.

Based on this framework, we can specify a model of *Catalog CX Satisfaction*. Following Berry (2000), we assumed that the consumer has a prior evaluation of the retailer's brand (*Brand Satisfaction*). In line with information integration theory (Anderson, 1971; Hogarth & Einhorn, 1992; Slovic & Lichenstein, 1971), we postulated that the consumer forms his/her satisfaction judgment by using brand satisfaction as an anchor and updating it using his/her perceptions of experiential attributes (*Experiential Attributes*). Algebraically,

Catalog Satisfaction = f (*Brand Satisfaction*, *Experiential Attributes*, *Control Variables*) (1).

Depending on the study context, Equation (1) may include various control variables. In particular, shopping studies have typically assigned customer goals to three categories—buying, browsing, and searching—and focal goals are likely to moderate (i.e., magnify or diminish) certain aspects of the CX (Bagozzi & Dholakia, 1999; Campbell & Warren, 2014; Moe, 2003). Following Tarasi et al. (2021), our empirical work estimated separate CX satisfaction equations for three market segments – customers who are buying, browsing and searching—for each trade area. See the top right of Figure 1.

Stage 1 Model of Satisfaction with Main and Moderator Effects

Marketing academics have identified a need for research on how contextual variables moderate the effect of experiential attributes on customer evaluations of the retail experience (Grewal et al., 2009). However, no previous study has focused specifically on moderator variables that influence customer satisfaction with the catalog experience. According to Verhoef et al.'s (2009) conceptual CX framework, experiential attributes are moderated by market (or "situation") characteristics (e.g., economic and cultural variables) and by customer characteristics (e.g.,

customer attitudes and socio-demographics) in the formation or their evaluations of the customer experience. Expanding equation (1), then,

Catalog Satisfaction = f (*Brand Satisfaction*, *Experiential Attributes* × *Market Characteristics*, *Experiential Attributes* × *Customer Characteristics*, *Control Variables*) (2).

Equation (2) describes a general model of customer satisfaction with the catalog experience that incorporates moderator effects. The moderator variables (contingency factors) are shown across the top of Figure 1. Note that the control variables in equation (2) could include main effects of market and customer characteristics.

Recall that the focal dependent variables in our model are the *elasticities of 12 experiential attributes* that influence customer satisfaction with the catalog experience, each deriving from CX satisfaction equations that capture the relative importance of a particular experiential attribute (e.g., ease-of-use) for catalog customers in different markets. The next section examines which market and customer variables might moderate these 12 experiential attributes across different markets, thereby influencing the magnitude of their elasticities. Specifically, we studied five categories of moderator variable: economic (e.g., disposable income), demographic (e.g., education), technology (e.g., internet penetration), cultural, and customer (e.g., trust) descriptors.

Conceptual Framework

Marketers have long understood that economic and social contingency factors have main and moderating effects on customer behavior (e.g., Grewal et al., 2009). The present study builds on existing research to explore how market and customer characteristics moderate experiential attributes that influence satisfaction with the catalog experience. In line with previous conceptual work on service strategy (Bharadwaj et al., 1993), we considered nine contingency factors that

we predicted would moderate the effect of experiential attributes on satisfaction with the catalog experience, so influencing the magnitude of associated elasticities. Due to a lack of prior research on this topic, this paper is primarily descriptive; we did not advance a formal directional hypothesis for each variable. Instead, the following section reviews theoretical and empirical reasons for studying the selected market and customer characteristics.

Theoretical Work on Context-Dependent Judgments

Customer experiences unfold in complex ways within and across touchpoints, including traditional stores, mobile apps, and social and digital media (Berry et al., 2002a; Verhoef et al., 2009). In psychology (Kardes et al., 2004) and marketing (Grewal et al., 2009), a substantial body of research confirms that customer evaluations are context-dependent. The present study focuses on customer experiences associated with a single touchpoint (a catalog published by a global brand), thereby controlling for touchpoint as contextual variable (right side of Figure 1).

Studies of context-dependent preferences provide a theoretical basis for predicting that market and customer characteristics will affect customers' psychological processes, including evaluations of catalog experiences. In particular, customers rely on the processes of attention, information integration, and learning when evaluating their experiences (Weber & Johnson, 2009). Fiedler (2007) observed that construal level theory can serve as an integrative framework in explaining a wide range of judgment and decision-making phenomena, including preference reversals, across various domains.

Market Characteristics

We consider seven market characteristics—category size, growth rate, urban density, disposable income, education, uncertainty avoidance and internet penetration—for the following reasons. First, economic variables are known to capture differences across countries within a given region

(Talukdar et al., 2002). We incorporated *Category Size* (in Euros) as a proxy for market potential. High *Growth Rate* and *Urban Density* also offer opportunities in consumer markets (Craig & Douglas, 2001), as customers learn about brands and change their preferences (Dynan, 2000; Erdem et al., 2006). These market conditions can change how customers judge catalog experiences; for example, Magids et al. (2015) argued that customers in growing markets attend to emotional attributes of the customer experience. We also incorporated socio-economic variables such as *Disposable Income* (Seiders et al., 2005) and *Education* (Hargittai & Hinnant, 2008) because these variables are also likely to influence customer preferences.

Second, cultural factors are known to influence consumer emotions and motivation, as well as cognitive processes (e.g., abstract versus concrete thinking), categorization, information processing, and decision making (e.g., Deleersnyder et al., 2009; De Mooij & Hofstede, 2011; Hsieh et al., 2003). Here, we deployed Hofstede's *Uncertainty Avoidance Index* because it is thought to capture how customers handle the inherent uncertainty of economic and social processes (Steenkamp, 2001). Uncertainty avoidance seems especially likely to intensify customer attention to information and the importance of information usage, so it is also likely to influence customer responses to catalogs.

Finally, infrastructure, and especially technology, is an important factor in the present context (Katsikeas et al., 2006; Sheth & Sharma, 2005; Sin et al., 2005). For example, construal theory suggests that spatial distance may explain why customers' responses to (distal) online shopping experiences differ from in-store (proximal) shopping experiences (Liberman et al., 2007). On that basis, the extent to which customers use the Internet to make purchases in the focal category *(Internet Penetration*) is likely to influence how they respond to attributes of the catalog experience.

Customer Characteristics

We also looked at two customer characteristics commonly studied in earlier work (e.g., Swait, 1994): the proportion of shoppers who are loyalty club members (Seiders *et al.*, 2005) and average levels of trust in the firm (Hunneman et al., 2015). In general, we would expect loyal and/or trusting customers to be less sensitive to experiential attributes and more strongly anchored in prior judgments.

Stage 2 Model of Elasticities

We can measure customers' responses to experiential attributes by deriving point elasticities for each experiential attribute from the CX satisfaction equation for a given customer goal and trade area. An elasticity can be interpreted as measuring the importance or magnitude of a particular experiential attribute's effect on *Catalog CX Satisfaction*. As elasticity is a unitless measure of the magnitude of an experiential attribute's effect on CX satisfaction, we can detect systematic differences in magnitude of elasticity of a specific experiential attribute (k) across markets by specifying and estimating a second model:

$$\textit{Experiential Attribute Elasticity}_k = h_k\,(\textit{Market Characteristics, Customer Characteristics}) \quad (3).$$

Having studied elasticities for 12 experiential attributes, we estimated 12 equations (k = 1, …12). Each equation includes nine predictor variables corresponding to the specified market and customer characteristics, along with a constant. This two-stage approach to studying elasticities (especially price elasticities) has been in use for decades (e.g., Bolton, 1989a; Houthakker & Magee, 1969).

Study Context and Model Operationalization

The current study was conducted with a retail chain that operates in 44 countries. The retailer distributes an attractive and popular catalog to keep consumers informed about its products and

to direct them to its stores, which sell home décor, furnishings, and related accessories and services, all under a global brand name. The retailer is well established as a value store brand in the global marketplace (i.e., good quality for low prices). The catalog is designed to offer an informative and engaging pre-purchase experience, including appealing products, new ideas for the home, and convenient access to merchandise and services. The catalog is highly successful, with high penetration in the retailer's markets.

We focused on the catalog CX for three reasons. First, catalogs have a long history as a convenient and widely used touchpoint (Reynolds, 1974; Vijayasarathy & Jones, 2000). Second, they provide a well-defined customer-firm interaction that is designed in similar ways across all countries and they have the same book-like format with to a large degree standardized products. Yet, they may be interpreted and experienced in different ways by customers. Finally, the catalog offers a rich CX in some dimensions (e.g., sensory, especially visual attributes) and a more limited CX in others (e.g., social).

The cooperating firm administered the same survey across all of its trade areas in 44 countries, where trade areas correspond to the geographic area around the location of each store. We obtained online consumer survey data elicited from 366,185 respondents between the last quarter of 2010 and spring of 2014. The survey measured all aspects of customers' recent experience using the catalog. On average there are 12 trade areas per country. However, some small countries are treated as a single trade area. We estimate a separate equation for each combination of goal and trade area. There are separate equations for customers with different focal goals –buying, browsing, or searching– in each country's trade areas. This yielded 571 separate CX equations describing how each market segment (i.e., consumers with a particular goal) used the catalog in each trade area across the 44 countries.

Operationalization of the *CX Equation*

The survey elicits ratings of many variables studied in prior academic work (Parasuraman et al., 2005; Berry et al., 2002b; Wolfinbarger & Gilly, 2003). Table 1 shows the predictor variables used in the CX equation, along with measures, means, and standard deviations. Focusing on the aforementioned twelve experiential attributes, we included other measures as control variables. Since the survey didn't ask about social experiences with the catalog, we are unable to study how customers respond to social experiences. The correlations among predictor variables (which are not shown) are modest. The five-point response scales for consumer perceptions are language-free. The scale is a smiley (☺) where a larger number of smileys indicates a more favorable rating. The rest of the survey responses were dichotomous and coded yes=1, no=0. The survey captured four emotions: fun (exciting, fun, inspiring, entertaining); difficult (complicated, stressful, frustrating, tiring, annoying); functional (informative, useful, functional); and boring (boring, dull). Item ratings were averaged for each emotion. In the second stage model, we focused on two emotions (fun and difficulty), as well as expectancy-disconfirmation (unmet expectations), because of their good explanatory power.

** Tables 1 & 2 here **

Functional Form of CX Equation

Many studies provide a theoretical rationale for why there is a non-linear relationship between satisfaction and its antecedents, where the effect of experiential attributes may depend on moderator variables that describe the customer's consumption context (Bolton & Myers, 2003; Mittal & Kamakura, 2001; Mittal et al., 2004; Oliver, 1999; Hofstede et al., 1999; Seiders et al., 2005; Tarasi et al., 2013). Preliminary analyses indicated that the exponential functional form fit slightly better than the linear or multiplicative functional form for all equations. Existing

empirical evidence suggests that elasticity estimates (or response function coefficients) are not especially sensitive to differences in functional form (Bolton, 1989b; Tellis, 1988; You et al., 2015).

Equation (2) can be operationalized as follows:

$$\textit{Catalog CX Satisfaction}_{GT} = \exp\left(\Sigma\, \boldsymbol{\beta}_{GT}\underline{X}\right) \quad (4),$$

where $\underline{X}$ is a vector of variables representing *Brand Satisfaction, Experiential Attributes, Market* and *Consumer Characteristics*; G denotes whether the customer was browsing, searching, or buying; and T denotes the trade area. As Equation (4) is inherently interactive, it is parsimonious in capturing moderator effects; it can be estimated using ordinary least squares (OLS) by taking the natural logarithm, as follows:

$$\text{Ln}(\textit{Catalog CX Satisfaction}_{GT}) = \Sigma\, \boldsymbol{\beta}_{GT}\underline{X} \quad (5).$$

The equation includes a diverse array of experiential attributes beyond the classical antecedents of customer satisfaction; see for example Szymanski & Henard's (2001) meta-analysis of customer satisfaction studies. As *Catalog CX Satisfaction* and *Brand Satisfaction* were measured on identical scales, we can study the influence of factors beyond overall customer satisfaction with the brand. This approach also adjusts for individual differences in scale usage.

Estimation of CX Equation

OLS was used to estimate up to three equations (corresponding to three goals) for each trade area in each country. A trade area is the geographic area from which a store generates the majority of its customers. Trade areas differ in terms of socio-economic characteristics such as average household income and urban density. Each country has (on average) 12 trade areas and there are 44 countries which yields 571 CX equations. To ensure comparable statistical power for all equations (Columb & Stevens, 2008), we required 150 observations for each CX equation. This

procedure yielded an average of 530 observations per equation. By estimating separate equations for each goal and trade area within each country, we allowed goal, trade area, and country to moderate every predictor variable in the equation. It is less restrictive to estimate separate equations for each combination and then to observe systematic differences across elasticities rather than to pool data and/or impose across-equation constraints.

The results of the OLS estimation procedure are shown in Table 3. On average, the model explains 50% of the variance in *Catalog CX Satisfaction*. Table 3 shows the true correlation of observed and predicted values of the dependent variable (rather than transformed values). The explained variance aligns with satisfaction equations previously reported in the literature (Fornell et al., 1996). We did not eliminate variables from any equation unless they were highly non-significant ($p > 0.50$) in most cases, as their removal could lead to omitted variable bias.

Estimation of Elasticity Equations

We derived the elasticity of experiential attribute k ($Elasticity_k$) for customers with goal G in trade area T from equation (4) and use it as the dependent variable in equation (3). We then estimated a second stage model consisting of 12 equations that analyze how the importance of each CX attribute varies due to the effects of each trade area's nine market and customer characteristics. In particular, we looked at economic characteristics (average disposable income and industry size), demographics (literacy levels and urban density), technological differences (internet penetration of category sales), and cultural characteristics (uncertainty avoidance), as well as customer characteristics (trust levels and loyalty club incidence). These market and customer characteristics are readily available to global firms from suppliers such as Euromonitor, so they can be used in managerial decision-making. Table 2 lists market and customer characteristics and how these were measured. Since we study k experiential attributes, we

estimate k versions of equation (2). We use weighted least squares (WLS), where the weights are the inverse of the standard errors from the first stage equations, scaled to sum to one. This procedure improved the precision of our elasticity estimates.

Results

This section briefly summarizes the results for the equations describing customer satisfaction with the catalog experience. However, it focuses on the second stage model of how the elasticities of experiential attributes are influenced by market and customer characteristics.

** Tables 3 & 4 about here **

OLS Results for CX Equations

Table 3 shows the weighted average values of the coefficient estimates for each goal and trade area, along with the average t-values. By using standardized rather than raw coefficients, the effects of experiential attributes on customers' overall judgments can be easily compared. The *Brand Satisfaction* coefficient is relatively large and statistically significant in virtually all 571 equations, as we would expect in light of its anchoring role. Consistent with prior research, unmet expectations (i.e., expectancy-disconfirmation) and product satisfaction were identified as important antecedents of CX satisfaction. The majority of experiential attributes (54%) are significantly different from zero ($p < 0.05$) in the 571 *CX* equations. In general, coefficients of experiential attributes were more often statistically significant for those buying or browsing than for consumers who were searching. Although not discussed here, control variables also frequently achieved statistical significance.

WLS Results for Elasticity Equations

Table 4 shows WLS coefficient estimates for market and customer characteristics for the 12 elasticity equations; estimates of the coefficients of control variables are not shown. WLS

ensures that precise elasticity estimates were weighed more heavily, where precision was measured by the inverse of the standard error of the coefficient and the weights were scaled to sum to one. The 12 equations show very good explanatory power, with an average adjusted R-squared of 30%. However, the range (13–60%) is large, depending on the experiential attribute. We performed 108 one-tailed t-tests to assess whether a given coefficient differed from zero ($p \leq 0.10$), corresponding to 12 equations and nine predictor variables. As Table 4 shows, 58 coefficients of market and customer variables (54%) were statistically significant, far exceeding the chance level of 10%.

Discussion

Main Effects of Experiential Attributes in the CX Equation

Table 3 shows that the *direction* of each variable's effect on *Catalog CX Satisfaction* is the same across all three goals (when coefficients are statistically significant and differ from zero). Favorable experiences (e.g., fun) have positive effects on *Catalog CX Satisfaction* while unfavorable experiences (e.g., difficult) have negative effects. Effects are also quite large when compared to traditional antecedents such as expectancy-disconfirmation (unmet expectations). The magnitudes of standardized coefficients in Table 3 are roughly equivalent for consumers who are preparing to buy or browsing but are larger than for consumers searching for information. Experiential attributes do not explain *Catalog CX Satisfaction* very well for consumers who are searching – despite true R-Square values that are comparable to the other equations – for two reasons. First, when customers are searching, the catalog experience is probably just one step in the customer journey, as catalog users are more likely than other customers to interact more directly with the firm across multiple touchpoints. A second reason is that overall brand satisfaction has a larger effect on *Catalog CX Satisfaction* for those who are

searching than for customers who are buying or browsing.

Moderating Effects of Contingency Factors in Elasticity Equations

Tables 4a and 4b show the results for elasticity equations. The coefficients capture the moderating effects of market and customer characteristics on experiential attributes in the underlying CX equations. Consistent with theoretical work on context-dependent judgments, the nine contingency factors explain significant and substantial amounts of variation (30% on average) in the elasticities of the 12 experiential attributes. This constitutes strong evidence of context dependence in how customers evaluate their catalog experiences. Since there is a paucity of theoretical and empirical work on moderating effects, we could not make directional predictions regarding the effects of each market and customer characteristic. Hence, future research could explore the theoretical rationale for these empirical regularities. In discussing the specific results below, we offer some suggestions regarding the underlying mechanisms explaining different moderating effects.

***Emotional Dimension*.** The first three columns of Table 4 indicate that customers are more sensitive to unexpected experiences (e.g., fun, expectancy-disconfirmation) in countries where a large percentage of the population is urban. When the industry sector has a high percentage of internet sales for a given country, catalog customers weigh fun more heavily and difficulty less heavily. When a country has high levels of disposable income and literacy, customers are more sensitive to emotions (fun and difficult). High literacy levels are also associated with less sensitivity to unmet expectations (expectancy-disconfirmation), possibly because those customers have well-defined expectations in relation to catalogs. In sum, these findings suggest that customers in more developed countries seek out enjoyable experiences, feel frustrated when their goals are not met, and have well-defined expectations regarding CX.

The results in Table 4 support the empirical regularity observed in Table 3 indicating that browsing customers (a hedonic goal) are more sensitive to both positive and negative emotions. In addition, Table 4 shows that in markets where there is a high level of trust in the brand, customers are more sensitive to difficulty and unmet expectations. In contrast, markets with more loyalty club members are less sensitive to both of these attributes, possibly because customers are more knowledgeable about how the CX unfolds for this brand. In sum, the results for the emotions equations highlight that consumers in large or growing markets seek hedonic value from their CX. This finding is consistent with recent evidence that growth strategies must connect companies to consumers at an emotional level (Magids et al., 2015; Reinartz et al., 2011).

Cognitive Dimension. When category sales are large and/or the percentage of online category sales is high, customers pay more attention to cognitive experiential attributes such as broad overview of information, information for a visit, and/or providing all information needed. One possible explanation for this finding is that these markets are more competitive, so that customers pay more attention to information regardless of their shopping goal. In addition, when a market is characterized by high internet penetration for the category, customers become much more sensitive to ease of finding information.

Customers in markets with high disposable income are more sensitive to ease of use and to multiple aspects of information provision. In contrast, customers in markets with high education levels are *less* sensitive to ease of use and information provided prior to a store visit. Interestingly, markets with a high percentage of urban customers or higher levels of uncertainty avoidance are *less* sensitive to provision of a broad overview and providing all information needed. It seems likely that these customers are seeking other ways of reducing perceived risk,

such as relying on the brand as a quality signal.

When assessing the CX, customers who are browsing place less weight on ease-of-use, ease-of-finding or information provision. Customers in markets with high trust in the brand or a large percentage of loyalty club members are similar with two exceptions. In markets with high trust in the brand, customers are more sensitive to ease of finding and to information provided for a store visit; in markets with a large percentage of loyalty club members, customers are sensitive to the catalog providing all the information. These findings indicate that information provision is a critical aspect of CX in large and growing markets. However, some customer groups who are more knowledgeable about the brand rely on trustworthiness and catalog ease-of-use and are likely to have high expectations that the brand will provide all the information they need.

Sensorial Dimension. In markets where disposable income is high, catalog attractiveness becomes less important as an element of CX while product appeal becomes more important. However, customers in urban markets assign greater weight to catalog attractiveness when assessing CX. When customers are browsing, the appeal of products is also more important. Greater weight is assigned to ideas and inspiration in markets characterized by high uncertainty avoidance, high internet penetration in the category, high trust levels, and low loyalty club membership. In contrast, product appeal is more important to the CX in markets with high education levels, and ideas and inspiration are less important. This pattern of markets suggests that the attractiveness of the catalog and its products is important in markets where economic conditions are good, but cultural and technological factors can shift the emphasis toward less concrete experiential attributes such as ideas and inspiration

***Behavioral Dimension*.** We regard product satisfaction as a behavioral experiential

attribute because it is typically based on (prior) purchase and/or consumption of the product. The results show that the importance of product satisfaction depends primarily on economic and technology factors. In assessing the CX, customers weigh product satisfaction less heavily in markets with large category sales and more heavily in markets where customers have high income or there is high internet penetration. This suggests that product satisfaction is more important in markets where customers have many alternatives from online or offline competitors.

Summary

The relative importance of experiential attributes for all four CX dimensions differs significantly and substantially across markets. Taken together, these findings show that there is a solid foundation for the construction of a global marketing strategy that consistently promises certain experiential attributes of the brand in every market. Slightly more than half the statistically significant differences across elasticities can be explained by economic descriptors of the market: category size, income, education, urban density, and internet penetration. Thus, East and West can appear similar (in predictable ways) when economic factors are similar or different. However, the elasticities of customers in emerging markets – which will tend to have lower values for all five economic factors – will be different (in predictable ways) from more developed trade areas and markets. As these factors change, it is possible that emerging markets will become more similar to developed markets.

Almost as many differences in elasticities across markets are explained by cultural factors such as uncertainty avoidance and customer factors such as trust, loyalty, and shopping goals as by economic factors. These "soft" factors contribute to considerable heterogeneity in how customers evaluate their experiences within and across markets. From this standpoint, East and West appear quite different, especially in terms of emotional and sensory experiences, and they

are likely to remain so. For that reason, CX management can play an important role in resolving the tension between standardization and adaptation by identifying effective CX management strategies for specific markets.

Managerial Implications

The findings from this study are encouraging for global firms. There are sufficient systematic findings across markets to support a global marketing strategy that includes promises of a consistent CX. Specifically, an understanding of how economic factors are associated with how customers weigh experiential attributes provides opportunities for the firm to allocate resources within and across trade areas and countries. However, CX management will require much more customization to emerging markets than this firm has previously practiced.

Role of the Catalog Experience

There are two reasons why bricks and mortar retailers have traditionally used catalogs to drive customer store visits. First, as customer delivery in many markets is handled by the nearest store, customer pickup simplifies deliveries and reduces costs. Second, as online customers make fewer spontaneous purchases than in-store customers, store visits are more profitable for the retailer. However, as customers often prefer the convenience of online and mobile shopping, retailers continue to improve their mobile apps and employ strategies such as ship-from-store, scan-&-go, and same-day delivery. Creating a seamless system that supports favorable customer experiences across goals and touchpoints must therefore be a strategic priority, and our findings suggest that a seamless system will be especially important in developed (as opposed to emerging) markets.

Many retailers have reduced or eliminated the distribution of catalogs because they are costly and their financial benefits are not evident. In 2010, JC Penney removed their catalog ─only to bring it back in 2015 after discovering that many online sales came from shoppers

inspired by what they saw in print. In 2016, Victoria's Secret decided after (at least) three decades to stop mailing catalogs; they had mailed about 350 million catalogs annually. In contrast, Patagonia uses its catalog to communicate with their customers, re-enforcing the lifestyle and causes that animate the company and its customer base. The cooperating retailer relies heavily on its catalog −one of the most widely distributed catalogs across the globe. However, online sales expansion had led to questions about the catalog's benefits. This study helps identify markets where the catalog is likely to be valuable to both customers and the firm.

Influence of Market and Customer Characteristics on Marketing Strategy

The catalog is likely to support the profitability of other touch points for some markets and customer groups but not for others. For that reason, deciding whether to retain or drop the catalog in a given market requires a deep understanding of how different customer groups use the catalog in conjunction with other touchpoints, taking due account of cultural and customer characteristics. For example, high uncertainty avoidance tends to diminish customer sensitivity to experiential attributes, especially regarding cognitive elements such as information provision. On the other hand, trust magnifies customer sensitivity to emotional, cognitive, and sensory attributes. As a tangible signal of brand quality, the catalog offers an opportunity to indirectly enhance customer perceptions of the brand (including perceptions of risk), thereby reducing customer uncertainty while increasing trust.

** Table 5 here **

***Managerial Scenario*.** Recall that the cooperating retailer has an established position as a value store brand (i.e., good quality for low prices) in the global marketplace, where the quality and assortment of its merchandise are relatively standardized across markets. Nevertheless, Table 5 shows that there can be considerable differences in the brand and product ratings (left

two columns) in different markets. Surprisingly, market and customer factors offset some of these differences so that overall catalog satisfaction ratings (right column) for Sweden (a developed economy in the West) and China (a developing economy in the East) are highly similar. The explanation is that contingency factors influence the importance of experiential attributes for the catalog in the two markets. As trust levels are much lower in China than in Sweden, Chinese customers assign greater weight to expectancy-disconfirmation, ease of finding, and information when evaluating their catalog experience. Disposable income is much higher in Sweden than China, so the attractiveness of the catalog becomes less important and the appeal of the products becomes more important to the catalog experience. As a consequence of this difference in how consumers in the two countries evaluate their catalog experiences, catalog satisfaction is significantly lower than brand and product satisfaction in Sweden while all three ratings are roughly equivalent in China. For these reasons, the cooperating firm is interested in understanding the customer journey and how the catalog connects to other touch points (traditional stores, the website, and customer service centers) for customers in different markets.

The Role of Emotional and Sensorial Attributes

Although the global marketplace has been transformed by social media, customers' catalog experiences continue to play a meaningful role. Customers' differentially respond to its experiential attributes beyond their overall perceptions of the brand. Perhaps surprisingly, the firm's catalog consistently delivers emotional and sensory experiences under diverse market conditions and for diverse customer groups. Hence, it is not simply a way to provide information (thereby influencing cognition) to customers− although that is one of its functions. As a component of CX management, customers' catalog experiences can contribute to the firm's global marketing strategy. As customer experiences in other touchpoints (especially in-store and

online) play an important role in global marketing strategy, further research is needed to generalize the present findings across touchpoints, firms, and countries.

Concluding Remarks and Future Research

This study supports thought leaders who have argued that economic, political and social variables can cause substantial differences across markets –especially emerging versus developed markets (Sheth 2011; Steenkamp 2010). As standardization is effective only when a global marketing strategy aligns with its environmental context (Katsikeas et al., 2006), we contend that customer experience management should play an important role in a global market strategy. Our empirical findings show that East and West can appear similar (in predictable ways) when economic factors are similar. However, the formation of emotional, cognitive, sensory, and behavioral responses to the customer experience exhibit considerable variation within and across markets. Hence, East and West are also very different –especially when we seek to understand emotional and sensory experiences. Customer experience management can play an important role in developing a strategy that resolves these differences.

Further research is needed in several areas. First, although the present study encompassed multiple markets, we analyzed data from a single retailer so that factors unique to this firm might influence our findings. Future studies should therefore examine how market and customer characteristics moderate customer experiences for different brands or categories. The strength of our approach is that we are able to keep the brand constant across many markets, but studying other brands or categories might uncover new contingency factors.

Second, the present study focused on the catalog; while this is a somewhat neglected element of the customer experience, future research in this area should look at other touchpoints, including stores, websites, and customer care centers. Third, our data enabled a relatively

comprehensive view by examining four dimensions of the customer experience and 12 experiential attributes. However, it did not consider the social dimension of the customer experience. In addition, it did not include repeated measures from the same customer. Research that studies different touchpoints or studies the customer journey over time could improve managers' understanding of the customer experience.

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Table 1. Catalog CX Satisfaction Constructs, Measures and Descriptive Statistics†

Construct	Measure	Mean	Std. Dev.
Dependent Variable: Catalog CX Satisfaction	Scale (1 to 5; 5=☺☺☺☺☺)	3.9335	0.8544
Predictor Variables			
Brand Satisfaction	Scale (1 to 5; 5=☺☺☺☺☺)	4.0540	0.8086
Emotions			
Expectancy-Disconfirmation	Scale (1 to 5; 1=much worse than expected, 5=much better)	3.1754	0.7787
Exciting	Average of emotions, 0 to 1	0.2819	0.2513
Frustrating	Average of emotions, 0 to 1	0.0232	0.0860
Functional	Average of emotions, 0 to 1	0.2801	0.2708
Boring	Average of emotions, 0 to 1	0.0126	0.0841
Cognition			
Ease of Finding	Scale (1 to 5; 5=☺☺☺☺☺)	3.4264	0.9959
Ease of Buying/Using	Scale (1 to 5; 5=☺☺☺☺☺)	3.7141	0.9214
Overview of Store	Scale (1 to 5; 5=☺☺☺☺☺)	3.7038	0.9541
Providing Info	Scale (1 to 5; 5=☺☺☺☺☺)	3.4550	0.9685
Help Prepare Store Visit	Scale (1 to 5; 5=☺☺☺☺☺)	3.6197	0.9521
Sensory			
Ideas & Inspiration	Scale (1 to 5; 5=☺☺☺☺☺)	3.9753	0.8757
Products I Like	Scale (1 to 5; 5=☺☺☺☺☺)	3.8237	0.8607
Inviting & Attractive	Scale (1 to 5; 5=☺☺☺☺☺)	3.9807	0.8607
Behavioral			
Product Satisfaction	Scale (1 to 5; 5=☺☺☺☺☺)	0.2735	0.4457
Consumer Characteristics			
Bought previously	1=Yes, 0=No	0.4435	0.4968
Shop only this store	1=Yes, 0=No	4.0253	0.9741
Loyalty Program	1=Yes, 0=No	0.6266	0.4837
House – Apartment	1=Yes, 0=No	0.3004	0.4584
House – Studio	1=Yes, 0=No	0.0224	0.1481
Living – Single	1=Yes, 0=No	0.1143	0.3181
Living – With Children	1=Yes, 0=No	0.4439	0.4968

† Each CX equation included 28 predictor variables. Because of space limitations, the table refers only to selected variables. Experiential attributes in the second stage equation are included, along with brand satisfaction and consumer characteristics to describe the global sample. Emotion-related variables are averages of underlying dichotomous variables describing discrete emotions (as discussed in the text).

Table 2. Elasticity Equation Constructs: Market and Customer Characteristics

Measures of Market and Customer Characteristics			
Category	**Construct**	**Source**	**Prior Research**
Economic	Category Size (Euros)	Euromonitor	Hsieh et al. (2003)
	Category Growth Rate 2011-12 (%)	Euromonitor	Kreutzer (2009) Lenhart et al. (2010)
	Mean Disposable Income per person (Euros)	Euromonitor	Urbonavicius & Pikturniene (2010), Chu & Choi (2011)
Demographic	Education (% Literate)		Hargittai & Hinnant (2008)
	% Urban	Euromonitor	Talukdar et al. (2002)
Technology	Internet Sales as percentage of Category Sales	Euromonitor	Cyr et al. (2005)
Culture	Uncertainty Avoidance Index	Hofstede	Lim et al. (2004)
Consumer	Loyalty Club Member (percentage of all customers surveyed)	Internal records	Burnham et al. (2003)
	Trust Level (average of all customers surveyed)	Internal records	N/A

*All measures are country-level, with the exception of loyalty club penetration and average trust level, which were sourced from internal company records.

Table 3. Catalog CX Satisfaction Equations: Average Standardized Coefficients and T-Statistics for Experiential Attributes†

Customer Group	**Buy**		**Browse**		**Search**	
Predictor Variable↓	**Standardized Coefficient**	**T-statistic**	**Standardized Coefficient**	**T-statistic**	**Standardized Coefficient**	**T-statistic**
Emotions						
Expectancy-Disconfirmation	0.030	3.117	0.024	3.646	0.021	0.672
Fun	0.026	1.090	0.039	1.406	0.057	0.410
Difficult	-0.242	-3.577	-0.302	-4.018	-0.092	-0.480
Cognition						
Ease of Finding	0.014	1.410	0.012	1.609	-0.021	-0.014
Ease of Use	0.024	2.442	0.021	2.704	0.039	0.551
Overview	0.019	2.120	0.022	2.677	0.047	0.998
Providing All Info Needed	0.007	0.958	0.009	1.195	0.015	0.353
Info for Visit	0.029	2.223	0.009	1.828	0.021	0.528
Sensory						
Ideas & Inspiration	0.019	1.473	0.028	2.872	0.028	0.445
Appealing Products	0.020	1.681	0.023	2.294	0.023	0.325
Attractive	0.031	2.863	0.047	5.080	0.029	0.559
Behavioral						
Product Satisfaction	0.035	2.710	0.043	3.376	0.059	1.009
True R-Square	0.48		0.48		0.54	

†Each CX equation included 28 predictor variables. The table shows only the coefficients of experiential attributes used in the elasticity equations. As there is considerable variance across the CX equations, a low average t-statistic does not imply that the coefficient was never statistically significant; the coefficient may have been statistically significant for some regions, countries, or customer groups.

Table 4a. Second Stage Results: Elasticity Equations Estimated with Weighted Least Squares†

	Emotions			Cognitions				
Dependent Var → Predictor ↓	**Fun**	**Difficult**	**Better/Worse than Expected.**	**Ease of Finding**	**Ease of Use**	**Providing a Broad Overview**	**Providing info for a visit**	**Providing all info needed**
Intercept	0.0436***	2.0299***	0.8362***	0.1027***	0.2912***	0.2193***	0.7527***	-0.3549***
Category Size	-0.0000 (0.0000)	0.0000* (0.0000)	0.0000 (0.0000)	-0.0002 (0.0004)	-0.0001 (0.0000)	3.68E-08* (2.21E-08)	0.0011** (0.0005)	-0.0006 (0.0006)
Income	8.04E-07** 3.08E-07	-0.0000*** (0.0000)	0.0000 (0.0000)	4.10E-07 (1.33E-07)	1.75E-07** (1.03E-07)	5.03E-07*** (1.30E-07)	4.34E-07*** (1.40E-07)	5.46E-07*** (1.89E-07)
Education	0.0060* (0.0038)	0.0696* (0.0207)	-0.0053*** (0.0014)	0.0004 (0.0017)	-0.0024** (0.0013)	-0.0002 (0.0016)	-0.0056*** (0.0017)	0.0023 (0.0022)
Urban	-0.0016*** (0.0005)	-0.0022 (0.0036)	0.0008*** ((0.0002)	Not included.		-0.0007*** (0.0002)	Not included	
Internet Penetration	0.6054** (0.2967)	-5.1139*** (2.1691)	0.2545*** (0.1007)	0.1784* (0.1243)	0.4940*** (0.0975)	0.4377*** (0.1308)	-0.0002 (0.0003)	-0.8634*** (0.1858)
Uncertainty Avoidance	0.00005 (0.0002)	-0.0017 (0.0017)	-0.0001 (0.0001)	-0.0002*** (0.0001)	0.0000 (0.0000)	-0.0004*** (0.0001)	0.2901 (0.1439)	-0.0008*** (0.0001)
Trust	-0.0789 (0.0852)	1.2989*** (0.5174	0.0922*** (0.0275)	0.10091*** (0.0314)	-0.0680*** (0.0262)	Not included	0.1063*** (0.0358)	0.0390 (0.0506)
Loyalty Club %	-0.0145 0.0202	-0.5206*** (0.1211	-0.0215*** (0.0068)	-0.0142** (0.0077)	-0.0235*** (0.0062)	-0.0225* (0.0087)	-0.0086 (0.0092)	0.0273*** (0.0109)
Goal (Browse)	-0.0099* (0.0069)	0.0931** (0.0472)	-0.0009 (0.0023)	-0.0846*** (0.0254)	-0.0164*** (0.0032)	-0.0216*** (0.0031)	-0.0113*** (0.0043)	-0.0159*** (0.0059)
F-Statistic	5.02***	11.75***	18.45***	8.13***	10.7***	12.33***	15.41***	21.94***
R^2	0.16	0.66	0.35	0.23	0.25	0.31	0.35	0.47
Adj. R^2	0.13	0.60	0.33	0.20	0.23	0.28	0.33	0.45
Observ'ns	449	115	571	460	522	492	478	415

† Variables controlling for trade area characteristics (e.g., catalog coverage in the trade area) are not reported. One-tailed tests: *p<0.10, **p<0.05, ***p<0.01

Table 4b. Second Stage Results: Elasticity Equations Estimated with Weighted Least Squares†

Dependent Var → Predictor ↓	**Sensory**			**Behavioral**
	Attractive	**Appealing Products**	**Ideas & Inspiration**	**Product Satisfaction**
Intercept	-0.0928***	0.1370***	0.2446***	0.8390***
Category Size	1.21E-08 (3.29E-08)	-8.68E-08*** (3.10E-08)	-0.0004 90.0004)	-1.08E-07*** (2.91E-08)
Income	-6.05E-07*** (1.9E-07)	7.06E-07 (1.82E-07)	3.07E-07*** (1.29E-07)	6.09E-07*** (1.65E-07)
Education	0.0015 (0.0023)	0.0006*** (0.0022)	-0.0019* (0.0013)	-0.0078*** (0.0020)
Urban	0.0013*** (0.0004)	0.0005 (0.0004)	Not included	0.0002 (0.0004)
Internet Penetration	-0.0302 (0.1889)	-0.1462 (0.1847)	0.2194** (0.1262)	0.3614** (0.1725)
Uncertainty Avoidance	-0.0000 (0.0001)	-0.0002 (0.0001)	0.0002** (0.0001)	0.0000 (0.0001)
Trust	Not included		0.1039*** (0.0326)	Not included
Loyalty Club%	-0.0079 (0.0115)	-0.0139 (0.0102)	-0.0128** (0.0064)	0.0026 (0.0113)
Goals (Browse)	-0.0005 (0.0049)	-0.0309*** (0.0044)	0.0097** (0.0037)	-0.0231*** (0.0041)
F-Statistic	8.05***	16.42***	9.41***	7.42***
R2	0.20	0.38	0.24	0.18
Adj. R2	0.18	0.36	0.22	0.16
Observ'ns	550	467	481	545

†Coefficients with standard errors in parentheses; variables controlling for trade area characteristics (e.g., catalog coverage in the trade area) are not reported.
One-tailed tests: *p<0.10, **p<0.05, ***p<0.01

Table 5. Satisfaction with the Catalog Experience: Differences across Countries†

Country	Brand Satisfaction	Product Satisfaction	Catalog Satisfaction
Developed or High Income Economy (e.g., Sweden/West)	4.08	4.00	3.76
Middle Income Economy (e.g., Romania)	4.19	4.27	4.00
Developing or Low Income Country (e.g., China/East)	3.74	3.80	3.73

†Developed/developing classification depends on study time period. Values indicate satisfaction ratings on a five-point scale.

Figure 1. Conceptual Framework